The Single Family Housing Direct Programs consider the following three types of income when processing an application:

- **ANNUAL INCOME**
- **ADJUSTED INCOME**
- **REPAYMENT INCOME**
Worksheets for Computing Income

For the Section 502 program, the worksheet can be found on the:

- “To Apply” tab at: https://www.rd.usda.gov/programs-services/single-family-housing-direct-home-loans, and
- Direct Loan Application Packagers page at: https://www.rd.usda.gov/programs-services/services/direct-loan-application-packagers

For the Section 504 programs, the worksheet can be found on the “To Apply” tab at: https://www.rd.usda.gov/programs-services/single-family-housing-repair-loans-grants
Who Completes the Worksheet?

Received from Applicant = Rural Development

Packaged loan = Packager
Whose Income is Considered?

Income of all household members from all sources (unless excluded by the program):

- Any person expected to reside in the home
- Includes a household member that is temporarily absent
- *Does not* include live-in aids and foster persons (income received for the care of foster persons is also excluded from the income types)
Income to Include vs. Exclude

**INCLUDE**
- Gross income
- Net Income
  - Self-employment
  - Interest/dividends from real or personal property

**EXCLUDE**
(unless from an applicant or their spouse)
- Earned income of a household member under 18 years of age
- Earned income in excess of $480 of a household member who is a full-time student 18 years of age or older
**Earned vs. Unearned Income**

**Scenario**
Carla is a 20 year old household member who is a full time college student. She has a part time job, earning $4,000/year and she also receives $200/month in Social Security Disability Payments.

**Income Calculation**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Part Time Job</td>
<td>$480</td>
</tr>
<tr>
<td>Social Security</td>
<td>$2,400</td>
</tr>
<tr>
<td>Total</td>
<td>$2,880</td>
</tr>
</tbody>
</table>

$200 x 12 = $2,400
Common Income Sources

- Wages
- Self-employment
- Interest/dividends from real or personal property
- Social Security benefits (including benefits received by adults on behalf of minors or by minors intended for their own support)
- Periodic payments (e.g. annuities, retirement funds, and disability/death payments)
Common Income Sources (Continued)

• Payments in lieu of earnings (e.g. unemployment benefits)
• Public assistance
• Child support/alimony
• Recurring monetary gifts
• Regular pay, special pay (except for persons exposed to hostile fire), and allowances of a member of the armed forces who is the applicant or spouse
Verifying Income Sources

Preferred source
• Readily available to the applicant
• In applicant’s records or obtained online

Acceptable alternative, when preferred source is
• Unavailable
• Cannot be obtained without cost
• Discrepancies/questionable
Projecting Annual Income

Income sources are identified and verified

Expected income is projected for the next 12 months

Each income source is calculated, compared, and analyzed using all applicable income calculation methods to avoid under/over estimating income
Examples of Projecting Income

Household with 3 children

Child support $200/month for the oldest child who is 17:
  • $200 x 12 months = $2,400

When she turns 18 in 4 months, the child support will end
  • Projection: $200 x 4 months = $800

The household’s wage earner works in construction

Typically works 9 months; receives 3 months unemployment benefits

Tax Returns indicate: Wages - $40,000, Unemployment $10,000

Project income based on historical, rather than hourly rate of 40 hours/week x 52 weeks
Four Income Methods

- Straight Based
- Year-to-Date
- Average
- Historical

Terms Moving Forward:
- Hours – hrs.
- Weeks – wks.
- Year – yr.
- Year-to-Date - YTD
Straight-Based

- Converting the income to the annual equivalent

  - Dante is paid $10/hr. for 40 hrs./week
  - He works year-round - 52 wks./yr.
  - He typically works 25 hours of overtime/yr. with a time-and-a-half overtime rate of $15/hr.

  Base: $10/hr. x 40 hrs./wk. x 52 wks./yr. = $20,800
  Overtime: $15/hr. x 25 hrs./yr. = $375

  $20,800 + $375 = $21,175
• Average income received within the last 30 days, then convert to the annual equivalent

  • Dante’s last four weekly pay stubs reflect a gross income of: $430, $415, $430, and $415.

\[
\begin{align*}
$430 + $415 + $430 + $415 &= $1,690 \\
$1,690/4 \text{ wks.} &= $422.50/\text{wk.} \\
$422.50/\text{wk.} \times 52 \text{ wks./yr.} &= $21,970
\end{align*}
\]
Year-To-Date

• Divide the gross YTD earnings by the applicable YTD interval, then annualize

  • Dante’s most recent paystub covers 16 weeks and reflects gross YTD income of $6,640.

    16 wks. x 7 days/wk. = 112 days
    $6,640 / 112 days = $59.29/day

    $59.29/day x 365 days/yr. = $21,640.85
Historical

• Income as reported on the prior year’s Federal income tax return

  • Dante’s Federal income tax return indicates that he earned $20,350 last year.

  Historical Income = $20,350
Example of Comparing the Methods – Applicant Dante

<table>
<thead>
<tr>
<th>Method</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Straight-based:</td>
<td>$21,175</td>
</tr>
<tr>
<td>Average:</td>
<td>$21,970</td>
</tr>
<tr>
<td>YTD:</td>
<td>$21,640.85</td>
</tr>
<tr>
<td>Historical:</td>
<td>$20,350</td>
</tr>
</tbody>
</table>

Which income is accurate? 
Why? 
What questions should you ask?
Projecting Annual Income – Are all four methods needed?

- Fixed Income
- Seasonal Variations
- Multiple Types
The Importance of Accurately Projecting Annual Income

Overestimating the income projection could lead to a false determination of repayment ability.

Underestimating the income projection could lead to unauthorized payment assistance which would have to be repaid by the borrower.
Are you interested in learning more about the Single Family Housing Direct Direct Programs?

Please contact your applicable RD State Office: https://www.rd.usda.gov/contact-us/state-offices

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