What is Repayment Income?

• Applicant (note signer) income
• Stable
• Dependable
• Used to determine ability to repay loan
Annual Income vs. Repayment Income

- Only Applicant income
- Must be stable and dependable
- Not all annual income types are considered for repayment
- Nontaxable income is grossed up 120% (for Section 502 program)
Stable and Dependable Income

• Historical – prior two years

• Future - expectations for the next two years

• Reliable and likely to continue
  • No minimum requirements
  • Historical analysis
Stable and Dependable Income – Applicant John

**Paystubs**
- Employer: DoughBread
- Projected Repayment income: $40,450

**One Year Prior Tax Return**
- Employer: Marlo’s Restaurant
- Income: $65,000

**Two Year Prior Tax Return**
- Employer: University Grill
- Income: $14,480
Irregular income can be considered stable and dependable when there is a consistent pattern of income and a reasonable expectation for its continuation.

For example, an applicant who has a history of working as a farmworker for multiple farm businesses during the production season and drawing unemployment during the off season, is considered to have stable and dependable income if that trend is likely to continue.
Stable and Dependable Income – Irregular Income (Seasonal)

Paystubs

Not applicable

Seasonal workers need not provide paystubs for all employers

One Year Prior Tax Return

7 employers

Income: $40,500
Unemployment: $5,000
Total: $45,500

Two Year Prior Tax Return

10 employers

Income: $34,480
Unemployment: $6,500
Total: $40,980
Income Sources Included in Repayment Income Only

- Housing assistance payments (a.k.a. Section 8)
- Adoption assistance payments in excess of $480 per adopted child
- Student financial assistance
  - Paid directly to the educational institution
  - Include only funds provided for living expenses
- Supplemental Nutrition Assistance Program (SNAP) benefits
SNAP benefits received by the applicant that do not exceed 20 percent of the applicant’s total repayment ability income can be included in repayment income.

If the actual SNAP benefits are less than this amount, the actual benefits will be used in the calculation.
SNAP - Example

Monthly Repayment Income without SNAP = $1,500

Monthly SNAP Benefit = $400

Equalize the Repayment Income

$1,500 / .80 = $1,875

Minus Repayment Income

- $1,500 = $375

Equals

Lesser of the SNAP benefit or the formula = $375

Allowable Repayment Income (with SNAP) = $1,500 + 375 = $1,875
Nontaxable income – 502 Program

All nontaxable income
Social Security, child support, Section 8, etc.
EXCEPT FOR: SNAP benefits

First – Determine if stable/dependable and if likely to continue

Then - Gross up 120% for repayment income
Grossing Up – 502 Loan Example

Applicant has taxable income of $21,000 and nontaxable income $4,000 (Social Security). What is the applicant’s total repayment ability?

<table>
<thead>
<tr>
<th>Income Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxable income</td>
<td>$21,000</td>
</tr>
<tr>
<td>Nontaxable income</td>
<td></td>
</tr>
<tr>
<td>Grossed up</td>
<td>$4,800</td>
</tr>
<tr>
<td>Total repayment income</td>
<td>$25,800</td>
</tr>
</tbody>
</table>
Nontaxable Income – 504 program

Nontaxable income cannot be grossed-up by any percentage in the Section 504 programs.
Closing Thoughts

Repayment Income calculations affect:

- Program Eligibility
- Loan Amounts
- Affordability
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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