



# Annual Income – Removing the Mystery

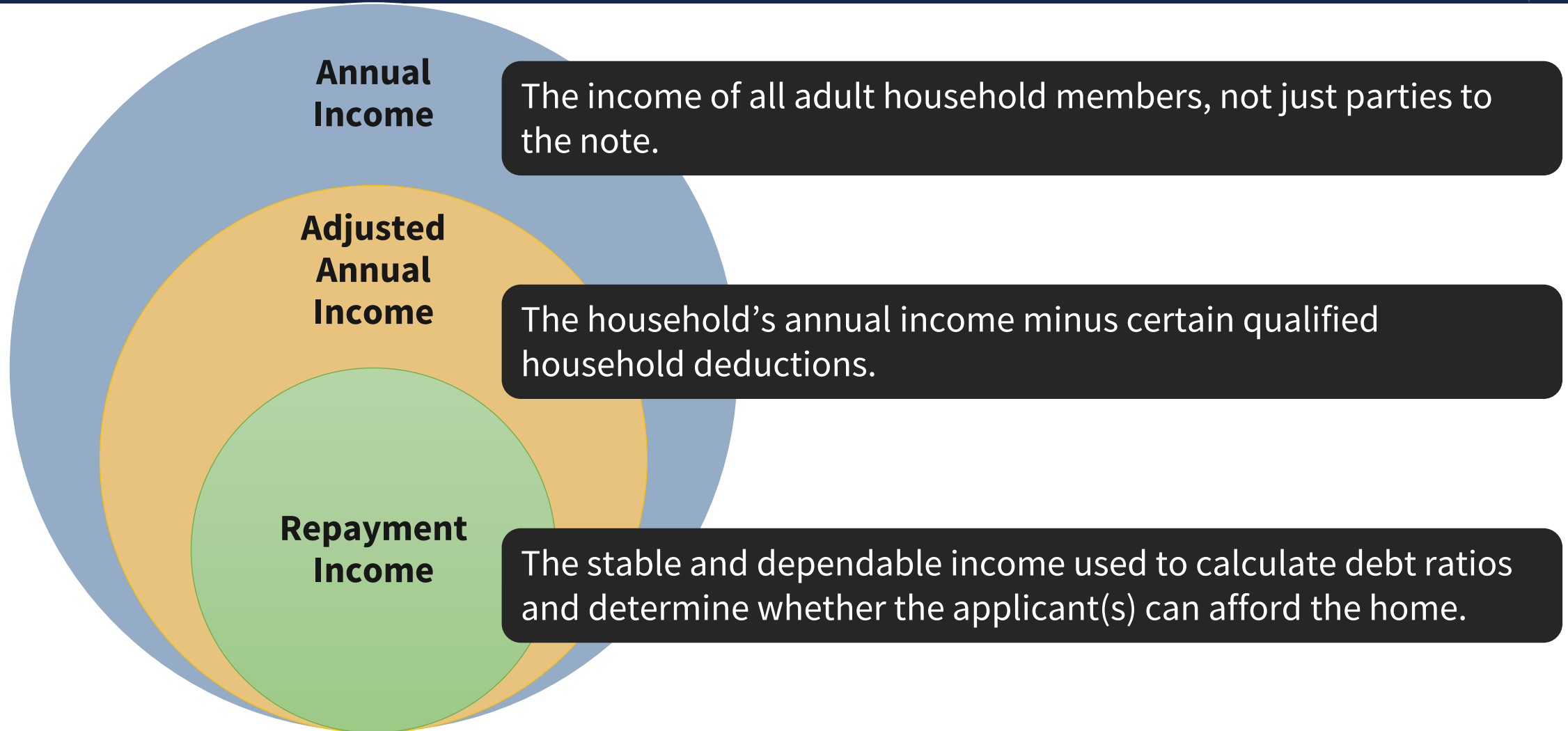
Presented by: Trish Cousins, Finance and Loan Analyst, Lender and Partner Activities Branch

# Today's Topics

- Income Eligibility
- Annual Household Income
- Adjusted Annual Household Income
- Q&A



# Income Definitions



# Eligibility Requirements

## 7 CFR Part 3555

Subpart D

3555.151

*“Eligibility Requirements”*

What the  
“regulation” says.

**(a) Income eligibility:** At the time of loan approval, the household's adjusted income must not exceed the applicable moderate-income limit. The lender is responsible for documenting the household's income to determine eligibility for the SFHGLP.

# Annual Income

## **HB-1-3555**

Chapter 9

Paragraph 9.3

*“Annual Income”*

What the  
“handbook” says.

“Annual income will include all eligible income sources from all adult household members, not just parties to the loan note. The annual income for the household will be used to calculate the adjusted annual household income. The adjusted annual income determines if the household is eligible for a guaranteed loan.”

# Adjusted Annual Income - Definition

## 7 CFR Part 3555

Subpart D

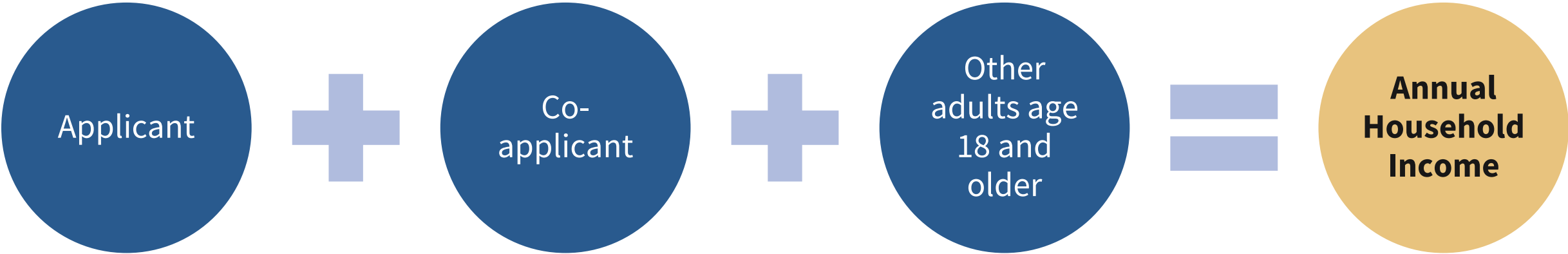
3555.10

*“Definitions and abbreviations”*

What the  
“regulation” says.

**Adjusted annual income.** Income from all household members who live or propose to live in the dwelling as their primary residence for all or part of the ensuing 12 months. Adjusted annual income is used to determine whether an applicant is income-eligible for a guaranteed loan, or interest assistance, if applicable. Adjusted annual income provides for deductions to account for varying household circumstances and expenses. See 3555.152(c) for a complete description of adjusted annual income.

# Total Household Income



# Annual Income



Include ALL sources of income for ALL adult household members.



Review income documentation.



Types of income earned and its history. (salary/hourly, overtime, bonus, commission, self-employed, child support, unemployment, etc.)



Consider the time of year the applicant applies.



# Calculation of Annual Income



Use the **gross amount**, before any payroll deductions, of base wages and salaries, overtime pay, commissions, fees, tips, bonuses, housing allowances and other compensations for personal services of all adult members of the household.

*(Unless they meet the exclusion criteria of 3555.152(b)(2) and Attachment 9-A).*



Documented cost of living allowances or wage increases that will be effective on or before loan closing, must be included in the annual income calculation.



Only include the **first \$480** of earned income from **adult full-time students** who are not the applicant, co-applicant, or spouse of an applicant.



Include the income of an applicant's spouse, unless the spouse has been **living apart** from the applicant for at least **three months**.

*(For reasons other than military or work assignment.*

*OR*

*Court proceeding for divorce or legal separation have been commenced.)*

# Calculation of Annual Income

An adult member that is currently unemployed but is seeking new employment must have their previous earnings included in the annual income.

- The previous earnings are not required to be included when there is documented evidence to support they are not seeking to be reemployed, such as a tendered resignation, official termination from previous employer, or a signed statement from the adult household member that they do not plan to pursue new employment.

Income verifications provided by the applicant that do not currently support historical earnings with the same employer.

Verified changes of income amounts or sources in the ensuing 12 months must be documented.


# Calculation of Annual Income

Income sources that will not be received for the entire ensuing 12 months must continue to be included in annual income unless excluded under 3555.152(b)(5).

Annual income is the total of all income sources for a 12- month timeframe.

The Income Calculations, must state: the income source, the number of months receipt remaining for the ensuing 12- month timeframe, and the total amount to be received.

# Verification Requirements




Written, oral, or electronic verifications, and documents provided or prepared by third-party

Original forms replaced with Fax, photocopies, digital images and computer-generated documents

Verifications or documents transmitted by or passed through an interested third party such as builders, real estate professionals, or sellers are not acceptable

Altered documents are not acceptable



# Verification Requirements



The lender is responsible for the integrity and accuracy of the information in the mortgage underwriting file.



Verification and documentation of household annual income will be retained in the lender's permanent case file.



Paystubs/earning statements must include adequate information to calculate income and include year-to-date earnings.



All Paystubs/earning statements that are dated no earlier than 30 days prior to their initial loan application date.



W-2 forms must include the most recent one-or-two years as applicable. W-2's must clearly identify the applicant and employer.

Review Attachment 9-A



Refer to Applicable Column



Retain All Documentation in the Permanent Case File



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). Exclusions may apply under 3555.152(b)(5) and Attachment 9-D.		
Considerations for Income Calculations		
<ul style="list-style-type: none"> <li>Income used in Repayment Income calculations must be confirmed to continue a minimum of three years into the mortgage.</li> <li>If the income is tax exempt, it may be grossed up 25 percent.</li> <li>"Documentation Source Options" lists eligible documentation. Every item listed is not required unless otherwise stated. Lenders must meet the income verification documentation requirements outlined in this Chapter.</li> </ul>		
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.	<p><b>Required History:</b> None, the income must be received at the time of loan application.</p> <p>Lenders must document:</p> <ul style="list-style-type: none"> <li>the applicant is currently receiving the income, and</li> <li>the amount of the income received each month</li> </ul> <p>Benefits that do not include expiration dates on the documentation will be presumed to continue.</p>
<p><b>Documentation Source Options:</b></p> <ul style="list-style-type: none"> <li>Benefit/Award letter to document the amount and duration of payments</li> <li>Online payment schedule from the Agency, bank statements, etc.</li> <li>Federal income tax returns or IRS tax transcripts with all schedules</li> </ul>		
Automobile Allowance	Include amounts documented on the pay statements as taxable gross earnings that will be received in the ensuing 12 months.	<p><b>Required History:</b> One year</p> <p><b>Continuance:</b> Income will be presumed to continue unless there is documented evidence the income will cease.</p> <p>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.</p>
<p><b>Documentation Source Options:</b></p> <ul style="list-style-type: none"> <li>Paystub(s)/Earning statement(s)</li> <li>Contract/agreement from employer to state terms and duration of payments</li> <li>Federal income tax returns or IRS tax transcripts with all schedules</li> </ul>		

# NOT Included in Annual Household Income

Earned wage income of minors

Foster child/adult payments

Reimbursements for medical expenses

Income of dependents over 18 that are full time students (only count first \$480)

Temporary or sporadic income

Income with no recurring pattern

Lump sum payments

Earned income tax credits

Adoption assistance

Refunds for property taxes

Amounts paid by a State agency to a family with a disabled family member living at home

Student financial aid

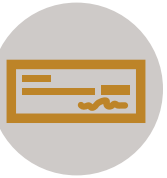
Earnings of live in aids

Employer fringe benefit packages unless they are taxable income

SNAP benefits

# Income Verification Requirements

## Streamlined Documentation



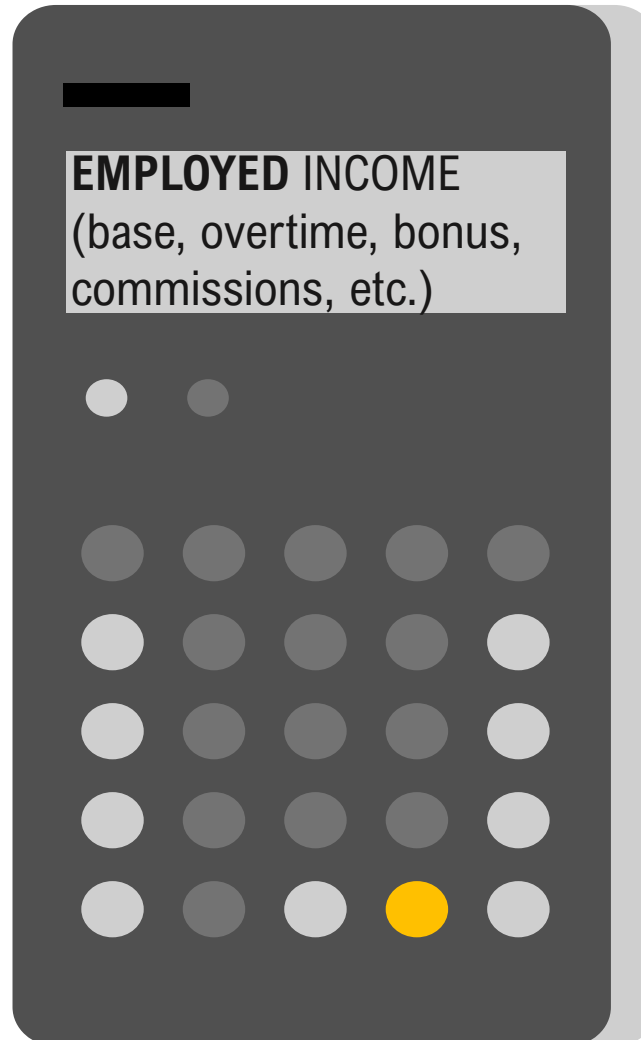
1 recent paystub with YTD figure



Written VOE  
(may be electronically generated from employer or verification service if complete information is provided)



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



## Full Documentation



Paystubs covering the most recent four weeks of earnings



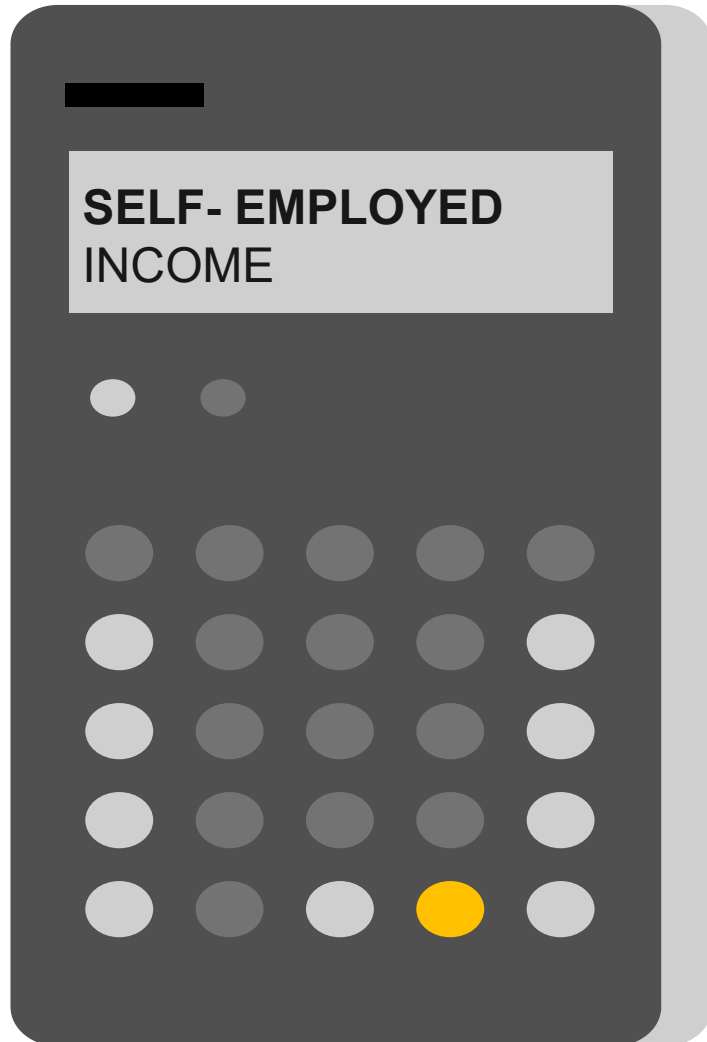
W-2's for the most recent two tax years



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



# Income Verification Requirements



2-years of signed individual 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

# Verification Requirements



Tax returns for self-employed borrowers must be copies of the original returns filed with the IRS and include all supporting schedules.



Lenders may substitute IRS transcripts obtained directly from the IRS with all supporting schedules.



Lenders must continue to obtain the most recent two years of returns as applicable.



USDA requires all applicants to be current on their income tax filings.

# Verification Requirements

Applicants with approved IRS extensions for the current tax year may continue to be eligible if they are not delinquent on taxes owed.

Evidence of the extension and tax payment made, if applicable, must be retained in the lender's permanent loan file.

USDA does not require an applicant to file a return for the current tax year if the IRS schedule/deadline for that tax year has not passed (i.e. prior to April 15th).

**\*Refer to Attachment 10-A for IRS Taxes/Delinquency guidance\***



# Verification Requirements

Income and asset documents and verifications cannot be greater than 120 days old at time of loan closing.

Divorce decrees, income tax returns, and other documents that do not expire, will continue to have the most recent or filed copy accepted.

Income and asset documents greater than 120 days old at the time of loan closing must be updated or re-verified to support applicant/household eligibility.



# Income From Assets

Cumulative net family assets (non-retirement) of \$50,000 or greater

Lenders must review asset information provided by applicant(s) and household members at the time of loan application

Net family assets with **actual earnings**

Use the **stated rate of interest** to calculate annual income

Net family assets that **do not earn** interest

Use a **current passbook savings rate** (verified through the lender's personal banking rates, online website, etc.) to calculate annual income

# Types of Income

Adults	Minors
Bob ( <i>Applicant</i> ) ( <i>full-time employment; \$20,000 joint checking/savings</i> )	Jenny ( <i>part-time employment</i> )
Sue ( <i>Co-Applicant</i> ) ( <i>full-time employment; \$20,000 joint checking/savings</i> )	Lily
Grandpa Happy ( <i>SSI and 401k; \$70,000 joint checking &amp; savings</i> )	Ben
Grandma Happy ( <i>SSI and 401k; \$70,000 joint checking &amp; savings</i> )	Sophie
Sam ( <i>full-time college student</i> )	Twins Lucy & Lucas

## The “Happy” Family



# Annual Income

HB-1-3555, Chapter 9, Section 1

Adults	Minors
<b>Bob</b> ( <i>Applicant</i> ) (full-time employment; \$20,000 joint checking/savings)	<b>Jenny</b> (part-time employment) \$0
<b>Sue</b> (full-time employment; \$20,000 joint checking/savings)	<b>Lily</b>
<b>Grandpa Happy</b> (SSI and 401k; \$70,000 joint checking & savings)	<b>Ben</b>
<b>Grandma Happy</b> (SSI and 401k; \$70,000 joint checking & savings)	<b>Sophie</b>
<b>Sam</b> (full-time college student) Only first \$480	<b>Twins Lucy &amp; Lucas</b>

## The Happy Family's Annual Income



# Adjusted Annual Income

HB-1-3555, Chapter 9, Section 1

Adults	Minors
<b>Bob (Applicant)</b> <i>(full-time employment; \$20,000 joint checking/savings)</i>	<b>Jenny</b> <i>(part-time employment)</i>
<b>Sue</b> <i>(full-time employment; \$20,000 joint checking/savings)</i>	<b>Lily</b>
<b>Grandpa Happy</b> <i>(SSI and 401k; \$70,000 joint checking &amp; savings )</i>	<b>Ben</b>
<b>Grandma Happy</b> <i>(SSI and 401k; \$70,000 joint checking &amp; savings )</i>	<b>Sophie</b>
<b>Sam</b> <i>(full-time college student)</i>	<b>Twins Lucy &amp; Lucas</b>

## The Happy Family's Adjusted Annual Income

$$\$480 \times 7 = \$3360$$

May also include verified childcare expenses

Elderly deduction does not apply





# Annual Income

## **HELPFUL TIPS**

### **Make sure to include:**

Include: Income of all adult household members, including benefits received on behalf of minors.

Include: The first \$480 of earned income from adult full-time students who are not the applicant, co-applicant, or spouse of an applicant.

Include: \$0 for a business loss.

## The Happy Family's **Annual Income**



# Annual Income

## **HELPFUL TIPS**

### **Assets:**

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

- Assets with actual earnings will use the stated rate of interest.
- Assets that do not earn interest will use a current passbook savings rate.
- Deduct any funds utilized for down payment, closing costs, pre-pays, etc. in the home purchase transaction PRIOR to calculating asset income.

## The Happy Family's **Annual Income**



# Annual Income

## **HELPFUL TIPS**

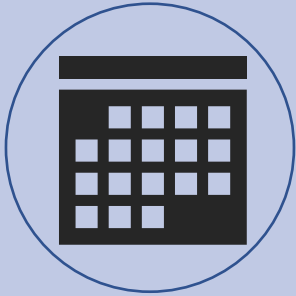
### **Exclude:**

- Lump Sum or Sporadic Payments
- Section 8 Housing Vouchers
- Student Loans
- SNAP Benefits
- Unreimbursed Employee Expenses

## The Happy Family's **Annual Income**



# Income Calculation Examples



These are solely examples using the assumption that historical information is consistent with the current information being reviewed.

- There may be instances where historical information will need to be factored into the income calculations based on the information available to the underwriter.



Although we have provided some examples in this training, Rural Development does not specify a sole method that the lender must use to calculate income.



It remains the approved lender's responsibility to review the complete income history to accurately calculate the income expected to be received in the ensuing 12 months, and to document their income calculations in their loan file to support their lending decisions.

# Income Calculation

**Part II - Verification of Present Employment**

9. Applicant's Date of Employment: 12/28/2017

10. Present Position: CNA

11. Probability of Continued Employment: yes

12A. Current Gross Base Pay (Enter Amount and Check Period):  
 Annual  Hourly  
 Monthly  Other (Specify)  
 Weekly  
 Amount: 13.00

13. For Military Personnel Only  
 Pay Grade  
 Type  
 Monthly Amount  
 Base Pay \$  
 Rations \$  
 Flight or Hazard \$  
 Clothing \$  
 Quarters \$  
 Pro Pay \$  
 Overseas or Combat \$  
 Variable Housing Allowance \$

14. If Overtime or Bonus is Applicable, Is its Continuance Likely?  
 Overtime  Yes  No  
 Bonus  Yes  No

15. If paid hourly - average hours per week: 40

16. Date of applicant's next pay increase

17. Projected amount of next pay increase

18. Date of applicant's last pay increase: 8/8/2021

19. Amount of last pay increase: 75¢

12B. Gross Earnings

Type	Year To Date 2021	Past Year 2020	Past Year 2019
Base Pay	Thru see attached		
Overtime			
Commissions			
Bonus			
Total			

20. Remarks (If employee was off work for any length of time, please indicate time period and reason)

- ✓ Date of Hire 12/28/2017
- ✓ Recent pay raise
- ✓ OT to continue
- ✓ Paystub as of 11/4/2021

REGULAR	8.25	12.38	102.14
REGULAR	1,143.75	12.75	14,582.82
OVERTIME	9.25	19.13	176.91
SHIFT DIFF .75	1,595.75	0.75	1,196.84
OVERTIME	2.75	19.13	52.61
VACATION PAY	88.00	12.75	1,122.00
HOLIDAY	16.00	12.75	204.00
SHIFT DIFF	1.75	1.00	1.75
REGULAR	417.00	13.00	5,421.00
OVERTIME	16.75	19.50	326.63
HOLIDAY	8.00	13.00	104.00
VACATION PAY	24.00	13.00	312.00
BIRTHDAY	8.00	13.00	104.00
	<b>3,339.25</b>		<b>23,706.70</b>
<b>Totals</b>	<b>3,339.25</b>		<b>23,706.70</b>

- Hourly pay  $\$13 \times 40 = \$520 \times 52 = \$27,040$  yr
- OT/Shift Diff  $\$176.91 + \$1196.84 + \$52.61 + \$1.75 + \$326.63 = \$1754.74 / 10.133 = \$173.17 \times 12 = \$2078.04$
- **Annual HHLI Income  $\$27,040 + \$2078.04 = \$29,118.04$**
- YTD paystub  $\$23,706.70 / 10.133 = \$2,339.55 \times 12 = \$28,074.60$

# Income Calculation

Employment						
Division:	01.030.405.0	Original Hire Date:	08/09/2021			
Job Title:	CSR I Mrkt	Total Time With Employer:	0 Years, 2 Months			
Employment Status:	ACTIVE					
Most Recent Start Date:	08/09/2021					
Income						
Employee Rate of Pay:	\$31,200.00	Last Amount of pay increase:	Data not provided			
Employee Pay Frequency:	Annual	Last Date of pay increase:	Data not provided			
Avg. Hrs. Worked / Pay Period:	80					
Pay Cycle:	Biweekly					
Annual Income Summary						
	Base Salary	Overtime	Commission	Bonus	Other	Total
2021	\$2,171.57	\$10.67	\$0.00	\$0.00	\$1,763.11	\$3,945.35

Control Number	Pay Period Start Date	Pay Period End Date	Rate Type	FLSA	Pay Frequency						
411904	Oct 17, 2021	Oct 30, 2021	Hourly	Non-Exempt	Bi-Weekly						
Earnings				Hours	Amount	Year to Date					
Bonus Direct Non Discr Incent		0.00	0.00			1306.40					
Holiday		0.00	0.00			94.88					
Holiday Other		0.00	0.00			120.00					
Non Discretionary Bonus Prm		0.00	0.00			1.85					
Overtime		0.00	0.00			10.60					
Reg 2nd Shift - 10% Prem		0.00	0.00			692.75					
Regular		63.80	957.00			4899.47					
Unpaid Authorized Time Off		0.00	0.00			0.00					
Unpaid Time Off Hourly		0.00	0.00			0.00					
				Deduction	Amount	Year to Date					
				GSA ANTHEM MEDICAL	75.00	150.00					
				GSA ANTHEM MEDICAL Arrears	0.00	75.00					
				Gross	Fed. Tax	Soc. Sec.	Medicare	State Tax	Other Tax	Deductions	Net Pay
<b>Current</b>				957.00	0.00	54.68	12.79	58.93	8.82	75.00	746.78
<b>Year to Date</b>				7126.03	122.80	427.86	100.07	354.01	69.00	225.00	5827.29

- Borrower DOH: 8/9/2021
- Annual Salary: \$31,200
- Bonus/OT/shift diff:  $\$1306.40 + \$1.85 + \$10.68 + \$692.75 = \$2011.68 / 2.74 = \$734.19 \times 12 = \$8810.28$
- **Annual Income \$31,200 + \$8810.28 = \$40,010.28**

# Income Calculation



**Part II - Verification of Present Employment**

9. Applicant's Date of Employment: **2-2-21**

10. Present Position: **Merchandiser**

11. Probability of Continued Employment: **Good**

12A. Current Gross Base Pay (Enter Amount and Check Period)  
 Annual  Hourly  
 Monthly  Other (Specify)  
 Weekly  
 \$ **11.50**

13. For Military Personnel Only  
 Pay Grade  
 Type  
 Monthly Amount  
 Flight or  
 Clothing  
 Quarters  
 Pro Pay  
 Overtime or  
 Contract  
 Variable Housing Allowance

14. If Overtime or Bonus Is Applicable, Is Its Continuance Likely?  
 Overtime  Yes  No  
 Bonus  Yes  No

15. If paid hourly - average hours per week: **41.0**

16. Date of applicant's next pay increase: **11-1-21**

17. Projected amount of next pay increase: **.25¢**

18. Date of applicant's last pay increase: **8-2-21**

19. Amount of last pay increase: **.25¢**

12B. Gross Earnings

Type	Year To Date	Past Year	Past Year
Base Pay	Thru <b>10-30-21</b> <b>17,093.46</b>		
Overtime	<b>1367.08</b>		
Commissions			
Bonus	<b>650.00</b>		
Total	<b>19,110.54</b>		

Employee Number	Social Security Number	Pay Rate	Period End	Stub Number
9D-0030284	***-**-0284	11.50 HW	10/23/2021	D28417
		Hours	Amount	YTD
<b>*** EARNINGS ***</b>				
		REGULAR WAGES	460.00	16,271.45
		OVERTIME WAGES	62.10	1,336.03
		VACATION WAGES	0.00	90.00
		BONUS WAGES	0.00	650.00
		Holiday Wages	0.00	272.00
<b>*** TAX DEDUCTIONS ***</b>				
		Federal W/H	22.12	803.05
		Social Security Tax	30.20	1,080.21
		Medicare Tax	7.06	252.60
		KY State W/H	20.20	756.18
		KYWHICO W/H	5.22	186.23
<b>*** DEDUCTIONS ***</b>				
		HEALTH CARE	35.00	1,197.05
		SUPPLEMENTAL BENEFITS	0.00	318.75
		VOLUNTARY LIFE	0.00	44.98
		UNUM LONG TERM DISABILITY	0.00	28.60
		EMPLOYEE SALES	0.00	205.10
		401-K (CO. MATCHING) EMPLOYEE	31.33	31.33
<b>*** DIRECT DEPOSITS ***</b>				
			370.97	13,715.40

- Hourly rate  $\$11.75 \times 40 = \$470.00 \times 52 = \$24,440.00$
- OT/Bonus  $\$1367.08 + \$650 = \$2017.08 / 8.96 = \$225.12 \times 12 = \$2701.45$
- **Total Annual HHLI Income  $\$24,440.00 + \$2701.45 = \$27,141.45$**

# BFS Income Calculation



Fannie Mae

## Cash Flow Analysis (Form 1084)

### 3. Schedule C – Profit or Loss from Business: Sole Proprietorship

- a. Net Profit or (Loss) (+/-) \_\_\_\_\_ (+/-) \_\_\_\_\_
- b. Nonrecurring Other (Income) Loss/Expenses (+/-) \_\_\_\_\_ (+/-) \_\_\_\_\_
- c. Depletion (+) \_\_\_\_\_ (+) \_\_\_\_\_
- d. Depreciation (+) \_\_\_\_\_ (+) \_\_\_\_\_
- e. Non-deductible Travel and Meals Expenses (-) \_\_\_\_\_ (-) \_\_\_\_\_
- f. Business Use of Home (+) \_\_\_\_\_ (+) \_\_\_\_\_
- g. Amortization/Casualty Loss (+) \_\_\_\_\_ (+) \_\_\_\_\_

<b>Business Loss</b>	Include zero in annual income for a business loss.	Lenders must analyze Federal tax returns to determine the appropriate business loss. Depreciation, depletion, business use of home, and other paper deductions may be allowed to be added back to the net profit/loss. Lenders may refer to Fannie Mae Form 1084 or comparable self-employed analysis form for assistance.
		A business loss must be deducted from repayment income prior to entering stable and dependable income in the GUS application and/or loan application.
Documentation Source Options:		
<ul style="list-style-type: none"> <li>Federal income tax returns or IRS tax transcripts with all schedules (for businesses with less than a two-year history, review all available data)</li> <li>YTD Profit and Loss (not required to be audited)</li> </ul>		

**SCHEDULE C**  
(Form 1040)

Department of the Treasury  
Internal Revenue Service (IRS)

Name of proprietor \_\_\_\_\_

**Profit or Loss From Business**  
(Sole Proprietorship)

Go to [www.irs.gov/ScheduleC](http://www.irs.gov/ScheduleC) for instructions and the latest information.

Attach to Form 1040, 1040-SR, 1040-NR, or 1041; partnerships generally must file Form 1065.

OMB No. 1545-0074

**2020**

Attachment  
Sequence No. **09**

**A** Principal business or profession, including product or service (see instructions) \_\_\_\_\_

**B** Enter code from Instructions \_\_\_\_\_

**C** Business name. If no separate business name, leave blank. \_\_\_\_\_

**D** Employer ID number (EIN), (see instr.) \_\_\_\_\_

**E** Business address (including suite or room no.) \_\_\_\_\_  
City, town or post office, state, and ZIP code \_\_\_\_\_

**F** Accounting method: (1)  Cash (2)  Accrual (3)  Other (specify) \_\_\_\_\_

**G** Did you "materially participate" in the operation of this business during 2020? If "No," see instructions for limit on losses  Yes  No

**H** If you started or acquired this business during 2020, check here  Yes  No

**I** Did you make any payments in 2020 that would require you to file Form(s) 1099? See instructions  Yes  No

**J** If "Yes," did you or will you file required Forms 1099?  Yes  No

**Part I Income**

1 Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked <input type="checkbox"/>	1	53,436
2 Returns and allowances	2	
3 Subtract line 2 from line 1	3	53,436
4 Cost of goods sold (from line 42)	4	
5 <b>Gross profit.</b> Subtract line 4 from line 3	5	53,436
6 Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	
7 <b>Gross income.</b> Add lines 5 and 6	7	53,436

**Part II Expenses.** Enter expenses for business use of your home **only** on line 30.

8 Advertising	8	
9 Car and truck expenses (see instructions)	9	
10 Commissions and fees	10	
11 Contract labor (see instructions)	11	
12 Depletion	12	
13 Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	
14 Employee benefit programs (other than on line 19)	14	
15 Insurance (other than health)	15	
16 Interest: (see instructions):		
a Mortgage (paid to banks, etc.)	16a	
b Other	16b	
17 Legal and professional services	17	
18 Office expense (see instructions)	18	
19 Pension and profit-sharing plans	19	
20 Rent or lease (see instructions):		
a Vehicles, machinery, and equipment	20a	47
b Other business property	20b	45
21 Repairs and maintenance	21	
22 Supplies (not included in Part III)	22	409
23 Taxes and licenses	23	
24 <b>Travel and meals:</b>		
a Travel	24a	
b Deductible meals (see instructions)	24b	
25 Utilities	25	
26 Wages (less employment credits)	26	
27a Other expenses (from line 48)	27a	1,666
b Reserved for future use	27b	
28 <b>Total expenses</b> before expenses for business use of home. Add lines 8 through 27a	28	2,167
29 Tentative profit or (loss). Subtract line 28 from line 7	29	51,269
30 <b>Expenses for business use of your home.</b> Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions. <b>Simplified method filers only:</b> enter the total square footage of: (a) your home: _____ and (b) the part of your home used for business: _____. Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30	30	
31 <b>Net profit or (loss).</b> Subtract line 30 from line 29. * If a profit, enter on both <b>Schedule 1 (Form 1040), line 3</b> , and on <b>Schedule SE, line 2</b> . (If you checked the box on line 1, see instructions). Estates and trusts, enter on <b>Form 1041, line 3</b> . * If a loss, you must go to line 32.	31	51,269
32 If you have a loss, check the box that describes your investment in this activity. See instructions. * If you checked 32a, enter the loss on both <b>Schedule 1 (Form 1040), line 3</b> , and on <b>Schedule SE, line 2</b> . (If you checked the box on line 1, see the line 31 instructions). Estates and trusts, enter on <b>Form 1041, line 3</b> . * If you checked 32b, you must attach <b>Form 6198</b> . Your loss may be limited.		

32a  All investment is at risk.

32b  Some investment is not at risk.

SPA For Paperwork Reduction Act Notice, see the separate Instructions. 1037 CPTS OUS081 Schedule C (Form 1040) 2020



# Adjusted Annual Household Income

Refer to HB-1-3555, “Attachment 9-A”, Pages 22 – 23 for information on applicable deductions such as:

- Dependents
- Child Care Expenses
- Elderly Household
- Care of Family Members with Disabilities
- Child support and private school tuition are not eligible deductions.

HB-1-3555  
Attachment 9-A  
Page 22 of 28

Adjusted Annual Income Deductions	
3555.152(c)	
<b>Dependent Deduction: 3555.152(c)(1)</b>	
<ul style="list-style-type: none"><li>• \$480 deduction per eligible dependent at the time of loan application</li><li>• Applicants with shared custody may include their child(ren)</li></ul>	
<b>Documentation Source Options:</b>	
<ul style="list-style-type: none"><li>• Certify to the household number on Form RD 3555-21</li><li>• List all household members and ages in Borrower Information page in GUS and Attachment 9-B, or the lender’s Uniform Transmittal Summary, (FNMA Form 1008/Freddie Mac Form 1077), or equivalent.</li></ul>	
<b>Child Care Expenses: 3555.152(c)(2)</b>	
<ul style="list-style-type: none"><li>• Care for children age 12 and under</li><li>• Care is necessary to enable a family member to work, seek employment, or attend school</li><li>• Calculate anticipated child care expenses for the ensuing 12 months</li><li>• 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</li></ul>	
<b>Documentation Source Options:</b>	
<ul style="list-style-type: none"><li>• 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</li><li>• 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.)</li><li>• Child support payments and school tuition (K – 8) are not eligible deductions</li><li>• Attachment 9-G 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)</li><li>• Calculations must be included on the Income Calculation Worksheet</li></ul>	

# Adjusted Annual Household Income

HB-1-3555  
Attachment 9-A  
Page 22 of 28

Adjusted Annual Income Deductions	
3555.152(c)	
<b>Dependent Deduction: 3555.152(c)(1)</b>	
<ul style="list-style-type: none"><li>• \$480 deduction per eligible dependent at the time of loan application</li><li>• Applicants with shared custody may include their child(ren)</li></ul>	
<b>Documentation Source Options:</b>	
<ul style="list-style-type: none"><li>• Certify to the household number on Form RD 3555-21</li><li>• List all household members and ages in Borrower Information page in GUS and Attachment 9-B, or the lender's Uniform Transmittal Summary, (FNMA Form 1008/Freddie Mac Form 1077), or equivalent.</li></ul>	

Does not count for pregnancy. Child must be born at time of application.

# Child Care Deduction

## Child Care Expenses: 3555.152(c)(2)

- 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

## Documentation Source Options:

- 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
- 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.)
- Child support payments and school tuition (K – 8) are not eligible deductions
- Attachment 9-G 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)
- Calculations must be included on the Income Calculation Worksheet

## Calculation for Child Care

LaPetit Academy

2 Children @ \$206/week per child = \$412 x 52 weeks = \$21,424 annually



To whom it may concern,

[Redacted] currently attend La Petite Academy in [Redacted]

Enrollment start date 10/19/2018

Currently due to COVID Pandemic subsidy their monthly payment is \$115.00.

However, starting 01/01/2022 they will be going back to our regular rate for before & after School care of \$206.00 weekly per child.

### Payment History:

Jan. 2021 - \$115.00

Feb. 2021 \$115.00

March 2021 - \$115

April 2021 - \$115

May 2021 - \$115

June 2021 - \$115

July 2021 - \$115

August 2021 – \$0.00

Sept. 2021 - \$115

Oct. 2021 - \$115

Nov. 2021 - \$115

Thank you,  
Colleen Heitzman  
Academy Director  
La Petite Academy  
(253)952-6607

# Disability Expenses

## **Disability Expenses: 3555.152(c)(3)**

- Deduction for eligible expenses that **exceed three percent of the annual income**
- 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
- **Examples** include but are not limited to **daily living assistance, wheelchairs, ramps, adaption needs, workplace equipment,** etc.
- Utilize documentation to estimate anticipated annual expenses

## **Documentation Source Options:**

- Third party verifications for caregivers/agencies for the dates, costs, and fees
- Receipts, itemized income tax returns, and other evidence to support the deductions
- Calculations must be included on the Income Calculation Worksheet

# Elderly Household Deduction

HB-1-3555  
Attachment 9-A  
Page 23 of 28

Adjusted Annual Income Deductions	
3555.152(c)	
<b>Elderly Household Deduction: 3555.152(c)(4)</b>	
<ul style="list-style-type: none"><li>• Applicant or Co-Applicant is age 62 or older</li><li>• One \$400 deduction allowed</li></ul>	
<b>Documentation Source Options:</b>	
<ul style="list-style-type: none"><li>• Certify to date of birth on Form RD 3555-21 and the loan application</li></ul>	
<b>Medical Expenses: 3555.152(c)(5) (Elderly and Disabled Households Only)</b>	
<ul style="list-style-type: none"><li>• Deduction for eligible expenses that exceed 3 percent of the annual income for entire family</li><li>• Definition of elderly family is in 3555.10</li><li>• Utilize documentation to estimate anticipated annual expenses</li></ul>	
<b>Documentation Source Options:</b>	
<ul style="list-style-type: none"><li>• Itemized tax return documents</li><li>• Receipts for insurance premiums, prescriptions, dental and eye exams, eyeglasses, medical/health products or apparatus, hearing aids, visiting or live in care providers</li><li>• Calculations must be included on Attachment 9-B, or the Uniform Transmittal Summary, (FNMA Form 1008/Freddie Mac Form 1077), or equivalent.</li></ul>	

# Medical Expenses

## Adjusted Annual Income Deductions

### 3555.152(c)

#### Elderly Household Deduction: 3555.152(c)(4)

- Applicant or Co-Applicant is age 62 or older
- One \$400 deduction allowed

#### Documentation Source Options:

- Certify to date of birth on Form RD 3555-21 and the loan application

#### Medical Expenses: 3555.152(c)(5) (Elderly and Disabled Households Only)

- Deduction for eligible expenses that exceed 3 percent of the annual income for entire family
- Definition of elderly family is in 3555.10
- Utilize documentation to estimate anticipated annual expenses

#### Documentation Source Options:

- Itemized tax return documents
- Receipts for insurance premiums, prescriptions, dental and eye exams, eyeglasses, medical/health products or apparatus, hearing aids, visiting or live in care providers
- Calculations must be included on Attachment 9-B, or the Uniform Transmittal Summary, (FNMA Form 1008/Freddie Mac Form 1077), or equivalent.

# Showing your calculations.

<p>1. <b>Applicant</b> (<i>Wages, salary, self-employed, commission, overtime, bonus, tips, alimony, child support, pension/retirement, social security, disability, trust income, etc.</i>). <b>Calculate and record how the calculation of each income source/type was determined in the space below.</b></p> <p>Base- YTD, 2020 &amp; 2019 earnings / by 34 months= \$2654.51 ----- Bonus- YTD \$657.66/10.17 months=\$64.67 ----- Overtime- YTD, 2020 &amp; 2019 / by 34 months = \$42.17 ----- \$2654.51 + 64.67 + 42.17= \$2761.34 monthly income *12 = \$33136.08</p>	<p>\$33,136.08</p>
<p><b>6. Annual Household Income</b> (Total 1 thorough 5)</p>	<p><b>\$33,136.08</b></p>
<p><b>ADJUSTED INCOME CALCULATION</b> (<i>Consider qualifying deductions as described in 7 CFR 3555.1 52(c) and HB-1-3555 Chapter 9.</i>)</p>	
<p>7. <b>Dependent Deduction</b> (<i>\$480 for each child under age 18, or full-time student attending school or disabled family member over the age of 18</i>) - #X \$480</p> <p># <input type="text" value="3"/> x \$480</p>	<p>\$1,440.00</p>
<p><b>12 Total Household Deductions</b> (Total 7 thorough 11)</p>	<p><b>\$1,440.00</b></p>
<p>13. <b>Adjusted Annual Income</b> (Item 6 minus item 12)</p> <p style="text-align: center;">Income cannot exceed Moderate Income Limit to be eligible for SFHGLP</p> <p>Moderate Income Limit: <input type="text" value="\$0.00"/> State: <input type="text"/> County: <input type="text"/></p>	<p><b>\$31,696.08</b></p>

# Unable to Secure Conventional Credit

1

## Assets

Has personal non-retirement liquid asset funds of at least 20%

2

## Resources

Can pay all closing costs (plus the 20% down) associated with the loan

3

## Ratios

Meets qualifying ratios of no more than 28% PITI and 36% TD when applying the 20% down payment

4

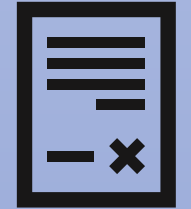
## Credit

Demonstrates qualifying credit for such a loan

5

## Loan Terms

Conventional loan is 30-year fixed rate loan without PMI



## Certification

Lender and applicant certify applicant is not eligible for conventional credit by signing the 3555-21



# Annual Income FAQs



The applicant has a history of overtime, with a substantial amount received year to date. However, the VOE states the overtime is unlikely to continue. Do I need to include overtime in the annual income calculation?



Annual income is calculated based on what is expected to be received in the ensuing 12 months. If there is a history of overtime, it would need to be considered by the underwriter when calculating annual income. Ultimately it is the approved lender's responsibility to review the complete income history to determine what is expected to be received in the ensuing 12 months and to document the permanent loan file to support their lending decisions.

# Annual Income FAQs



Does the IRS child tax credit need to be included in the annual income calculation?

---



No, tax credits, including the Child Tax Credit are not included in the Annual income calculation.

# Annual Income FAQs



Is per diem considered in annual income calculations?

---



If the per diem is taxable income, then it must be included in annual income. If the per diem is non-taxable income, it is considered reimbursement and therefore not included in annual income.

# Annual Income FAQs



We have a borrower that is divorced and has joint custody of a child that is only claimed on the tax returns as a dependent every other tax year. Can we consider this child a household member for the calculation of family size and income eligibility?

---



Applicants with shared custody may include their children as household members and receive the \$480 per child deduction.

# Annual Income FAQs



Are there exceptions or waivers to the maximum income limits?

---



No, there are no exceptions or waivers to the maximum income limits.

# Annual Income FAQs



Is foster care income included in the annual income?

---



No, foster care income is not included in the annual or repayment income.

# Annual Income FAQs



An adult household member is currently unemployed, do we need to consider any income for them?

---



An adult member that is currently unemployed but is seeking new employment must have their previous earnings included in the annual household income. The previous earnings are not required to be included when there is documented evidence to support, they are not seeking to be reemployed, such as a tendered resignation, official termination from previous employer, or a signed statement from the adult household member that they do not plan to pursue new employment.

# Annual Income FAQs



How is a business loss for a self-employed applicant considered?

---



A business loss is counted as zero in annual household income, not as a reduction to annual income.



<https://www.rd.usda.gov/resources/usda-linc-training-resource-library/loan-origination>

# Loan Origination

## LINC Training Library

Guaranteed Underwriting System (GUS)

Lender Approval

Lender Training

Loan Closing

**Loan Origination**

Loan Servicing

GUS Lender Test Environment

HOME › RESOURCES › USDA LINC TRAINING & RESOURCE LIBRARY › LOAN ORIGINATION

**New\*\***

- [COVID-19 FAQs](#)
- [Capital Financial Requirements for Non-Regulated Lenders](#)

## Documents & Resources

1. [3555 Handbook](#) (PDF)
2. [3555 Regulation - 7 CFR 3555](#) (PDF)
3. [FAQ Loan Origination](#) (PDF)
4. [Form RD 3555-21 Request for Loan Guarantee](#) (PDF)
5. [GRH Loan Checklist -- Attachment 15-A](#) (PDF)
6. [Manual Submission Job Aid](#) (PDF)
7. [GRH Income Worksheet -- Attachment 9-B](#) (PDF)
8. [Guaranteed and Annual Fee Calculation Guidance](#) (PDF)
9. [Income Matrix](#) (PDF)
10. [Refinance Matrix](#) (PDF)
11. [Sample Worksheet for Calculating Maximum Loan](#) (PDF)

## Manual File Submission Process

*To be used for loan types not supported by GUS*

The following guidance provides a process for [manual file submissions](#) that will assist Rural Development in expediting loan application requests, while also protecting applicants' personal information.

Manual file submissions take a significant amount of Agency time to process. As a result, we feel it is important to collaborate with lenders to ensure applications are reviewed, and Conditional Commitments issued, as quickly as possible. While we encourage lenders to submit files via the Guaranteed Underwriting System (GUS), manual file submissions are necessary for loan types not supported in GUS, such as the Streamlined Assist Refinance product and certain Pilot programs.

### What Do I Need to Do?

To expedite manual file submissions, please follow the 2-step instructions below to upload documents directly into GUS, even though the file will not be a final submission in GUS.

### STEP 1: Required GUS Entries

In GUS, the lender will enter, at a minimum, the following items:

- a. "Eligibility" Page - Enter the following data points:
  - o Subject Property Address (Street)
  - o Subject Property Address (City)
  - o Subject Property Address (State)
  - o Subject Property Address (County)
  - o Subject Property Address (MSA)
  - o Subject Property Address (Zip Code)
  - o Household Income
- b. "Borrower" Page - Enter the following data points for at least one applicant:
  - o Borrower First Name
  - o Borrower Last Name
  - o Borrower Social Security Number
- c. "Application Documents" Page - Upload all required documents as indicated on Attachment 15-A: <https://www.rd.usda.gov/sites/default/files/rd-sfh-attachment15achecklist.pdf>
  - o Additional guidance on uploading documents is found in the GUS user guide, located in the USDA Linc Training & Resource Library <https://www.rd.usda.gov/resources/usda-linc-training-resource-library>
- d. Lenders should not order or reissue credit reports in GUS or run SAVE for manual file submissions using this process.

# Manual File Submissions

Eligibility Borrower Information

**Eligibility**

Property Information

Street Address

City

County

MSA

Zip Code

\* Property Address ⓘ

Unit # ⓘ

\* City ⓘ

\* State ⓘ

\* County ⓘ

\* MSA ⓘ

\* Zip Code ⓘ

XXXXX-XXXX Zip Code Lookup

Choose One

Choose One

Choose One

Choose One

Display Property Map

Check Property Eligibility

UNKNOWN

> Household Member Information

# Manual File Submissions

Eligibility Borrower Information

Eligibility

> Property Information

∨ Household Member Information

# of people in household

\* Number of People in Household ⓘ

2

Is Loan Applicant or Co-Applicant age 62 or older? (P) ⓘ

No  
 Yes

Annual Medical Expenses ⓘ

\$0.00

# of people under 18,  
disabled, or full time  
student

Number of residents under 18 years old,  
Disabled or Full Time Students 18 years of  
age (P) ⓘ

1

Annual Child Care Expenses ⓘ

\$0.00

Are there any Disabled persons  
living in the household? (P)

No  
 Yes

Annual Disability  
Expenses ⓘ

\$0.00

> Monthly Gross Income For All Household Members

# Manual File Submissions

Eligibility Borrower Information

## Eligibility

### Monthly Gross Income For All Household Members

Enter the current monthly gross income of all adult household members required to determine annual household income eligibility

#### Primary Borrower (P)

Base ⓘ

\$0.00

Commission ⓘ

\$0.00

Overtime ⓘ

\$0.00

Military Entitlements ⓘ

\$0.00

Bonus ⓘ

\$0.00

Other ⓘ

\$0.00

All Other Monthly Income Received by Adult Members of the Household ⓘ

\$0.00

Check Income Eligibility

Total Household Income

Total Household Income

\$0.00

Allowable Adjustments

\$0.00

Adjusted Household Income

\$0.00

UNKNOWN

# Manual File Submissions

Eligibility Borrower Information

Borrower Information

Personal Information

First Name

\* First Name *i*

Middle Name *i*

\* Last Name *i*

Suffix *i*

Last Name

\* Social Security Number *i*  
XXX-XX-XXXX

Date of Birth (P) *i*  
MM/DD/YYYY

Citizenship (P) *i*  
 US Citizen  
 Permanent Resident Alien  
 Non-Permanent Resident Alien

Marital Status (F) *i*  
 Married  
 Separated  
 Unmarried

Number of Dependents *i*

SSN

# Manual File Submissions

Don't order or reissue credit report

Don't run SAVE

Eligibility Borrower Information Assets and Liabilities Real Estate Loan and Property Information **Credit Underwriting** More...▼

**Credit Underwriting**

Select Request You Would Like to Submit (P)

**Request Credit Report**

Complete Items Below Before Submitting the Request

**Purchaser, Patrick**

Joint ⓘ  New

Reference Number ⓘ

Service Provider (P)

Choose One

Account Number

Document Status

Unknown

**Immigration/Naturalization Check**

(If the applicants indicated are not a U.S. citizen. Immigration)

▼ Patrick Purchaser

**Initial Verification via SAVE**

2 Select Immigration Form

CIS Form I-766 "Employment Authorization (▼)

3 Alien/USCIS Number

Card Number

Document Expiration Date

MM/DD/YYYY

4 Lender Contact Person

Lender Contact Phone Number

XXX-XXX-XXXX

Lender Contact Phone Extension

XXXXXXX

# Manual File Submissions

1



Input data into  
GUS

2



Upload  
documents to  
GUS

3



Email  
Production  
Team

<u>Production Teams</u>	<u>States</u>
Production Team One <a href="mailto:SFHGLPONE@usda.gov">SFHGLPONE@usda.gov</a>	AK, AL, AZ, CA, CO, GU, HI, IA, ID, KS, MT, NM, NV, OR, SD, TX, UT, WA, WI, WP, WY
Production Team Two <a href="mailto:SFHGLPTWO@usda.gov">SFHGLPTWO@usda.gov</a>	AR, KY, LA, MN, MO, MS, ND, NE, NJ, NY, OK
Production Team Three <a href="mailto:SFHGLPTHREE@usda.gov">SFHGLPTHREE@usda.gov</a>	CT, DE, GA, IL, MA, MD, ME, MI, NC, NH, RI, SC, VT, WV
Production Team Four <a href="mailto:SFHGLPFOUR@usda.gov">SFHGLPFOUR@usda.gov</a>	FL, IN, OH, PA, PR, TN, VA, VI

# Annual Income FAQs



An applicant has enough liquid assets to put 20% down and pay all closing costs. However, the total debt ratio will exceed 36%. Is the applicant eligible?

---



Yes, the applicant qualifies since the cumulative criteria from HB-1-3555, Chapter 8, cannot be met.



# Annual Income FAQs



Do liquid funds in a self-employed applicant's business account count towards the conventional credit test?

---



No, business assets that are held in specifically designated business accounts do not count against the conventional credit test.

# Annual Income FAQs



An applicant claimed interest income on their tax return, but current assets are less than the \$50,000 threshold. Does interest income need to be included in annual income?

---



No, net family assets that do not exceed a cumulative total of \$50,000 are not required to be considered in the annual income calculation

# Annual Income FAQs



What figure is used to determine the balance on a checking or savings account?

---



Lenders must use the lessor of the current balance or previous months ending balance.

# Annual Income FAQs



An applicant has one \$150 deposit in the last 60 days that is outside of their payroll. Do we need to question it when they are below the income limit?

---



All individual deposits that are not attributed to wages or earnings need to be investigated. The guaranteed loan program is an income-based program and any unrecognized deposits should be reviewed to determine it is not undisclosed income. There is no tolerance or percentage of income that may be utilized to disqualify deposits from further consideration.

# Annual Income FAQs



If an applicant does not need funds to close, are we required to verify assets?

---



Yes, assets must be verified, regardless if they are required for funds to close or not. Assets may affect income eligibility (Chapter 9) and applicant eligibility (Chapter 8).

# Annual Income FAQs



The guideline for obtaining bank statements for checking, savings, and money market accounts indicates we are to obtain two months of the most recent statements. Is that considered most recent upon submission to Rural Development or the application date?

---



The most recent statements obtainable at the time of submission to Rural Development

# Annual Income FAQs



Is obtaining a Verification of Deposit sufficient documentation of assets?

---



No, the verification of assets needs to include two months of recent bank statements, a Verification of Deposit with one recent bank statement, or alternate evidence (statement printouts) to support account activity and balances.

# Annual Income FAQs



Are tax transcripts required for all borrowers?

---



**IRS transcripts are required for all household members in addition to the documentation option selected by the lender,** with the exception of children under the age of 18 and Full-time students age 18 and up that are not the applicant, co-applicant, or spouse. Lenders must require each adult household member as applicable to complete and sign IRS Form 4506-T or IRS Form 4506-C for the previous two tax years at the time of loan application. The 4506- T/4506-C must be used to request full transcripts with all schedules.



# Annual Income FAQs



Is SSI for a minor child included?

---



Yes, Social Security received by the applicant on behalf of a minor child is counted in Annual income and may be used in Repayment income if it is expected to continue at least three years into the mortgage.

# Annual Income FAQs



What about income from kids under 18?

---



Only the income of household members that are 18 and over are counted in the Annual income calculation.

# Annual Income FAQs



If there is income from an adult in the household who isn't on the application, where do we put that on the 1003?

---



This is not on the 1003 but will be entered in GUS in the “Eligibility” tab, “Monthly Gross Income for All Household Members” drop down.

For Manual submissions, the lender may use Attachment 9-B, or the Uniform Transmittal Summary, (FNMA FORM 1008/FREDDIE MAC FORM 1077), or equivalent to document their income calculations.

# Annual Income FAQs



If a borrower is married but the couple is separated, can they be left out of the calculation?

---



Include the income of an applicant's spouse, unless the spouse has been living apart from the applicant for at least three months (for reasons other than military or work assignment), or court proceedings for divorce or legal separation have been commenced. Evidence to support living apart for three months may include, but is not limited to, an apartment lease, bills, or bank statements in their name alone delivered to a different address, etc. This guidance applies to domestic partners, significant others, and fiancée's that are currently living with the applicant as a household/family unit. This guidance does not apply to adult dependents age 18 and up.

# Annual Income FAQs



For Self Employed Borrowers -what documentation is needed when underwriting between Jan 1 to April 15 when prior year 1040 has not been filed? Do you need P&L and balance sheet for previous year and YTD for current year? Do you need to re-validate within 10 days like a salaried borrower.



- Federal Income tax return for the most recent 2 years with all schedules and a recent profit and loss statement – previous year and current YTD P &L.
- Lenders may utilize Fannie Mae Form 1084 “Cash Flow Analysis,” 1088 “Comparative Income Analysis,” or a comparable self-employment evaluation form(s), and Attachment 9-E of the HB-1-3555 to assist in the calculation of self-employment income.
- Confirmation the business is operational, obtained within 30 days of the note date/loan closing. Documentation may include evidence of a website, additional internet documentation, licensing bureau certification, etc.

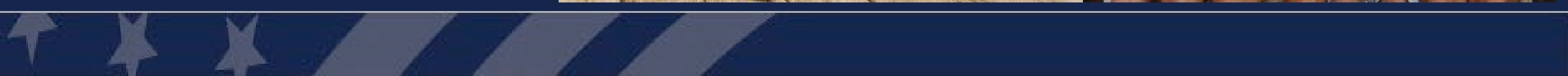
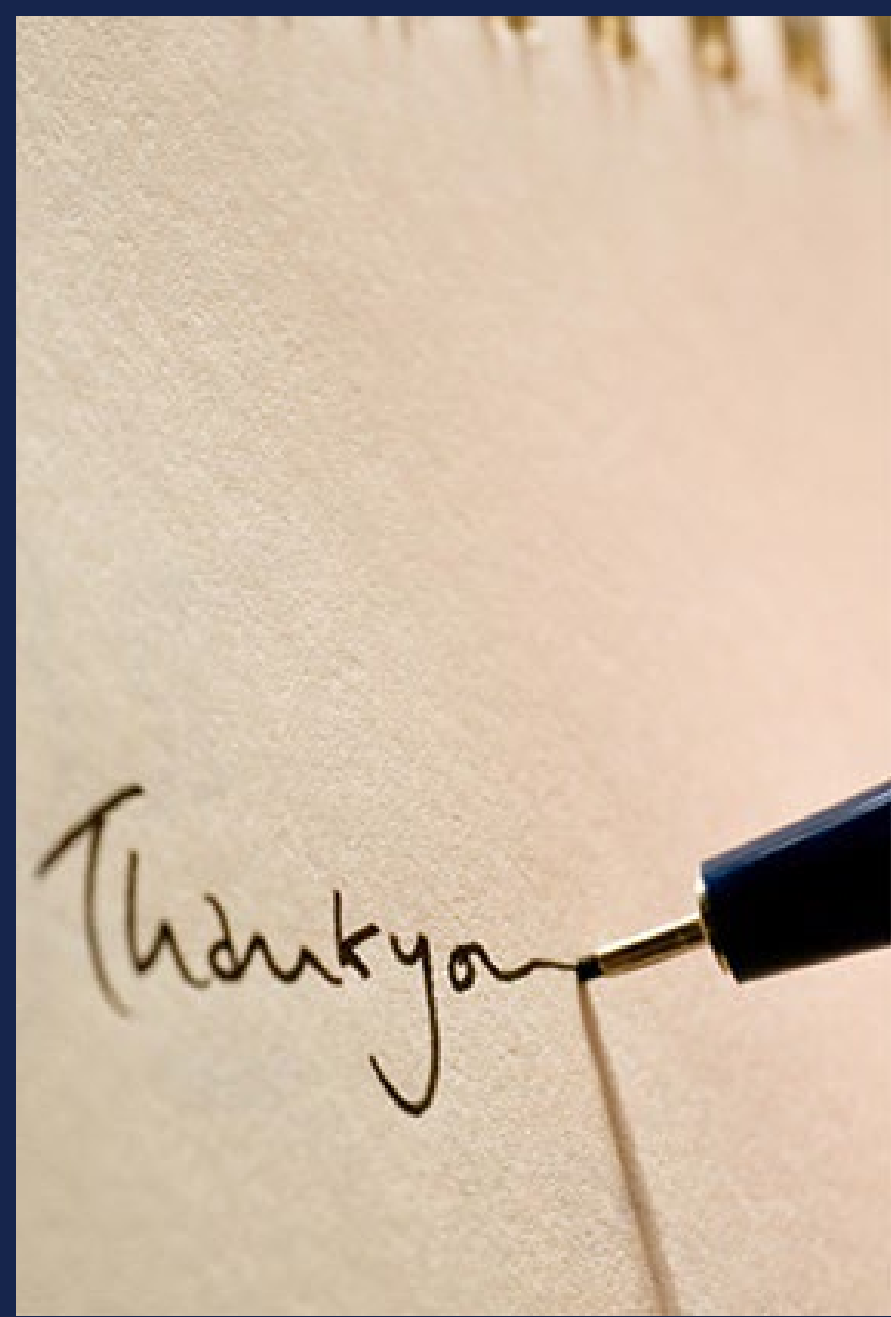
# Interested in additional training?



Have your organization reach out to the Lender Partner Activities Branch with a specific training request, we will make it happen!



Contact us at: [sfhgld.lenderpartner@usda.gov](mailto:sfhgld.lenderpartner@usda.gov), we look forward to hearing from you!





[www.rd.usda.gov](http://www.rd.usda.gov)

1 (800) 800-670-6553

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

