

USDA Rural Development
U.S. DEPARTMENT OF AGRICULTURE

Annual Income

Single Family Housing Guaranteed Loan Program
(SFHGLP)

09/2020



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ANNUAL INCOME

The Key to Eligibility



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7 CFR 3555.152(b)

(b) *Annual income.* Annual income is the income of all household members, regardless of whether they will be parties to the promissory note.

(1) Applicants must provide the income, expense and household information necessary to enable the lender to make income determinations.

(2) Lenders must verify employment and income information provided by the applicant for all household members. Lenders will verify the income for each adult household member for the previous 2 years. Written or oral verifications provided by third-party sources or documents prepared by third-party sources are acceptable. Lenders must project the expected annual income for the next 12 months from the verified sources.

(3) The lender remains responsible for the quality and accuracy of all information used to establish a household's eligibility.

(4) Household income from all sources including, but not limited to, income from temporarily absent household members, allowances for tax-exempt income and net family assets as defined in paragraph (d) of this section are to be considered in the calculation of annual income.



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7 CFR 3555.152(b)

(5) The following sources of income will not be considered in the calculation of annual income:

(i) Earned income of persons under the age of 18 unless they are an applicant or a spouse of a member of the household;

(ii) Payments received for the care of foster children or foster adults and incomes received by foster children or foster adults who live in the household;

(iii) Amounts granted for, or in reimbursement of, the cost of medical expenses;

(iv) Earnings of each full-time student 18 years of age or older, except the head of household or spouse, that are in excess of any amount determined pursuant to HUD definition of annual income at 24 CFR 5.609(c);

(v) Temporary, nonrecurring, or sporadic income (including gifts);



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7 CFR 3555.152(b)

(vi) Lump sum additions to family assets such as inheritances; capital gains; insurance payments under health, accident, or worker's compensation policies; settlements for personal or property losses; and deferred periodic payments of supplemental social security income and Social Security benefits received in a lump sum;

(vii) Any earned income tax credit;

(viii) Adoption assistance in excess of any amount determined pursuant to HUD's definition of annual income at 24 CFR 5.609(c);

(ix) Amounts received by the family in the form of refunds or rebates under State or local law for property taxes paid on the dwelling;

(x) Amounts paid by a State agency to a family with a developmentally disabled family member living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home;



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7 CFR 3555.152(b)

(xi) The full amount of any student financial aid;

(xii) Any other revenue exempted by a Federal statute, a list of which is available from any Rural Development office;

(xiii) Income received by live-in aides, regardless of whether the live-in aide is paid by the family or a social service program;


(ix) Employer-provided fringe benefit packages unless reported as taxable income; and

(x) Amounts received through the Supplemental Nutrition Assistance Program.



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Review Attachment 9-A
Pages 1 – 25

Refer to “Annual”
Column

Retain All Documentation
in the Permanent Case
File

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

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

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).		
Documentation Source Options lists eligible documentation. Every item listed is not required. Lenders must meet the minimum documentation requirements for streamlined, non-streamlined, etc. options of this Chapter.		
Income Type	Annual	Repayment
Adoption Assistance or Subsidy	If the income will be received in the ensuing 12 months, include the first \$450 of adoption income or subsidy assistance for each grantee.	<p>Required History: None, the income must be received at the time of loan application.</p> <p>Lenders must document:</p> <ul style="list-style-type: none"> the applicant is currently receiving the income, and the amount of the income received each month. <p>Continuance: Income must be confirmed to continue a minimum of three years into the mortgage.</p> <p>Benefits that do not include expiration dates on the documentation will be presumed to continue.</p>
<p>Documentation Source Options:</p> <ul style="list-style-type: none"> Benefit/Award letter to document the amount and duration of payments Online payment schedule from the Agency, bank statements, etc. Federal income tax returns or IRS tax transcripts with all schedules 		
Automobile Allowance	Include amounts documented on the pay statements as taxable gross earnings that will be received in the ensuing 12 months.	<p>Required History: One year</p> <p>Continuance: 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>Documentation Source Options:</p> <ul style="list-style-type: none"> Payroll(s) Earning statement(s) Contract/agreement from employer to state terms and duration of payments Federal income tax returns or IRS tax transcripts with all schedules 		

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Form RD 3555-21 (Page 3)

WORKSHEET FOR DOCUMENTING ELIGIBLE HOUSEHOLD AND REPAYMENT INCOME

Lender Instructions: Determine eligible household income for the Single Family Housing Guaranteed Loan Program (SFHGLP) by documenting all source/types of income for all household members. Qualify the loan by documenting all source/type of income that is stable and dependable utilized to repay the loan.

Identify all Household Members	Age	Full-time Student Y/N?	Disabled Y/N?	Receive Income Y/N?	Source of Income
Partner Person	37	No	No	Yes	Employed
Bobo Person	12	Yes	No	No	
Sister Person	18	Yes	No	No	

ANNUAL INCOME CALCULATION (Consider anticipated income for the next 12 months for all adult household members as described in 7 CFR 3555.152(a) and HB-1-3555 Chapter 8. Website for instructions/administrative notices: <https://www.rd.usda.gov/publications/regulations-guidelines>)

- Applicant (Wages, salary, self-employed, commission, overtime, bonus, tips, alimony, child support, pension/retirement, social security, disability, trust income, etc.) Calculate and record how the calculation of each income source/type was determined in the space below.


15*4015+31200/12=2600.00 Bonus: 177,837.5-98.60 99*12=1188	\$32,388.00
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- Co-Applicant (Wages, salary, self-employed, commission, overtime, bonus, tips, alimony, child support, pension/retirement, social security, disability, trust income, etc.) Calculate and record how the calculation of each income source/type was determined in the space below.
- Additional Income to Primary Income (Automobile Allowance, Mortgage Differential, Military, Secondary Employment, Seasonal Employment, Unemployment) Calculate and record how the calculation of each income source/type was determined in the space below.
- Additional Adult Household Member (s) who are not a Party to the Note (primary Employment from Wages, Salary, Self-Employment, Additional income to Primary Employment, Other Income) Calculate and record how the calculation of each income source/type was determined in the space below.
- Income from Assets (income from household assets as described in HB-1-3555, Chapter 9) Calculate and record how the calculation of each income source/type was determined in the space below.

Annual Household Income (Total 1 through 5)	\$32,388.00
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GUS “Eligibility” Page

Eligibility	Number of Residents Under 18 Years Old, Disabled, or 18 Years of age or greater <input type="text" value="0"/>
Loan Terms	Annual Child Care Expenses <input type="text" value="0"/>
Borrower	Are there any Disabled Persons living in the household? <input type="text" value="0"/>
Employment	Annual Disability Expenses <input type="text" value="0"/>
Income and Expenses	Monthly Gross Income For All Household Members (Annual income of household members to determine income eligibility)
Assets and Liabilities	Applicant/Borrower with highest income)
Transaction Details	Base Employment Income <input type="text" value="\$2,500.00"/>
Additional Data	Overtime <input type="text" value="\$0.00"/>
Credit / Underwriting	Bonuses <input type="text" value="\$99.00"/>
View Findings	Commissions <input type="text" value="\$0.00"/>
Display Documents	Dividends/Interest <input type="text" value="\$0.00"/>
Upload Documents	Other <input type="text" value="\$0.00"/>
Request Forms	Net Rental <input type="text" value="\$0.00"/>
USDA Administration	All Other Monthly Income Received by Adult Members of Household <input type="text" value="0"/>
Activity History	Income Category <input type="text" value="Moderate"/>
GUS Reports	Which Income Category should I choose? <input type="text" value="Income"/>
Loan List	<input type="button" value="Check Income Eligibility"/>
Data Modified	Results from Checking Income Eligibility
GUS User Guide	Total Household Income <input type="text" value="\$32,388.00"/>
Help	Allowable Adjustments <input type="text" value="\$960.00"/>
	Adjusted Household Income <input type="text" value="\$31,430.00"/>

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Approved Lender
Underwriter

USDA
Underwriter

Helpful Tips

- ✓ Can the source be documented?
- ✓ Review the current earnings to determine the amount of income to be received for the upcoming 12 months.
- ✓ Do not include income which indicates it will be discontinued within the upcoming 12 months.

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LEARNING CHECKS

7 CFR Part 3555 / HB-1-3555



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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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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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Ready?

LET'S GET
STARTED!



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QUESTION

Annual Income

- Sally receives a monthly \$1,300 housing allowance.
- Her new contract is valid for the next two years.
- The housing allowance is included in annual income.

A. TRUE B. FALSE



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ANSWER

Annual Income

3555.152(b), HB 9

A. TRUE

The housing allowance is part of her salary package.



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QUESTION

Annual Income

- Sam has inherited \$30,000 from his uncle.
- The inheritance must be included in the annual income.

A. TRUE B. FALSE



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ANSWER

Annual Income

3555.152(b)(5)(vi), HB 9

B. FALSE

- The inheritance is a lump sum addition, and therefore not included.
- Capital gains, worker's compensation, settlements, etc. are also not included in annual income.
- Lender must consider income earned from this asset as indicated in 3555.152(d) and HB 9.



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QUESTION

Annual Income

- Applicant's household includes a 19-year-old, full time student.
- The 19-year-old has a part time job at Starbucks.
- Current annual earnings: \$12,500
- Which amount must be included in annual income?

A. \$480 B. \$12,500



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ANSWER

Annual Income

3555.152(b)(5)(i), HB 9

A. \$480

- Income that is never counted: Earnings of a full-time student 18 years of age, or older, in excess of \$480 unless the student is a spouse or head of household.
- The student also qualifies as a dependent per 3555.152(c)(1)= \$480 annual income deduction.
- The final amount in annual income will be \$0.



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QUESTION

Annual Income

- Jared has worked at River City Construction for five years.
- He earned overtime throughout 2018 and 2019, as well as the first 3 months of 2020.
- His employer has provided a letter stating that Jared will no longer earn overtime in the future.
- Can the overtime earnings be excluded from total annual income calculations?

A. YES B. NO



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ANSWER

Annual Income

3555.152(b)(2), HB 9

B. NO

- Historical data is utilized when calculating and projecting annual income.
- If documentation cannot be provided confirming overtime earnings have seized, then the income must be included.



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QUESTION

Annual Income

Supplemental Nutrition Assistance Program (SNAP) benefits are included in annual income.

A. TRUE B. FALSE



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ANSWER

Annual Income

3555.152(5)(x), 9

B. FALSE

SNAP and other revenue exempt by a Federal statute, are not included in annual income.



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QUESTION

Annual Income

The annual income calculation is based on ____ earnings.

A. NET B. GROSS



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ANSWER

Annual Income

3555.152(b), HB 9

B. GROSS

- The gross amount before payroll deductions:
 - Base wages/salaries, overtime pay, commissions, fees, tips, housing allowances and other compensation for personal services of all adult members of the household.



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QUESTION

Annual Income

Foster care payments for children and/or adults must be included in annual income.

A. TRUE B. FALSE



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ANSWER

Annual Income

3555.152(b)(5)(ii), HB 9

B. FALSE

Payments received for foster children/adults are not included in annual income.



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QUESTION

Annual Income

- Applicant is due to receive wage increase.
- Increase will occur before loan approval by USDA (issuance of Conditional Commitment).
- The increase must be included in annual income.

A. TRUE B. FALSE



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ANSWER

Annual Income

3555.152(b)(2), HB 9

A. TRUE

- Annual income is based on upcoming 12 months.
- Wage increases prior to commitment must be included.



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QUESTION

Annual Income

- Applicant receives social security benefits for their minor child.
- The social security benefit must be included in the annual income.

A. TRUE B. FALSE



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ANSWER

Annual Income

3555.152(b)(4), HB 9

A. TRUE

The full amount of periodic payments received from Social Security including payments received by adults on behalf of a minor must be included.



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QUESTION

Annual Income

- Joe has annual income of \$125,000.
- He has a business loss of \$45,000.
- Joe's adjusted annual income with consideration of the business loss is:

A. \$80,000 B. \$125,000



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ANSWER

Annual Income

3555.152(b), HB 9

B. \$125,000

Business losses are treated as zero for annual income.



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QUESTION

Annual Income

- Melissa is a Pampered Chef sales professional, annual income is \$85,000.
- Tax returns reflect eligible deductions for mortgage interest/taxes/insurance of \$13,500.
- Melissa's annual income with consideration of these deductions is:

A. \$85,000 B. \$71,500



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ANSWER

Annual Income

3555.152(b), HB 9

A. \$85,000

Home based operation related expenses such as mortgage interest/taxes/insurance are not deducted from annual income.



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QUESTION

Annual Income

- Betty receives a \$500 flexible benefit from her employer in addition to her annual salary of \$80,000.
- Betty pays for her daughter's \$400 monthly child care expense with this benefit.
- Are the flexible benefit funds to be included in the total annual income?

A. YES B. NO



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ANSWER

Annual Income

3555.152(b)(2), HB 9

B. YES

Taxable income including fringe benefits such as flexible pay must be included in annual income calculations.



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QUESTION

Annual Income

Lender retains the following income documentation:

- Applicant: Written VOE plus recent paystub with YTD figure
- Household member: Recent paystub with YTD figure
- The file is properly documented

A. TRUE B. FALSE



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ANSWER

Annual Income

3555.152(b)(2), HB 9

B. FALSE

- Household members must be documented at the same level as an applicant.
- Applicable IRS 4506-T requirements must also be met: HB 9.



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QUESTION

Annual Income

- Jennifer was awarded \$600 monthly child support by a court order in January 2019.
- Payments were received for 6 months and ceased after June 2019.
- The child support must be counted in annual income.

A. TRUE B. FALSE



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ANSWER

Annual Income

3555.152(b)(2), HB 9

B. FALSE

The amount is not included in annual income when documentation of non-payment and legal action is obtained.



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QUESTION

Annual Income

- Fred recently had his hours reduced due to a temporary furlough.
- The employer has indicated Fred's regular work schedule will continue once the furlough is over in a few months.
- With the reduction in earnings, the total household income now falls below the income limitations for eligibility.
- Can the decreased income be used for calculating annual income?

A. YES B. NO



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ANSWER

Annual Income

3555.152(b)(2), HB 9.3 (b)

B. NO

- Annual income is calculated for the ensuing 12-month period.
- Situations temporary in nature may not be included when determining historic earnings.



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QUESTION

Annual Income

- 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

Annual Income

3555.152(b)(4), HB 9

A. \$1,378.75

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



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QUESTION

Annual Income

- Karen has worked at Tech Gen for 4 years.
- Recently she received a \$1,500 bonus.
- No history of bonus income in previous years, VOE states no continuance.
- The bonus must be included in annual income.

A. TRUE B. FALSE



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ANSWER

Annual Income

3555.152(b)(5)(v), HB 9

B. FALSE

- No consistent history = sporadic income
- VOE confirms no continuance



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QUESTION

Annual Income

- Stan and Fran are married.
- Fran moved out two months ago and filed for divorce.
- Stan is applying for a guaranteed loan.
- Fran's income must be included in annual income.

A. TRUE B. FALSE



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ANSWER

Annual Income

3555.152(b)(4), HB 9

B. FALSE

Separated less than 3 months, but Legal action for divorce has been filed.



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QUESTION

Annual Income

- Pat and Carol are married.
- Pat is deployed for two years.
- Carol is applying for a guaranteed loan as a sole applicant.
- Pat's income must be included in annual income.

A. TRUE B. FALSE



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ANSWER

Annual Income

3555.152(b)(4), HB 9

A. TRUE

- Separated due to work and/or military assignment.
- Pat continues to be part of the household.



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QUESTION

Annual Income

- Steve and Jody are engaged.
- Steve is the only loan applicant.
- They are both on the current rental lease, share the address, and have a joint bank account.
- Their combined incomes are over the adjusted annual income limit.
- The solution is to have Jody live elsewhere until after the wedding.
- There currently is no evidence of a separate residence.
- Jody's income can be excluded from the annual income.

A. TRUE B. FALSE



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ANSWER

Annual Income

3555.152(b)(4), HB 9

B. FALSE

- Steve and Jody are currently living together and share a lease and bank account.
- There is no evidence they have been living apart for 3 months.



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Way to Go!

LEARNING CHECK
COMPLETED!



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<https://www.rd.usda.gov/resources/regulations/program-regulations>

Subpart D—Underwriting the Applicant

- §3555.151 Eligibility requirements.
- §3555.152 Calculation of income and assets.
- §§3555.153-3555.199 [Reserved]
- §3555.200 OMB control number.

Navigate through these resources and tools like an expert!

<https://rd.usda.gov/resources/directives/handbooks>

HB-1-3555 SFH GUARANTEED LOAN PROGRAM TECHNICAL HANDBOOK

A consolidated version of the handbook is available. [HB-1-3555](#) is a large document and may take sometime to load.

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- Chapter 7** - Loan Terms and Conditions
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- Chapter 12** - Property and Appraisal Requirements

Take the “Program Overview Training”

Available on the USDA LINC:
<https://www.rd.usda.gov/page/usda-linc-training-resource-library>

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U.S. DEPARTMENT OF AGRICULTURE

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

TOPIC	CONTACT
File-Specific Questions	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, WY, WY
Information to include in email: <ul style="list-style-type: none"> • 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 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	sfhld.compliance@usda.gov
Lender Recertification	sfhld.compliance@usda.gov
Program Training	sfhld.lenderpartner@usda.gov
Program Marketing & Outreach	sfhld.lenderpartner@usda.gov
General Loan Scenario Questions	sfhld.program@usda.gov
Loan Policy/Regulation/Handbook	sfhld.program@usda.gov
Loan Servicing	sfhld.servicing@usda.gov
Technical Issues: e-Authentication	sAuthHelpDesk@fc.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.nfaochsb@stl.usda.gov
GUS User Agreements	rd.nfaochsb@stl.usda.gov

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/subscribe/new>

Rev. 07/08/2020

Can't find your answer in the regulation or handbook?
Contact the PAC team!

Want additional live program training?
Contact the LPA team!

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