USDA Rural Development
U.S. DEPARTMENT OF AGRICULTURE

Adjusted Annual Income

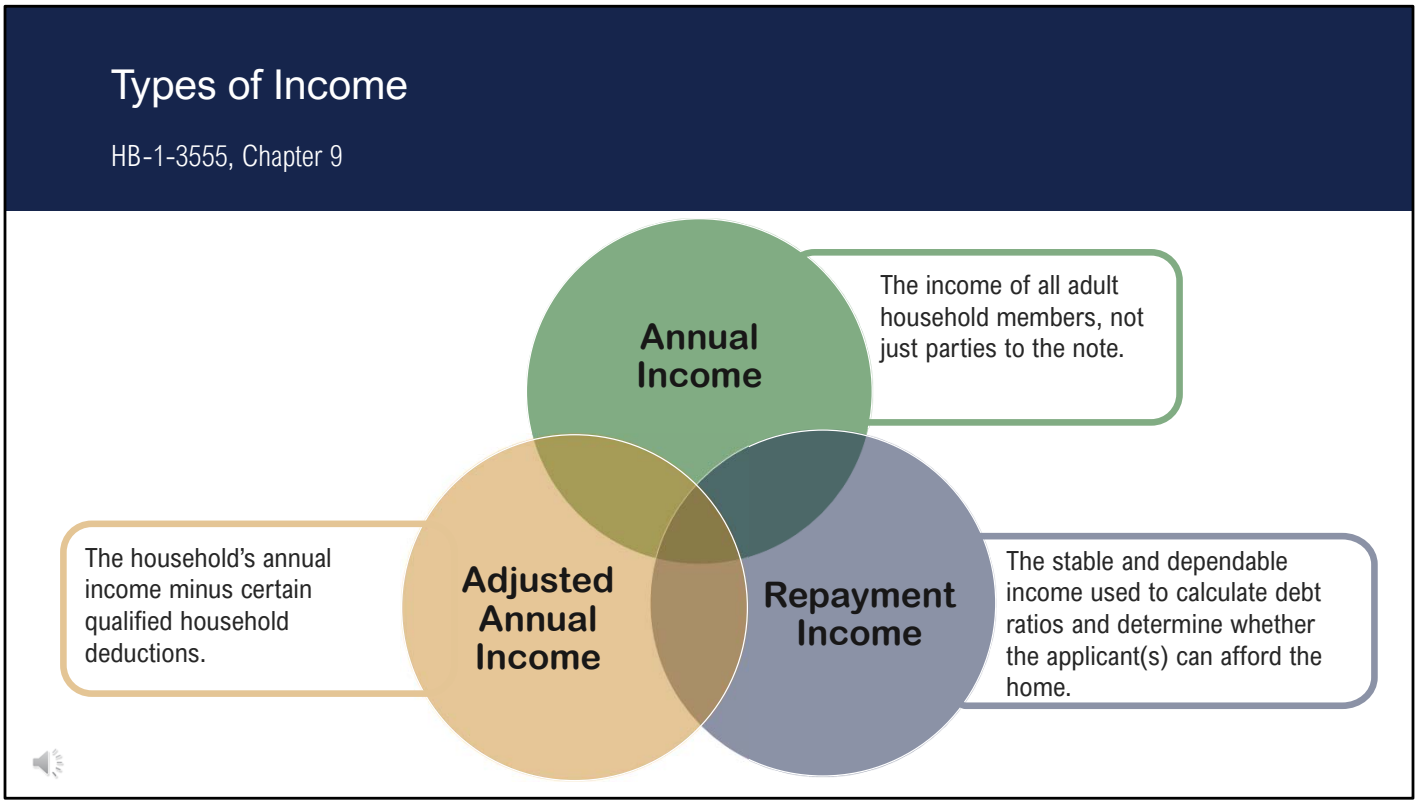
Single Family Housing Guaranteed Loan Program (SFHGLP)

November 2020

Welcome to the Adjusted Annual Income online training module presented by USDA's Single Family Housing Guaranteed Loan Program.

This is the second step of the unique income analysis process of Rural Development and determines the potential eligibility of applicants to utilize this program. The potential adjustments in this section can be critical in making a favorable determination for your borrower.

This training will highlight key areas of the regulation and handbook to help clarify this process.



There are three income calculations in the guaranteed loan program: Annual Income, Adjusted Annual Income, and Repayment Income.
Adjusted annual income is important because this is the calculation that will determine if the household is eligible for the guaranteed loan program. Adjusted annual income is the annual income of all adult household members minus eligible deductions.

Eligible deductions include:

- $480 per eligible dependent at the time of loan application.
- Applicants with shared custody may include the children as dependents.
- Unborn children cannot be counted as a dependent.
- Adult full-time students who are not the applicant, co-applicant, or spouse of an applicant may also be considered as a dependent.

Verified childcare expenses for children 12 and under may also be deducted when the care is necessary to enable a family member to work, seek employment or attend school.

Calculate the anticipated childcare expenses for the upcoming 12 months. Make sure to document your case file with evidence to support all deductions.

Expenses that exceed 3% of the annual income that allow a disabled individual or another household member to work may also be an eligible deduction if they are non-reimbursable and 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, and
- workplace equipment.

An elderly family may be eligible for a flat deduction. An elderly family must have an applicant on the loan application that is age 62 years or older.

Elderly and disabled families may also deduct eligible medical expenses that exceed 3% of the annual income for the entire family.
Utilize documentation to estimate anticipated annual expenses.

The lender will document adjusted annual income on page 4 of Form RD 3555-21. This total must match the “Adjusted Household Income” entered on the “Eligibility” GUS application page.
Please note that the GUS will automatically round this number to the nearest **$10.00** and that is acceptable.
It is the lender’s responsibility to ensure the documentation in their loan file supports all deductions.

Adjusted Income Determines if Household is Eligible

Review Attachment 9-A Pages 26 – 27

Retain All Documentation in the Permanent Case File

https://www.rd.usda.gov/files/3555-1chapter09.pdf

HB-1-3555
Attachment 9-A
Page 26 of 32

Adjusted Annual Income Deductions

3555.152(c)

Dependent Deduction: 3555.152(c)(1)
- $480 deduction per eligible dependent at the time of loan application
- Applicants with shared custody may include their child(ren)

Documentation Source Options:
- Certify to the household number on Form RD 3555-21
- List all household members and ages on the Income Calculation Worksheet

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

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

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To better assist with income review and documentation, Chapter 9 includes Attachment 9-A: “Income and Documentation Matrix.” The matrix was designed to assist lenders and USDA to more efficiently locate many income sources, annual income adjustments, and asset guidance. Allowable deductions are listed on pages 26-27.
“Documentation Source Options” will list the options to properly document deductions. Every documentation item listed may not be required. USDA allows multiple options to provide flexibility to lenders when documenting income sources.

LEARNING CHECKS

7 CFR Part 3555 / HB-1-3555

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The best way to learn information is to test your knowledge!

QUESTION

Topic

- Question will be bulleted with scenario, or
- Include a statement/question

TRUE/FALSE or other answer options will be displayed

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Each question slide will list:

- the topic
- A question or scenario, and
- potential responses.

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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The answer slide will list:

- The topic
- The reference to the answer from the regulation and handbook
- The correct response, and
- Any additional clarification that may be helpful.

Ready?

LET'S GET STARTED!

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Let's get started!

QUESTION

Adjusted Annual Income

Applicant household members:

- Karen, applicant age 35
- John, applicant age 37
- Michael, age 10; Kimberly, age 7; John Jr, age 3,
- Expecting child #4 in six months
- This is a household of 6.

A. TRUE B. FALSE

Read question

ANSWER

Adjusted Annual Income

3555.152(c)(1), HB 9

B. FALSE

- They are a household of 5
- Unborn children are not included in the household member count

False.

- The unborn child is not eligible to be counted as a dependent.
- This leaves the household at: Karen, John, Michael, Kimberly, and John Jr. = 5

QUESTION

Adjusted Annual Income

- Greg, applicant, employed
- Mary, applicant, not currently employed
- 2 children, ages 12 and 6
- Child age 12 attends an afterschool program: $150 per month
- Household qualifies for 2 dependent deductions and afterschool program deductions.

A. TRUE B. FALSE

Read question

ANSWER

Adjusted Annual Income

3555.152(c)(1), HB 9

B. FALSE

- Eligible for 2 dependent deductions.
- The afterschool program is ineligible for deduction unless Mary is working, seeking work or attending education classes.

False.

- The household is eligible for two dependent deductions (ages 12 and 6).
- The afterschool program for one of the children is ineligible based on the information provided on the question slide.
- Mary is not currently employed.
- Therefore, unless Mary is seeking employment or is taking education courses, the afterschool program will remain an ineligible deduction.

QUESTION

Adjusted Annual Income

- Janice is divorced and was awarded custody of her two children for a period of three days per week and 2 months each summer.
- Janice may include her two children as part of the household.

A. TRUE B. FALSE

Read question

ANSWER

Adjusted Annual Income

3555.152(c)(1), HB 9

A. TRUE

- Eligible for 2 dependent deductions.
- Applicants with shared custody may include children as part of the household.

True.

- An applicant that is divorced may include children as part of the household when awarded shared or joint custody.
- The lender will certify the total household members on Form RD 3555-21.

QUESTION

Adjusted Annual Income

- Adjusted annual income limit: $99,500; Household: 5
- Current annual income: $110,000
- Three eligible dependents: $480 x 3= $1,440
- Full time childcare: $12,500 per year
- The household is eligible.

A. TRUE B. FALSE

Read question

ANSWER

Adjusted Annual Income

3555.152(c)(2), HB 9

A. TRUE

- $110,000 - $1,440 - $12,500 = $96,060
- $96,060 is below the adjusted annual income limit of $99,500

True.

- The annual income is $110,000. The household is eligible for 3 dependent deductions, currently at $480 each = $1,440.
- Full time childcare is an eligible deduction when it is being paid for the care of dependents 12 years of age and under <u>and</u> allows an applicant or household member to seek employment or attend education classes.
- If the child care provider is a household member, the cost of the children's care cannot be deducted.
- The applicant's have documentation to support an annual deduction of $12,500.
- Therefore: $110,000 - $1,440 - $12,500 = an adjusted annual income total of $96,060.
- $96,060 is below the adjusted annual income limit for this State and County for a Household of 5 of $99,500.
- The household is income eligible.

QUESTION

Adjusted Annual Income

Applicant household members:

- Richard, applicant, age 42, employed full time
- Kathi, applicant, age 39, employed full time
- Trevor, age 11; Simone, age 6
- Live-in aide who has resided with the family full time for the past four years
- This is a household of 5.

A. TRUE B. FALSE

Read question

ANSWER

Adjusted Annual Income

3555.152(c)(1), HB 9

B. FALSE

- They are a household of 4.
- Live-in aides may not be included as members of the household.

False.

- Live-in aides, even those that reside in the residence full time, may not be included as a household member.

QUESTION

Adjusted Annual Income

- A deduction for day care for a child 12 years old or younger is allowable only when the provider is a licensed facility.

A. TRUE B. FALSE

Read question

ANSWER

Adjusted Annual Income

3555.152(c)(2), HB 9

B. FALSE

- The childcare provider does not have to be licensed.
- Non-licensed individuals and relatives are also eligible to provide care.

False.

- Child care may be provided by a licensed childcare facility, a non-licensed private individuals, or a relative.
- Verification must be obtained that identifies the child enrolled, payment history, and dates and payment due.
- Evidence of payments made may be documented with canceled checks, money orders receipts, and bank statements.

QUESTION

Adjusted Annual Income

- Household of 3: 2 adults and 1 disabled dependent age 9
- Both adults work full time
- Dependent requires outside assistance at school
- Total household annual income: $86,500
- Cost of outside assistance: $13,500
- How much of the assistance is an eligible deduction?

A. $13,500 B. $10,905

Read question

ANSWER

Adjusted Annual Income

3555.152(c)(3), HB 9

B. $10,905

- Eligible expenses related to care of disabled household members = amount that exceeds 3% of annual income
- $86,500 annual income x 3% = $2,595
- $13,500 - $2,595 = $10,905 eligible to deduct

Response B.

- Lenders may currently deduct eligible expenses from the costs of care for disabled household members that exceed 3% of the household's annual income.
- In this example the annual income of the household is $86,500.
- 3% of $86,500 is $2,595.
- The household has eligible and documented care expenses of $13,500.
- $13,500 - $2,595 = $10,905.
- Therefore, $10,905 would be eligible to be deducted from the household's annual income to determine the adjusted annual income figure.

QUESTION

Adjusted Annual Income

- Household of 2 adults
- Both are over age 62
- The household qualifies for an $800 deduction (two adult members over age 62 x $400)

A. TRUE B. FALSE

Read question

ANSWER

Adjusted Annual Income

3555.152(c)(4), HB 9

B. FALSE

- Only one $400 deduction per elderly family.
- Elderly family: head of household, spouse, or sole member of family that is party to the note is age 62 or older.

False.

- Elderly families (those with an applicant on the loan age 62 or above) may only have one $400 deduction for the adjusted annual income figure.

QUESTION

Adjusted Annual Income

- Elderly Household.
- Seeking deductions for medical expenses that include: insurance premiums, dental expenses, and eyeglasses.
- These are eligible deductions.

A. TRUE B. FALSE

Read question

ANSWER

Adjusted Annual Income

3555.152(c)(5), HB 9

A. TRUE

- Eligible for elderly families only.
- May deduct eligible expenses that exceed 3% of annual income.

True.

- These deductions are eligible for elderly families as defined under 7 CFR Part 3555.
- The amount that exceeds 3% of household annual income is eligible for deduction.

Way to go! You have completed the learning checks!

Lender Toolkit

Rural Development has developed numerous tools and resources to assist lenders with originating, processing, and servicing guaranteed loans.

- This training module has provided you with an overview of the key requirements of Adjusted Annual Income.
- Complete program requirements and guidance can be found in 7 CFR Part 3555, Subpart D, Section 3555.152(c) and Chapter 9 of HB-1-3555.
- Be sure to bookmark these references, save yourself valuable time by using Cntrl-F to quickly search and find answers, and always ensure you are referencing the most current publications.
- The “Program Overview Training” module will assist you in learning how to navigate through all the resources and tools Rural Development has created to assist you.

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!

USDA Rural Development
U.S. DEPARTMENT OF AGRICULTURE

Single Family Housing Guaranteed Loan Program (SFHGLP)
Contacts & Resources

TOPIC	CONTACT
File-Specific Questions Information to include in email: • Identify the state the application is located; if applicable; • Provide applicant's name and USDA borrower ID, if applicable; • GUS loan number, if applicable • Include contact information; and • Indicate if you would like a call back (otherwise you will receive an email reply)	Production Team One: SFHGLPONE@usda.gov AK, AL, AZ, CA, CO, GU, HI, IA, ID, KS, MT, NM, NV, OR, SD, TX, UT, WA, WI, WP, WY Production Team Two: SFHGLPTWO@usda.gov AR, KY, LA, MN, MO, MS, ND, NE, NJ, NY, OK Production Team Three: SFHGLPTHREE@usda.gov CT, DE, GA, IL, MA, MD, ME, MI, NC, NH, RI, SC, VT, WV Production Team Four: SFHGLPFOUR@usda.gov FL, IN, OH, PA, PR, TN, VA, VI
Lender Approval	sfhgld.compliance@usda.gov
Lender Recertification	
Program Training	sfhgld.lenderpartner@usda.gov
Program Marketing & Outreach	
General Loan Scenario Questions	sfhgld.program@usda.gov
Loan Policy/Regulation/Handbook	
Loan Servicing	sfhglpservicing@usda.gov
Technical Issues: e-Authentication	eAuthHelpDesk@ftc.usda.gov 800-457-3642, option 1 (USDA e-Authentication Issues)
Technical Issues: GUS	RD.HD@STL.USDA.GOV 800-457-3642, option 2 (USDA Applications); then option 2 (Rural Development)
Loss Claims	guarantee.svc@stl.usda.gov
Monthly & Quarterly Status Reporting	rd.nfaoc.hsb@stl.usda.gov
GUS User Agreements	

TOOLS & RESOURCES

Regulation and Handbook: https://www.rd.usda.gov/resources/directives

Lender Webpage—Turn times, contact information, and helpful links: https://www.rd.usda.gov/page/sfh-guaranteed-lender

USDA LINC—Training modules, user guides, and more useful resources: https://www.rd.usda.gov/programs-services/lenders/usda-linc-training-resource-library

GovDelivery—Receive notifications regarding origination, servicing, and GUS updates: https://public.govdelivery.com/accounts/USDARD/subscriber/new

Rev. 07/08/2020

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- Users should first look for answers to their questions in the regulation and handbook, but if you still have a question after reviewing your resources, we're here to help.
- All policy and regulation questions regarding the topic we just covered should be sent to our Policy, Analysis, and Communications Branch and
- If you would like to request additional program training, contact our Lender and Partner Activities Branch.

The Single Family Housing Guaranteed Lender webpage was specifically designed for our lending partners and includes information such as:

- Current turn times on new loan applications
- Contact information, and
- Links to program resources such as our 3555 Handbook and the USDA LINC website.
- Also, don't forget to sign up for our GovDelivery email notifications. Rural Development sends out origination, GUS, and servicing messages to alert lenders of new publications, clarifications, and additional program updates.

Thank you for supporting the USDA Single Family Housing Guaranteed Loan Program and America's rural homebuyers!

This will conclude the training module. Thank you and have a great day!