

## CHAPTER 9: INCOME ANALYSIS

### 7 CFR 3555.152

#### 9.1 INTRODUCTION

The lender is responsible to confirm applicants and households meet the eligibility criteria for the Single Family Housing Guaranteed Loan Program (SFHGLP). Lenders must calculate and document annual, adjusted annual, and repayment income. The guidance provided applies to all loans, including manually underwritten loans and loans that utilize the Agency's automated underwriting system, GUS.

#### SECTION 1: ELIGIBILITY INCOME

#### 9.2 OVERVIEW

The SFHGLP assists very-low, low, and moderate-income households. Therefore, the lender must certify that any household that requests a loan guarantee does not exceed the adjusted annual income threshold for the applicable state and county where the dwelling is located. Additional information on income limits can be found in Appendix 5 of this Handbook.

This section assists lenders in analyzing income types, completing income calculations (annual, adjusted annual, and repayment), and documenting the income with acceptable verifications. Documentation of income calculations are recorded on Attachment 9-B, *Worksheet for Documenting Eligible Household and Repayment Income*, FNMA Form 1008 or Freddie Mac Form 1077, *Uniform Underwriting and Transmittal Summary*, or an equivalent lender income worksheet. Attachment 9-C provides a case study to illustrate how to properly complete the income worksheet. A public website is available to assist in the calculation of annual and adjusted annual income at:

<https://eligibility.sc.gov.usda.gov/eligibility/incomeEligibilityAction.do?pageAction=state>.

#### 9.3 ANNUAL INCOME [7 CFR 3555.152(b)]

Annual income includes 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.

##### A. Income that is Never Counted

7 CFR 3555.152(b)(5) lists income sources that are never included in the annual income calculation. Refer to Attachment 9-A to review income and asset types, guidance for annual and repayment purposes, and documentation options acceptable to verify the

## B. Calculation of Annual Income

Annual income is calculated for the ensuing 12 months, based on income verifications, documentation, and household composition. Lenders must examine all evidence to ensure the calculation is supported.

In addition to 7 CFR 3555.152(b) and Attachment 9-A, lenders must consider the following to calculate 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 7 CFR 3555.152(b)(5) 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.
- Include the first \$480 of earned income from adult full-time students who are not an applicant, or a 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 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.
- An adult household member that is currently unemployed but is seeking new employment must have their previous earnings included in 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 or; official termination from previous employer, ~~or~~ or and a signed statement
  - -from the adult household member that they do not plan to pursue new employment.

## Paragraph 9.3 Annual Income

- Income verifications provided by applicants that do not currently support historical earnings with the same employer (e.g. less hours worked, less overtime, less bonus, declining self-employment income, etc.) must be carefully reviewed to determine appropriate calculations.
- Verified changes of income amounts or sources in the ensuing 12 months must be documented. Examples include, but are not limited to, pending retirement, resignation tendered, documented raise that will occur prior to loan closing, etc.
- ~~Income sources that will not be received~~When an income source will not be received for the entire year, the amount anticipated to be received within the ensuing 12 months ~~for the entire ensuing 12 months~~ must continue to be included in annual income unless excluded under 7 CFR 3555.152(b)(5). Examples include, but are not limited to, child support, alimony, maintenance, Social Security, etc. Annual income is the total of all income sources for a 12- month timeframe. 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.

Lenders are responsible for accurately calculating annual household income. The calculation should be logical based on the history of income and documentation provided. Training is available on the USDA LINC Training and Resource Library website, located at <https://www.rd.usda.gov/resources/usda-linc-training-resource-library/lender-training>.

Annual income calculations will typically vary from adjusted annual and repayment income.

### **C. Income of Temporarily Absent Household Members**

A household member is defined as all persons routinely living in the dwelling as a principal residence, except for live in aides, foster children, and foster adults (7 CFR 3555.10). If a member of the household that will make the dwelling their principal residence is temporarily absent, their income must be included.

### **D. Applicant Assets**

Income earned from non-retirement assets may be required to be included in the annual income calculation, as applicable. Refer to paragraph 9.4 for guidance.

### E. Verification Requirements

Lenders must verify income and asset documentation provided by applicants and other adult household members. Lenders will verify the income for each adult household member for the previous 2 years. The following guidance will assist:

- Written, oral, or electronic verifications, and documents provided or prepared by third-party sources are acceptable, unless otherwise specified. These verifications must be provided directly to the lender.
- Lenders may not accept verifications or documents transmitted by, or passed through, an interested third party such as builders, real estate professionals, or sellers.
- Facsimiles, photocopies, digital images, and computer-generated documents may be accepted in lieu of original forms, unless otherwise specified.
- The lender is responsible for the integrity and accuracy of the information in the mortgage underwriting file. Regardless of the type of documentation used to support the loan application, the documents must be legible and free of any alterations, erasures, “white-outs,” or similar indications that changes have been made.
- Verification documentation of household annual, adjusted annual, and repayment 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. The lender must utilize paystub(s)/earning statement(s) that are dated no earlier than 30 days prior to the 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.
- 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. The most recent tax return refers to the last return filed as determined by IRS schedule/deadlines. Lenders must continue to obtain the most recent two years of returns, as applicable. Applicants must not be delinquent on federal taxes as determined by the IRS. USDA requires all applicants to be current on their income tax filings.

## Paragraph 9.3 Annual Income

- Applicants with an approved IRS extension for the current tax year may continue to be eligible if they are not delinquent on taxes owed, as determined by the IRS. Evidence of ~~the extension and~~ tax payments made, if applicable, must be retained in the lender's permanent loan file in accordance with Chapter 10 of this Handbook. ~~USDA does not require applicants 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 15<sup>th</sup>).~~
- 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.
- Applicable 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.

For all loan types, lenders must verify the income for all applicants and adult household members (excluding eligible full-time students age 18 and above) through one of the following documentation methods. Refer to Attachment 9-A for documentation and verification options that are acceptable to support income types.

### 1. *Full Income Documentation – Non-Self-Employed*

- W-2 forms for the most recent two tax years, which may be electronically generated or provided in paper format, or IRS Wage and Income transcripts;
- Paycheck stubs or payroll earning statements that report the most recent four weeks of earnings; and
- Prior to loan closing, a Verbal Verification of Employment (VVOE) must be obtained for all applicants within 10 business days of loan closing. A written verification or email confirmation (other than a paystub), that confirms the applicant's current employment status within this same-time frame as the VVOE requirements is also acceptable. The documentation must include the name and title of the person who completed the verification for the employer. This ~~VVOE-verification~~ will be retained in the lender's permanent loan file. Adverse changes to the applicant's employment may render the loan ineligible.

### 2. *Alternative Income Documentation – Non-Self-Employed*

- ~~Written~~ Written Verification of Employment (VOE): Electronically generated

HB-1-3555

Paragraph 9.3 Annual Income

verifications from the employer or a verification service utilized by the employer, Form RD 1910-5, *Request for Verification of Employment*, or an equivalent HUD, VA, Fannie Mae, or Freddie Mac form may be utilized to verify the current year-to-date (YTD) and previous year's employment earnings. This verification must confirm base income/wages, bonus, overtime, commissions, and other income sources earned, as applicable;

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## Paragraph 9.3 Annual Income

- Recent paycheck/earnings statement: Lenders must compare a recent paystub that includes YTD earnings and employment information to the VOE to confirm these two documents reasonably agree; and
- Prior to loan closing, a Verbal Verification of Employment (VVOE) must be obtained for all applicants within 10 business days of loan closing. A written verification or email confirmation (other than a paystub), that confirms the applicant's current employment status within this same time frame as the VVOE requirements is also acceptable. The documentation must include the name and title of the person who completed the verification for the employer. ~~Prior to loan closing a VVOE must be obtained for all applicants within 10 business days of the loan closing.~~ This VVOE verification will be retained in the lender's permanent loan file. Adverse changes to the applicant's employment may render the loan ineligible.

### 3. *Self-Employed Income Documentation*

Applicants or household members are considered self-employed when they have a 25 percent or greater ownership interest in a business. If the ownership interest is less than 25 percent, neither the "Business Owner" or "Self-Employed" options should be selected in GUS.

Federal Income Tax Returns for the business will be required when ownership is 25 percent or greater. The lender must analyze the most recent two-year history of the business earnings. Sharp increases or decreases in self-employment income may require the lender to review additional documentation to support their calculation of annual, adjusted annual, and repayment income. Sharp increases or decreases are defined as a 20 percent or greater variance for income earnings from the previous 12 months. The lender's permanent file must contain the following, as applicable:

- Federal Income Tax Returns (filed and signed) for the most recent two consecutive years with all schedules, or IRS transcripts that include all applicable schedules;
- Federal Income Tax Returns for the business (filed and signed) for the most recent two consecutive years with all schedules, or IRS transcripts that include all applicable schedules, if required for the ownership interest/business type;
- Recent profit and loss statement (not required to be audited); and
- Confirmation the business is operational, obtained within 30 days of the loan



closing. Documentation may include evidence of a website, additional internet documentation, licensing bureau certification, etc. Adverse changes to the business may render the applicants ineligible.

Lenders may utilize Fannie Mae Form 1084, *Cash Flow Analysis*, Fannie Mae Form 1088, *Comparative Income Analysis*, or a comparable self-employment evaluation form(s), and Attachment 9-E to assist in the calculation of self-employment income.

A business (full time or part-time) that is closed may be removed from consideration for annual income when the applicants provide a letter of explanation and documentation to the lender which details: 1. When the business was closed; 2. Why the business was closed; 3. How the business was closed; and 4. Evidence, satisfactory to the lender, to support the closure of the business.

**REMINDER:** Refer to Attachment 9-A for documentation options and verification requirements of additional income and asset types that may apply to the household. If a specific income or asset type is not listed, refer to 7 CFR 3555.152. All income and asset types must be documented and verified. The lender must retain all documentation and calculations in their permanent loan file.

#### ***4. IRS Transcripts: Verification of Income***

**IRS transcripts are required for all required household members in addition to the documentation option selected by the lender.** Lenders must require each adult household member, as applicable, to complete and sign IRS Form 4506-T, *Request for Transcript of Tax Return*, or IRS Form 4506-C, *IVES Request for Transcript of Tax Return*, for the previous two tax years at the time of submission to the Agency. The 4506-T/4506-C must be used to request full transcripts with all schedules.

Full time students age 18 and up that are not the applicant, co-applicant, or spouse of an applicant are not required to sign the 4506-T/4506-C or have transcripts provided.

Guaranteed loans cannot be made to a household that exceeds the applicable adjusted annual income limit. The transcripts provide a quality control measure to ensure all income and asset earnings reported to the IRS have been disclosed to the lender.

Lenders must obtain and review ~~available~~ transcripts prior to loan closing and retain them in their permanent loan file.



## Paragraph 9.3 Annual Income

Previously unknown/undisclosed income or asset sources that are identified by the transcripts will require additional review by the lender and may render a loan file ineligible.

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The lender is responsible for requesting tax transcripts in the early stages of the application process. -When the lender is unable to obtain transcripts from the IRS for the applicants or required household members, they may document their correspondence to and from the IRS in the permanent loan file to support the omission. The loan file will be considered complete when the explanation is documented. Loan closings will not be delayed due to obstacles in obtaining the tax transcripts ~~when the tax returns were filed timely. However, a “failure to file” tax returns by the applicants, when legally required to do so and by the due date established by the IRS, is not an eligible explanation to forego obtaining tax transcripts.~~ The lender remains responsible for obtaining transcripts, even if post-closing. ~~(when permitted).~~

#### 9.4 CALCULATING INCOME FROM ASSETS [7 CFR 3555.152(d)]

Household members with cumulative net family assets (non-retirement) of \$50,000 or greater, must have those assets reviewed for annual income purposes, as indicated in 7 CFR 3555.152(d). Lenders must review the most recent asset information provided by applicants and household members at the time of loan application. Net family assets with actual earnings will use the stated rate of interest to calculate annual income. Net family assets that do not earn interest will use a current passbook savings rate (verified through the lender’s personal banking rates, online website, etc.) to calculate annual income.

If the applicants have ownership in a business, or are self-employed, the lender should closely review the asset accounts to verify assets are not transferred between a personal account and a business account and vice versa. These accounts should function as two separate financial tools, one for personal transactions and one for business transactions. In the event the assets from the business account and personal account are co-mingled, the co-mingled assets would need to be included in the calculation of net family assets.

Refer to the Asset section in Attachment 9-A for individual asset types and options for documentation/verification.

#### 9.5 ADJUSTED ANNUAL INCOME [7 CFR 3555.152(c)]

The adjusted annual income calculation will determine if the household is eligible for the guaranteed loan program. Adjusted annual income is calculated by using the annual income calculation and subtracting any of the eligible deductions in 7 CFR 3555.152(c) for which the household may qualify. Attachment 9-C provides an example of using deductions.

#### Paragraph 9.5 Adjusted Annual Income

Refer to Attachment 9-A for information and documentation options to support these eligible deductions:

- Dependents
- Child Care Expenses
- Elderly Household
- Care of Household Members with Disabilities
- Medical Expenses

### 9.6 AGENCY REVIEW OF HOUSEHOLD INCOME

The Agency will recalculate the lender's determination of adjusted annual income, as a quality control step, when the lender's calculation is within 10 percent of the applicable published income limit. The Agency review is only required for manually underwritten loans, defined as application types that are not supported by GUS and applications submitted to GUS that have received an underwriting recommendation of Refer or Refer with Caution.

If the Agency's calculation exceeds the adjusted annual income threshold, the Agency will contact the approved lender to review the results and determine the appropriate calculation. This review will ensure adjusted annual household income calculations are correctly computed and include all applicable income. The Agency will complete Attachment 9-F, *Worksheet for Documenting Eligible Household and Repayment Income*, to record their calculation, which will then be uploaded to the Electronic Customer File (ECF).

## SECTION 2: REPAYMENT INCOME [7 CFR 3555.152(a)]

### 9.7 OVERVIEW

Repayment income will determine if applicants have sufficient income to repay the mortgage in addition to recurring debts. Repayment income calculations often differ from the calculation of annual and adjusted annual income.

Repayment income is the stable and dependable income of the applicants who will be parties to the note. Co-signers and non-occupant co-borrowers are not permitted for a guaranteed loan transaction.

## **9.8 STABLE AND DEPENDABLE INCOME [7 CFR 3555.152(a)]**

7 CFR 3555.152(a) and Attachment 9-A assist lenders in reviewing income types. The following guidance also assists lenders to consider repayment income sources:

- The income source must be documented.
- There must be evidence to support the historical receipt of earnings.
- Establish the likelihood of its continuance for at least 3 years into the mortgage.
- Analyze any gaps in employment to make a final determination of stable and dependable income. The Agency does not impose specific criteria regarding when a gap in employment is acceptable. It is the approved lender's responsibility to analyze the complete employment history to determine stable and dependable income.
- Caution should be utilized for applicants that have documented declining wages or earnings. Lenders must ensure repayment income is not inflated/overstated.
- Caution should be utilized for applicants that have a documented sharp increase in earnings. A sharp increase in earnings is defined as a 20 percent or greater variance in income from the previous 12 months. Lenders must determine if an increase is supported and logical. Examples include, but are not limited to, a promotion with the current employer, documented pay raise, income trend analysis for overtime, bonus, commission, seasonal employees, etc.
- Caution should be utilized for applicants that have a documented decrease in earnings. A documented decrease in earnings is defined as a 20 percent or greater variance in income from the previous 12 months. Lenders must determine if the decrease has/will continue or if there is evidence to support the earnings have stabilized. Examples include, but are not limited to, loss of job but new employment secured with lower wages, new profession/line of work, loss of contract/clients, economic cycle impact such as real estate, finance/lending, manufacturing, construction, etc.
- Lenders may gross up income that is not subject to Federal taxes 25 percent.

## Paragraph 9.8 Stable and Dependable Income

- Any loss incurred by a self-employed business (full time or part-time) that is closed may be removed from consideration when the applicants provide a letter of explanation and documentation to the lender which details: 1. When the business was closed; 2. Why the business was closed; 3. How the business was closed; and 4. Evidence, satisfactory to the lender, to support the closure of the business.

**REMINDER:** Approved lenders are responsible for their underwriting decisions, which includes the determination of stable and dependable income. Loans that default within 60 months of the date the Loan Note Guarantee is issued may result in indemnification from the approved lender to USDA due to unauthorized underwriting per 7 CFR 3555, HB-1-3555, and additional published USDA guidance.

## 9.9 AGENCY REVIEW OF REPAYMENT INCOME

The Agency will recalculate the lender's determination of repayment income, as a quality control step, when the repayment ratios are within 10 percent of the published debt ratio threshold of 7 CFR 3555.151(h). Repayment ratios greater than 26 percent for principal, interest, taxes, and insurance (PITI) and/or greater than 37 percent for total debt (TD) require Agency recalculation. The Agency review is only required for manually underwritten loans, defined as application types that are not supported by GUS and applications submitted to GUS that have received an underwriting recommendation of Refer or Refer with Caution.

If the Agency's calculation does not agree with the repayment income calculation of the lender, the Agency will contact the approved lender to review the results and determine the appropriate calculation. This action will strengthen the oversight procedures to verify compliance with regulatory requirements. The Agency will complete Attachment 9-F, *Worksheet for Documenting Eligible Household and Repayment Income*, to record their calculation, which will then be uploaded to the Electronic Customer File (ECF).

## 9.10 OPTIONAL DOCUMENTATION OF INCOME FORMS

Attachment 9-G of this Chapter provides optional verification forms for the lender's use in verifying non-employed income or adjusted annual income deductions as follows:

- Verification of Pensions and Annuities
- Verification of Student Income and Expenses

- Verification of Medical Expenses
- Verification of Social Security Benefits
- Verification of Public Assistance
- Verification of Child/Dependent Care
- Verification of Unemployment Benefits
- Verification of Business Expenses
- Verification of Support Payments

Also available is an optional form to record an oral verification of employment.

- Record of Oral Verification of Employment

#### **9.11 EDUCATION**

The Agency will allow time spent in school towards the required employment history for repayment income. This includes college, technical school, and career-based certificates in high school (e.g. health and public safety career tracks). A standard high school diploma without an accompanying certificate does not meet the time requirements.

## Income and Documentation Matrix

### Income guidance: 7 CFR 3555, Sections 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 an accurate and dependable analysis of income per 7 CFR 3555.152. Exclusions may apply under 7 CFR 3555.152(b)(5) and Attachment 9-D.

### Considerations for Income Calculations

- Lenders must verify the income for each adult household member for the previous 2 years.
- Annual and adjusted annual income calculations must include all eligible income sources from all adult household members, not just parties to the loan note.
- Annual income is calculated for the ensuing 12 months, based on income verifications, documentation, and household composition.
- Include only the first \$480 of earned income from adult full-time students who are not the applicants, or a spouse of an applicants in annual and adjusted annual income.
- Income from assets that meet the criteria of Section 9.4 must be included in annual and adjusted annual income.
- Repayment income calculations include the income sources of the applicants who will be parties to the note that meet the minimum required history identified in this matrix and have been determined to be stable and dependable income by the approved lender.
- Income used in repayment income calculations must be confirmed to continue a minimum of three years into the mortgage.
- If the income is tax exempt, it may be grossed up 25 percent for repayment income.
- “Documentation Source Options” lists eligible documentation. Every item listed is not required unless otherwise stated. Lenders must obtain and maintain documentation in the loan file supporting the lender’s income calculations.

Income Type	Annual Income	Repayment Income
<b>Adoption Assistance or Subsidy</b>	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 submission to the Agency.</p> <p>Lenders must document:</p> <ul style="list-style-type: none"> <li>○ The applicants are 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>

#### Documentation Source Options:

- 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.



Income Type	Annual Income	Repayment Income
<b>Automobile Allowance</b>	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> Two years</p> <p><b>Continuance:</b> Income will be presumed to continue unless there is documented evidence the income will cease.</p> <p>The full amount of the expense allowance may be included.</p> <p>Refer to Chapter 11 for additional guidance when there is a monthly debt associated with the income (such as a car payment).</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>		
<p><b>Base Wages (Hourly or Salary)</b>  <u>Full or Part Time</u></p>	<p>Include amounts received before deductions for payroll taxes, insurance, etc. Include amounts that will be received in the ensuing 12 months. Exclusions may apply under 7 CFR 3555.152(b)(5).</p> <p>Full time students age 18 and above that are not applicants, co-applicants, or a spouse of -an applicant will only have \$480 of their earnings included in the annual income calculation. These household members are not required to present income documentation.</p>	<p><b>Required History:</b> One year</p> <p>Income must be received at the time of submission to the Agency.</p> <p>The one year of required history may be met through a combination of employers, education, or military service. This history is not required to be with the same or current employer. Applicants that were on leave with their employer due to maternity/paternity leave, medical leave, relocation, etc. remain employed.</p> <p>Underwriters may use discretion for applicants returning to the workforce after leaving a previous job to care for a child/family member, complete education, etc. for an extended time of one year or greater.</p>
<p><b>Documentation Source Options:</b></p> <ul style="list-style-type: none"> <li>• Paystub(s)/Earning statement(s).</li> <li>• W-2's.</li> <li>• Written Verification of Employment (VOE) or electronic verifications.</li> <li>• Federal income tax returns or IRS tax transcripts with all schedules.</li> <li>• Section 9.3E provides additional information on employment verification options.</li> </ul>		

Income Type	Annual Income	Repayment Income
<p><b>Boarder Income</b></p> <p>Guaranteed loans are for the purchase of a primary residence. Boarder income refers to rental income received from an individual renting space inside the dwelling, thus making the property income producing. The financing of income producing property is an ineligible loan purpose for the SFHGLP.</p>	<p>Ineligible</p>	<p>Ineligible</p>
<p><b>Bonus</b></p>	<p>Include amounts that will be received in the ensuing 12 months based on employment verifications. Exclusions may apply under 7 CFR 3555.152(b)(5).</p>	<p><b>Required History:</b> One year in the same, or similar, line of work.</p> <p>Underwriters must analyze bonus income for the current pay period and YTD earnings. Significant variances (increase or decrease) of 20 percent or greater in income from the previous 12 months must be analyzed and documented (e.g. paid once annually, paid monthly, etc.) before considering the income stable and dependable.</p> <p><b>Continuance:</b> Income will be presumed to continue unless there is documented evidence the income will cease.</p>
<p><b>Documentation Source Options:</b></p> <ul style="list-style-type: none"> <li>• Paystub(s)/Earnings statement(s).</li> <li>• W-2's.</li> <li>• Written VOE or electronic verifications.</li> <li>• Federal income tax returns or IRS tax transcripts with all schedules.</li> <li>• Section 9.3E provides additional information on employment verification options.</li> </ul>		
<p><b>Capital Gains</b></p>	<p>Include amounts that will be received in the ensuing 12 months. Exclusions may apply under 7 CFR 3555.152(b)(5).</p>	<p><b>Required History:</b> Two years</p> <p>Lenders must analyze the previous two years of capital gains income. An average of the previous two years may be logical, or if the current year was 20 percent less than the previous year, the lesser must be utilized.</p>
<p><b>Required Documentation:</b></p> <ul style="list-style-type: none"> <li>• Federal income tax returns or IRS transcripts with all schedules.</li> <li>• Evidence of additional property or assets retained by the applicants through title, bank statements, etc.</li> </ul>		

Income Type	Annual Income	Repayment Income
<b>Child Support</b>	<p>Include amounts that will be received in the ensuing 12 months. Exclusions may apply under 7 CFR 3555.152(b)(5).</p> <p>Legally enforceable payments that have not been received may be excluded when payments are not received for an extended time and a reasonable effort has been made to collect them through the official entity responsible for enforcing such payments.</p>	<p><u>Court Ordered Payments:</u></p> <p><b>Required History:</b> Six months</p> <p>Child support that meets the minimum history, but the payment amounts are not consistent, must use an average consistent with the payor’s current ability/willingness to pay.</p> <p><u>Voluntary Payment Agreements:</u></p> <p><b>Required History:</b> One year</p> <p>Child support that meets the minimum history, but the payment amounts are not consistent, must use an average consistent with the payor’s current ability/willingness to pay.</p>
<p><b>Documentation Source Options:</b></p> <ul style="list-style-type: none"> <li>• Final divorce decree, legal separation agreement, or court order (front and pertinent pages) to document the amount and timeframe of the obligation.</li> <li>• Evidence of timely receipt/consistent amount for required history: bank statements, canceled checks, deposit slips, tax returns, etc.</li> </ul>		
<b>Commission</b>	<p>Include amounts that will be received in the ensuing 12 months. Exclusions may apply under 7 CFR 3555.152(b)(5).</p>	<p><b>Required History:</b> One year in the same, or similar, line of work.</p> <p>Underwriters must analyze commission for the current pay period and YTD earnings. Significant variances (increase or decrease) of 20 percent or greater in income from the previous 12 months must be analyzed and documented (e.g. variances due to seasonal/holiday, etc.) before considering the income stable and dependable.</p> <p><b>Continuance:</b> Income will be presumed to continue unless there is documented evidence the income will cease.</p>
<p><b>Documentation Source Options:</b></p> <ul style="list-style-type: none"> <li>• Paystub(s)/Earning statement(s).</li> <li>• W-2’s.</li> <li>• Written VOE or electronic verifications.</li> <li>• Federal income tax returns or IRS tax transcripts with all schedules.</li> <li>• Section 9.3E provides additional information on employment verification options.</li> </ul>		

Income Type	Annual Income	Repayment Income
<b>Contract / Employment Offer</b>	Include amounts that will be received in the ensuing 12 months based on employment verifications.	<p><b>Required History:</b> One year</p> <p>The one year of required history may be met through a combination of employers, education, or military service. This history is not required to be with the same or current employer.</p> <p>Applicants moving to a new employer (e.g. school district, same profession, etc.) with a contract to begin employment within 60 days of loan closing may be eligible if the underwriter determines the applicants have reserves available post loan closing to cover all monthly liability payments and the new mortgage obligation until employment begins.</p>
<p><b>Documentation Source Options:</b></p> <ul style="list-style-type: none"> <li>• Copy of signed employment contract/offer.</li> <li>• Paystub(s)/Earning statement(s) of current/former employer to confirm employment/income history.</li> <li>• W-2's.</li> <li>• Written Verification of Employment (VOE) or electronic verifications.</li> <li>• Federal income tax returns or IRS tax transcripts with all schedules.</li> <li>• Section 9.3E provides additional information on employment verification options.</li> </ul>		
<b>Depreciation/Depletion</b>	The amount(s) of straight-line depreciation and/or depletion documented on acceptable IRS forms may be deducted.	<p><b>Required History:</b> Two years</p> <p><b>Continuance:</b> These amounts will be presumed to continue unless there is documented evidence they will cease.</p> <p>The amount(s) of straight-line depreciation and/or depletion may be added back to repayment income.</p>
<p><b>Required Documentation:</b></p> <ul style="list-style-type: none"> <li>• Federal income tax returns or IRS tax transcripts with all schedules.</li> </ul>		

Income Type	Annual Income	Repayment Income
<p><b>Disability Income – Long Term</b></p> <p>This section does not refer to disability income received from the Social Security Administration.</p>	<p>Include amounts that will be received in the ensuing 12 months. Exclusions may apply under 7 CFR 3555.152(b)(5).</p>	<p><b>Required History:</b> None, the income must be received at the time of submission to the Agency.</p> <p>Lenders must document:</p> <ul style="list-style-type: none"> <li>○ The applicants are currently receiving the income;</li> <li>○ The amount of the income received each month; and</li> <li>○ Determine if there is a contract termination or modification date.</li> </ul>
<p><b>Documentation Source Options:</b></p> <ul style="list-style-type: none"> <li>• Verification from the disability policy or benefits provider to document the applicant’s eligibility for benefits, amount and frequency of payments, and termination/modification date.</li> <li>• Federal income tax returns or IRS transcripts with all schedules.</li> </ul>		
<p><b>Dividends</b></p>	<p>Include amounts that will be received in the ensuing 12 months. Exclusions may apply under 7 CFR 3555.152(b)(5).</p>	<p><b>Required History:</b> Two years</p>
<p><b>Required Documentation:</b></p> <ul style="list-style-type: none"> <li>• Account statements to support amount of income utilized for repayment purposes, including the balance, rate of interest, and payment amounts/continuance.</li> <li>• Federal income tax returns or IRS tax transcripts with all schedules.</li> </ul>		
<p><b>Earned Income Tax Credit</b></p>	<p>Do not include</p>	<p>Do not include</p>
<p><b>Employee Fringe Benefits</b></p>	<p>Include amounts documented on the pay statements as taxable gross earnings that will be received in the ensuing 12 months. Exclusions may apply under 7 CFR 3555.152(b)(5).</p>	<p><b>Required History:</b> One year</p> <p>Employer-provided fringe benefit packages documented on earning statements as taxable income may be included.</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>• Written VOE or electronic verifications.</li> <li>• Federal income tax returns or IRS tax transcripts with all schedules.</li> <li>• Section 9.3E provides additional information on employment verification options.</li> </ul>		

Income Type	Annual Income	Repayment Income
<p><b>Employment Related Account</b></p> <p>This income source may be a non-self-employed severance package. Lump sum retirement packages should refer to Retirement Income. All payments must be deposited to a verified asset account with acceptable documentation of receipt.</p>	<p>Include amounts that will be received in the ensuing 12 months. Exclusions may apply under 7 CFR 3555.152(b)(5).</p>	<p><b>Required History:</b> None, the income must be received at the time of submission to the Agency.</p> <p>Lenders must document:</p> <ul style="list-style-type: none"> <li>○ The applicants are currently receiving the income;</li> <li>○ The amount of the income received each month; and</li> <li>○ Determine if there is a contract termination or modification date.</li> </ul>
<p><b>Required Documentation:</b></p> <ul style="list-style-type: none"> <li>• Contract/agreement from employer to state terms and duration of payments.</li> <li>• Benefit/Award verification letter, IRS 1099, evidence of current receipt, bank statements, etc.</li> <li>• Federal income tax returns or IRS transcripts with all schedules.</li> </ul>		
<p><b>Expense Allowance</b></p>	<p>Include amounts documented on the pay statements as taxable gross earnings that will be received in the ensuing 12 months. Exclusions may apply under 7 CFR 3555.152(b)(5).</p>	<p><b>Required History:</b> Two years</p> <p><b>Continuance:</b> Income will be presumed to continue unless there is documented evidence the income will cease.</p> <p>The full amount of the expense allowance may be included.</p> <p>Refer to Chapter 11 for additional guidance when there is a monthly debt associated with the income.</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>		
<p><b>Foreign Income</b></p>	<p>Include all wages, salaries, and additional income types that will be received in the ensuing 12 months. Exclusions may apply under 7 CFR 3555.152(b)(5).</p>	<p><b>Required History:</b> One year (Refer to Base Wages)</p> <p><b>Continuance:</b> Income will be presumed to continue unless there is documented evidence the income will cease.</p>
<p><b>Documentation Source Options:</b></p> <ul style="list-style-type: none"> <li>• Paystub(s)/Earning statement(s), translated into English if applicable.</li> <li>• Written VOE or electronic verifications.</li> <li>• Federal income tax returns or IRS tax transcripts with all schedules.</li> <li>• Section 9.3E provides additional information on employment verification options.</li> </ul>		
<p><b>Foster child or adult income</b></p>	<p>Do not include</p>	<p>Do not include</p>

Income Type	Annual Income	Repayment Income
<p><b>GI Bill</b></p> <p>This income source is paid directly to veterans and/or their dependents attending college or university for the purpose of covering tuition and related expenses.</p>	Do not include	Do not include
<p><b>Government Benefits</b></p>	<p>Include amounts that will be received in the ensuing 12 months.</p> <p>Exclusions may apply under 7 CFR 3555.152(b)(5) and Attachment 9-C.</p>	<p><b>Required History:</b> None, the income must be received at the time of submission to the Agency.</p> <p>Lenders must document:</p> <ul style="list-style-type: none"> <li>○ The applicants are currently receiving the income; and</li> <li>○ The amount of the income received each month.</li> </ul> <p><b>Continuance:</b> Benefits that do not include expiration dates on the documentation will be presumed to continue.</p>
<p><b>Required Documentation:</b></p> <ul style="list-style-type: none"> <li>• Benefit/Award documentation to support payment amounts and duration.</li> </ul>		
<p><b>Guardianship/Conservatorship Income</b></p> <p>This guidance does not apply to income earned from foster care.</p>	<p>Include amounts that will be received in the ensuing 12 months.</p> <p>Exclusions may apply under 7 CFR 3555.152(b)(5).</p>	<p><b>Required History:</b> None, the income must be received at the time of submission to the Agency.</p> <p>Lenders must document:</p> <ul style="list-style-type: none"> <li>○ The applicants are currently receiving the income; and</li> <li>○ The amount of the income received each month.</li> </ul> <p><b>Continuance:</b> 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>• Documentation to support payment amounts and duration, such as a court order, legal documents, or other supplemental information.</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>		



Income Type	Annual Income	Repayment Income
<b>Housing or Parsonage Allowance</b>	Include the amounts that will be received in the ensuing 12 months. Exclusions may apply under 7 CFR 3555.152(b)(5).	<b>Required History:</b> One year  The full amount of the allowance may be included. Do not offset the mortgage payment with the amount of the allowance.  <b>Continuance:</b> Income will be presumed to continue unless there is documented evidence the income will cease.
<b>Documentation Source Options:</b> <ul style="list-style-type: none"> <li>• Paystub(s)/Earning statement(s).</li> <li>• Contract/Agreement from employer to state the terms and duration of payments.</li> <li>• Federal income tax returns or IRS tax transcripts with all schedules.</li> </ul>		
<b>Individual Retirement Account (IRA) Distributions</b>	Include amounts that will be received in the ensuing 12 months. Lump sum withdrawals or sporadic payments may be excluded under 7 CFR 3555.152(b)(5).	<b>Required History:</b> None, the income must be received at the time of submission to the Agency.  Lenders must document: <ul style="list-style-type: none"> <li>○ The applicants are currently receiving the income; and</li> <li>○ The amount of income received each month.</li> </ul> <b>Continuance:</b> Income will be presumed to continue unless there is documented evidence the income will cease.
<b>Documentation Source Options:</b> <ul style="list-style-type: none"> <li>• IRA documents, IRS 1099, evidence of current receipt, bank statements, etc.</li> <li>• Federal income tax returns or IRS tax transcripts with all schedules.</li> </ul>		
<b>Interest</b>	Include income that will be received in the ensuing 12 months.  Net family assets that do not exceed a cumulative total of \$50,000 are not required to be considered in the annual income calculation.	<b>Required History:</b> Two years
<b>Required Documentation:</b> <ul style="list-style-type: none"> <li>• Account statements to support the balance, rate of interest, and payment amounts/continuance.</li> <li>• Federal income tax returns or IRS tax transcripts with all schedules.</li> </ul>		
<b>Live in Aides</b>	Do not include	Do not include

Income Type	Annual Income	Repayment Income
<b>Medical Reimbursement</b>	Do not include	Do not include
<b>Mileage</b>	<p>Include amounts documented on the pay statements as taxable gross earnings that will be received in the ensuing 12 months.</p>	<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>Mileage documented on earning statements as taxable income may be included.</p> <p>When a mileage deduction is claimed on the income tax return, the calculated amount may be added to repayment income. Lenders must follow current IRS guidance to calculate this amount.</p>
<p><b>Documentation Source Options:</b></p> <ul style="list-style-type: none"> <li>• Paystub(s)/Earning statement(s).</li> <li>• Federal income tax returns or IRS tax transcripts with all schedules.</li> </ul>		
<b>Military</b>	<p>Include all wages and pay allowances that will be received in the ensuing 12 months.</p> <p>Hazardous duty pay and additional income sources may be excluded under 7 CFR 3555.152(b)(5).</p>	<p><b>Required History:</b> One year College/Technical School attendance may be substituted.</p> <p><b>Continuance:</b> Income will be presumed to continue unless there is documented evidence the income will cease.</p> <p>In addition to base pay, military personnel may be entitled to additional forms of pay. Income sources such as basic allowance for housing and subsistence (BAH/BAS), clothing allowances, flight or hazard pay, rations, and proficiency pay may be used for repayment income provided it is verified to continue.</p> <p>Additional consideration for the tax-exempt nature of these payments may be applied.</p>
<p><b>Documentation Source Options:</b></p> <ul style="list-style-type: none"> <li>• Military Earnings and Leave Statement(s).</li> <li>• W-2's.</li> <li>• Written VOE or electronic verifications.</li> <li>• Federal income tax returns or IRS tax transcripts with all schedules.</li> <li>• Section 9.3E provides additional information on employment verification options.</li> </ul>		

Income Type	Annual Income	Repayment Income
Mortgage Credit Certificate	Do not include	<p><b>Required History:</b> None</p> <p>The monthly benefit amount may be included in repayment income.</p> <p><b>Self-employed applicants are not eligible for MCC.</b></p>
<p><b>Required Documentation:</b></p> <ul style="list-style-type: none"> <li>Copy of the approved MCC award letter/contract with the rate of credit documented.</li> </ul> <p><b>GUS Instructions:</b></p> <ul style="list-style-type: none"> <li>In the “Borrower Information” page under “Income from Other Sources,” use the dropdown button in the “Income Source” field and select “Mortgage Credit Certificate.” Tab to the “Monthly Income” field and enter the amount.</li> </ul>		
Mortgage Differential Payment	<p>Include amounts that will be received in the ensuing 12 months. Exclusions may apply under 7 CFR 3555.152(b)(5).</p>	<p><b>Required History:</b> One year</p> <p>Include the differential payment in repayment income. Do not offset the mortgage payment with the amount of the allowance.</p> <p><b>Continuance:</b> Income will be presumed to continue unless there is documented evidence the income will cease.</p>
<p><b>Required Documentation:</b></p> <ul style="list-style-type: none"> <li>Verification from the employer to confirm the subsidy amount and duration of payments.</li> </ul>		
Notes Receivable	<p>Include amounts that will be received in the ensuing 12 months. Exclusions may apply under 7 CFR 3555.152(b)(5).</p>	<p><b>Required History:</b> Two years</p>
<p><b>Required Documentation:</b></p> <ul style="list-style-type: none"> <li>Copy of note to establish the amount and length of time of payment.</li> <li>Federal income tax returns or IRS transcripts with all schedules, for proof of receipt of income.</li> </ul>		

Income Type	Annual Income	Repayment Income
<b>Overtime</b>	Include amounts that will be received in the ensuing 12 months based on employment verifications. Exclusions may apply under 7 CFR 3555.152(b)(5).	<p><b>Required History:</b> One year in the same, or similar, line of work.</p> <p><b>Continuance:</b> Income will be presumed to continue unless there is documented evidence the income will cease. Underwriters must analyze overtime for the current pay period, and YTD earnings. Significant variances (increase or decrease) of 20 percent or greater in income from the previous 12 months must be analyzed and documented (e.g. variances due to seasonal/holiday, etc.) before considering the income stable and dependable.</p>
<p><b>Documentation Source Options:</b></p> <ul style="list-style-type: none"> <li>• Paystub(s)/Earning statement(s).</li> <li>• W-2's.</li> <li>• Written VOE or electronic verifications.</li> <li>• Federal income tax returns or IRS tax transcripts with all schedules.</li> <li>• Section 9.3E provides additional information on employment verification options.</li> </ul>		
<b>Part-time Employment</b>	<p>Include amounts that will be received in the ensuing 12 months. Exclusions may apply under 7 CFR 3555.152(b)(5).</p> <p>Evidence of resignation, termination, retirement, or relocation from these positions may result in the exclusion of this income type.</p>	<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><b>Documentation Source Options:</b></p> <ul style="list-style-type: none"> <li>• <del>Paystub(s)/Earning statement(s).</del></li> <li>• <del>W-2's.</del></li> <li>• <del>Written VOE or electronic verifications.</del></li> <li>• <del>Federal income tax returns or IRS tax transcripts with all schedules.</del></li> <li>• <del>Section 9.3E provides additional information on employment verification options.</del></li> </ul>		

Income Type	Annual Income	Repayment Income
<p><b>Pensions</b></p>	<p>Include amounts that will be received in the ensuing 12 months.</p> <p>Lump sum withdrawals or sporadic payments may be excluded under 7 CFR 3555.152(b)(5).</p>	<p><b>Required History:</b> None, the income must be received at the time of submission to the Agency.</p> <p>Lenders must document:</p> <ul style="list-style-type: none"> <li>○ The applicants are currently receiving the income; and</li> <li>○ The amount of the income received each month.</li> </ul> <p><b>Continuance:</b> Income will be presumed to continue unless there is documented evidence the income will cease.</p>
<p><b>Documentation Source Options:</b></p> <ul style="list-style-type: none"> <li>• Benefit/Award verification letter, retirement documents, IRS 1099, evidence of current receipt, bank statements, etc.</li> <li>• Federal income tax returns or IRS tax transcripts with all schedules.</li> </ul>		
<p><b>Per Diem</b></p>	<p>Include amounts documented on the pay statements as taxable gross earnings that will be received in the ensuing 12 months. Exclusions may apply under 7 CFR 3555.152(b)(5).</p>	<p><b>Required History:</b> One year</p> <p>Taxable income may be included.</p> <p><b>Continuance:</b> Income will be presumed to continue unless there is documented evidence the income will cease.</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>		

Income Type	Annual Income	Repayment Income
<p><b>Rental Income</b></p> <p>A retained dwelling must meet the requirements of 7 CFR 3555.151(e).</p>	<p>Include positive net rental income that will be received in the ensuing 12 months.</p> <p>Negative net rental income is counted as zero in the annual income calculation.</p>	<p><b>Required History:</b> Two years</p> <p><u>Rents Received 24 Months or More</u> Positive net rental income received may be included in the repayment income.</p> <p>Negative net rental income is treated as a recurring liability in the debt ratios.</p> <p>Refer to Chapter 11 for additional guidance when there is a mortgage liability associated with the rental income.</p> <p><u>Rents Received Less than 24 Months</u> No rental income may be included for repayment purposes.</p> <p>Negative net rental income is treated as a recurring liability in the debt ratios.</p> <p>Refer to Chapter 11 for additional guidance when there is a mortgage liability associated with the rental income.</p>
<p><b>Required Documentation:</b></p> <ul style="list-style-type: none"> <li>• Federal income tax returns with all schedules, specifically Schedule E; or</li> <li>• IRS transcripts with all schedules, confirm Schedule E is completed.</li> <li>• Evidence of cash/check deposits, money order receipts, electronic payment receipt, etc. to document rents received for last 30 days.</li> <li>• Signed lease of current occupants.</li> </ul> <p><b>GUS Instructions:</b></p> <ul style="list-style-type: none"> <li>• Complete the applicable fields in the “Real Estate” page. Include the corresponding mortgage debt associated with the property, if applicable.</li> <li>• Unless manually overwritten, GUS auto-calculates net rental income by employing a 25% vacancy factor. GUS uses 75% of the lender entered amount for monthly rental income and subtracts the lender entered amounts for monthly mortgage payment(s), insurance, taxes, association dues, etc.</li> </ul>		
<p><b>Restricted Stock Units (RSU)</b></p>	<p>Include amounts listed as taxable income on the pay statements as gross earnings that will continue to be received in the ensuing 12 months. Exclusions may apply under 7 CFR 3555.152(b)(5).</p>	<p><b>Required History:</b> Two years</p>
<p><b>Required Documentation:</b></p> <ul style="list-style-type: none"> <li>• RSU account statements or award letters.</li> <li>• Paystubs, VOE’s, or other documentation from the employer to support previous and future payments.</li> </ul>		

Income Type	Annual Income	Repayment Income
<p><b>Retirement</b></p>	<p>Include amounts that will be received in the ensuing 12 months.</p> <p>Lump sum withdrawals or sporadic payments may be excluded under 7 CFR 3555.152(b)(5).</p>	<p><b>Required History:</b> None, the income must be received at the time of submission to the Agency.</p> <p>Lenders must document:</p> <ul style="list-style-type: none"> <li>○ The applicants are currently receiving the income; and</li> <li>○ The amount of the income received each month.</li> </ul> <p><b>Continuance:</b> Income will be presumed to continue unless there is documented evidence the income will cease.</p>
<p><b>Documentation Source Options:</b></p> <ul style="list-style-type: none"> <li>• Benefit/Award verification letter, retirement documents, IRS 1099, evidence of current receipt, bank statements, etc.</li> <li>• Federal income tax returns or IRS tax transcripts with all schedules.</li> </ul>		
<p><b>Royalty Payments</b></p>	<p>Include amounts that will be received in the ensuing 12 months. Exclusions may apply under 7 CFR 3555.152(b)(5).</p>	<p><b>Required History:</b> Two years</p> <p>Lenders must confirm the amount, frequency, and duration of these payments.</p>
<p><b>Required Documentation:</b></p> <ul style="list-style-type: none"> <li>• Royalty contract or agreement.</li> <li>• Federal income tax returns or IRS transcripts including all schedules.</li> </ul>		
<p><b>Schedule K-1</b></p> <p>This may be utilized to document income for applicants with less than a 25 percent ownership of a partnership, S corporation, limited liability company (LLC), ordinary income, net rental real estate income, or other net rental income reported on IRS Form 1065, 1120S, etc.</p>	<p>Include monetary amounts (cash distributions) that will be received in the ensuing 12 months.</p> <p>Distributions of equipment, shares of real estate interest/ownership, non-monetary items, etc. are not included in the annual income.</p>	<p><b>Required History:</b> Two years</p> <p>Schedule K-1 income may be utilized to qualify applicants if the lender can confirm the business has adequate liquidity to support the withdrawal of earnings. The Schedule K-1 may provide this confirmation through “guaranteed payments to the partner.”</p> <p><b>Continuance:</b> These amounts will be presumed to continue unless there is documented evidence they will cease.</p>
<p><b>Required Documentation:</b></p> <ul style="list-style-type: none"> <li>• Federal tax returns or IRS transcripts with all schedules.</li> <li>• Schedule K-1 forms.</li> </ul>		



Income Type	Annual Income	Repayment Income
<b>Scholarships</b>	Include funds that will be received in the ensuing 12 months after deducting for tuition, fees, books and equipment.	<b>Required History:</b> Two years  Include remaining funds after deducting tuition, fees, books, and equipment.
<b>Required Documentation:</b> <ul style="list-style-type: none"> <li>Award letter to state the benefit/scholarship amount or tuition assistance and date of termination.</li> <li>Evidence to support the deductions required to arrive at any repayment amount.</li> </ul>		
<b>Seasonal Employment</b>	Include amounts that will be received in the ensuing 12 months.  Evidence of resignation, termination, retirement, or relocation from these positions may result in the exclusion of this income.	<b>Required History:</b> Two years, in the same line of work.  If the income is not earned at the time of submission to the Agency, the employer must provide verification that the applicants are still an employee along with an anticipated return to work date.  <b>Continuance:</b> Income will be presumed to continue unless there is documented evidence the income will cease.
<b>Documentation Source Options:</b> <ul style="list-style-type: none"> <li>Paystub(s)/Earning statement(s).</li> <li>W-2's.</li> <li>Written VOE or electronic verifications.</li> <li>Federal income tax returns or IRS tax transcripts with all schedules.</li> <li>Section 9.3E provides additional information on employment verification options.</li> </ul>		
<b>Secondary Employment</b>	Include amounts that will be received in the ensuing 12 months.  Evidence of resignation, termination, retirement, or relocation from these positions may result in the exclusion of this income.	<b>Required History:</b> One year of working primary and secondary employment concurrently.  <b>Continuance:</b> Income will be presumed to continue unless there is documented evidence the income will cease.
<b>Documentation Source Options:</b> <ul style="list-style-type: none"> <li>Paystub(s)/Earning statement(s).</li> <li>W-2's.</li> <li>Written VOE or electronic verifications.</li> <li>Federal income tax returns or IRS tax transcripts with all schedules.</li> <li>Section 9.3E provides additional information on employment verification options.</li> </ul>		

Income Type	Annual Income	Repayment Income
<b>Section 8 Housing Vouchers</b>	Do not include	<p><b>Required History:</b> None</p> <p>The amount of the benefit payment may be included in repayment income.</p> <p>When the benefit is paid directly to the servicer, the amount of the benefit may be considered as a reduction of the PITI, rather than an addition to repayment income. A manual file submission is required in this instance.</p>
<p><b>Required Documentation:</b></p> <ul style="list-style-type: none"> <li>Benefit/Award letter to verify the subsidy amount.</li> <li>When used as a reduction of the PITI, documentation verifying the benefit is paid directly to the servicer must be maintained in the lender’s permanent loan file.</li> </ul> <p><b>GUS Instructions:</b></p> <ul style="list-style-type: none"> <li>Enter the amount on the “Borrower Information” page under “Income from Other Sources.” Use the dropdown button in the “Income Source” field and select “Housing Choice Voucher Program.” Tab to the “Monthly Income” field and enter the amount.</li> </ul>		
<b>Self-Employment Income and Independent Contractors (1099)</b>	<p>Lenders must analyze Federal tax returns to determine the appropriate gross income calculations.</p> <p>Include zero in annual income for a business loss.</p>	<p><b>Required History:</b> Two years</p> <p>Lenders must analyze Federal tax returns to determine the appropriate gross income.</p> <p>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-employment analysis form for assistance.</p> <p>A business loss must be deducted from repayment income.</p>
<p><b>Required Documentation:</b></p> <ul style="list-style-type: none"> <li>Most recent two years of Federal income tax returns or IRS tax transcripts with all schedules; and</li> <li>YTD Profit and Loss Statement (audited or unaudited), used for income trend analysis.</li> </ul>		

Income Type	Annual Income	Repayment Income
<p><b>Separate Maintenance/Alimony</b></p>	<p>Include amounts that will be received in the ensuing 12 months.</p> <p>Legally enforceable payments that have not been received may be excluded when payments are not received for an extended period of time and a reasonable effort has been made to collect them through the official entity responsible for enforcing such payments.</p>	<p><u>Court Ordered Payments:</u></p> <p><b>Required History:</b> Six months</p> <p>Maintenance that meets the minimum history, but the payment amounts are not consistent must use an average that is consistent with the payor's current ability/willingness to pay.</p> <p><u>Voluntary Payment Agreements:</u></p> <p><b>Required History:</b> One year</p> <p>Maintenance that meets the minimum history, but the payment amounts are not consistent must use an average that is consistent with the payor's current ability/willingness to pay.</p>
<p><b>Required Documentation:</b></p> <ul style="list-style-type: none"> <li>• Final divorce decree, legal separation agreement, or court order (front and pertinent pages) to document the amount and timeframe of the obligation.</li> <li>• Evidence of timely receipt and consistent amount for required history: bank statements, canceled checks, deposit slips, tax returns, etc.</li> </ul>		
<p><b>Social Security Income</b></p>	<p>Include amounts that will be received in the ensuing 12 months. Exclusions may apply under 7 CFR 3555.152(b)(5).</p>	<p><b>Required History:</b> None, the income must be received at the time of submission to the Agency.</p> <p><u>Benefits that do not include an expiration date and are expected to be received for at least three years into the mortgage may be considered.</u></p> <p><u>Benefits received by applicants on behalf of minors (funds are intended for their support) may be utilized for repayment income if they are expected to be received for at least three years into the mortgage.</u></p> <p><u>Benefits received by applicants on behalf of an adult household member may be used for repayment income if they are expected to be received for at least three years into the mortgage when there is evidence, they are the legal guardian for the non-applicant adult household member.</u></p> <p><u>Benefit letters that do not include an expiration date will be presumed to continue.</u></p> <p><del>Benefits received by applicants on behalf of minors (funds are intended for their support) may be utilized for repayment income.</del></p>

		<p>Benefits received by applicants on behalf of an adult household member may be used for repayment income when there is evidence they are the legal guardian for the non-applicant adult household member.</p>
<p><b>Documentation Source Options:</b></p> <ul style="list-style-type: none"> <li>• Benefit statement from the Social Security Office or Form SSA-1099/1042S, Social Security Benefit Statement.</li> <li>• Legal guardianship/payee status for adult household members.</li> </ul>		

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Income Type	Annual Income	Repayment Income
<b>Student Loans</b>	Do not include	Do not include
<b>Supplemental Nutrition Assistance Program (SNAP)</b>	Do not include	Do not include
<p><b>Temporary Leave Income/Temporary Reduction to Income with current employer</b></p> <p>This guidance is for applicants that are currently employed. This guidance does not apply to applicants that are currently unemployed.</p>	<p>Include amounts that will be received in the ensuing 12 months. Exclusions may apply under 7 CFR 3555.152(a)(5).</p>	<p><b>Required History:</b> None, the income must be received at the time of loan closing.</p> <p>The lender must obtain all the following from the employer:</p> <ul style="list-style-type: none"> <li>○ Verification the applicants have the right to return to work following the leave;</li> <li>○ Documentation of the applicant’s return date;</li> <li>○ Verification of the duration and amount of temporary leave income; and</li> <li>○ Documentation of regular employment prior to temporary leave.</li> </ul> <p>Applicants that will return to work prior to the first mortgage payment may use their pre-leave income.</p> <p>Applicants that will not return to work prior to the first mortgage payment must use their current income received (which may be zero) plus non-retirement liquid reserves. Reserves must meet the required history and calculations in the Asset and Reserves section of this matrix. The total of income and assets must meet the mortgage obligation and additional monthly liability payments until the applicant’s date of return to work.</p> <p>Lenders must document their calculation of income plus reserves divided by applicable months on Attachment 9-B, the Uniform Underwriting and Transmittal Summary, or on an alternate underwriting form.</p>
<p><b>Documentation Source Options:</b></p> <ul style="list-style-type: none"> <li>• All employer verifications required by this section.</li> <li>• Benefit statement/Contract.</li> <li>• Paystub(s)/Earning statement(s).</li> <li>• Written VOE or electronic verification.</li> <li>• Section 9.3E provides additional information on employment verification options.</li> </ul>		

Income Type	Annual Income	Repayment Income
<b>Tips</b>	Include amounts that will be received in the ensuing 12 months. Exclusions may apply under 7 CFR 3555.152(b)(5).	<b>Required History:</b> One year  Underwriters must analyze tip income for the current pay period, and YTD earnings. Significant variances (increase or decrease) of 20 percent or greater in income from the previous 12 months must be analyzed and documented (e.g. variances due to seasonal/holiday/etc.) before considering the income stable and dependable.  <b>Continuance:</b> Income will be presumed to continue unless there is documented evidence the income will cease.
<b>Documentation Source Options:</b> <ul style="list-style-type: none"> <li>• Paystub(s)/Earning statement(s).</li> <li>• W-2's.</li> <li>• Written VOE or electronic verifications.</li> <li>• Federal income tax returns or IRS tax transcripts with all schedules.</li> <li>• Section 9.3E provides additional information on employment verification options.</li> </ul>		
<b>Trust Income</b>	Include amounts that will be received in the ensuing 12 months. Exclusions may apply under 7 CFR 3555.152(b)(5).	<b>Required History:</b> Six months
<b>Required Documentation:</b> <ul style="list-style-type: none"> <li>• Trust documents: legally filed or recognized to document the balance, monthly payments, term of payments, mode of payment delivery (revocable or irrevocable), etc.</li> <li>• Documentation to support payments received: bank statements, deposit slips, trust account statements, etc.</li> </ul>		
<b>Unemployment</b>	Include amounts that will be received in the ensuing 12 months.  Benefits received while seeking new full/part time employment that have ended are excluded under 7 CFR 3555.152(b)(5)(v).	<b>Required History:</b> Two years  <b>Continuance:</b> Income will be presumed to continue unless there is documented evidence the income will cease.  Applicants with a sole source of unemployment income are ineligible for a guaranteed loan.
<b>Documentation Source Options:</b> <ul style="list-style-type: none"> <li>• Evidence of compensation: IRS Form 1099 or equivalent.</li> <li>• Federal income tax returns or IRS tax transcripts with all schedules.</li> </ul>		

Income Type	Annual Income	Repayment Income
<b>Unreimbursed Employee or Business Expenses</b>	The total amount of unreimbursed expenses may be deducted from annual and adjusted annual income.	<p><b>Required History:</b> <del>None</del><u>Two years</u></p> <p><u>The amount(s) of unreimbursed employee or business expenses deducted from the annual income must also be deducted from repayment income.</u></p> <p><del><b>Continuance:</b> A trend will be presumed to continue unless there is documented evidence the expenses/deductions will cease.</del></p>
<p><b>Documentation Source Options:</b></p> <ul style="list-style-type: none"> <li>• IRS <u>Form</u> 2106, Schedule A, Schedule C, or equivalent IRS filed form.</li> <li>• <del>2 years of</del> Federal income tax returns or IRS tax transcripts with all schedules.</li> </ul>		
<b>VA Benefits</b>	Include amounts that will be received in the ensuing 12 months. Exclusions may apply under 7 CFR 3555.152(b)(5).	<p><b>Required History:</b> None, the income must be received at the time of submission to the Agency.</p> <p>Lenders must document:</p> <ul style="list-style-type: none"> <li>○ Applicants are currently receiving the income; and</li> <li>○ The amount of the income received each month</li> </ul> <p>Benefits with no expiration date stated will be presumed to continue.</p> <p>Benefits received by applicants on behalf of minors (funds are intended for their support) may be utilized for repayment income.</p> <p>Benefits received by applicants on behalf of an adult household member may be used for repayment income when there is evidence they are the legal guardian for the non-applicant adult household member.</p>
<p><b>Documentation Source Options:</b></p> <ul style="list-style-type: none"> <li>• Benefit statement from the Office of Veteran’s Affairs.</li> <li>• Legal guardianship/payee status for adult household members.</li> </ul>		

Income Type	Annual Income	Repayment Income
<b>Variable Income (e.g. piece rate, union work, and other similar types of pay structures)</b>	Include amounts that will be received in the ensuing 12 months. Exclusions may apply under 7 CFR 3555.152(b)(5).	<p><b>Required History:</b> One year, in the same or similar line of work.</p> <p>Underwriters must analyze variable income earnings for the current pay period and YTD earnings. Significant variances (increase or decrease) of 20 percent or greater in income from the previous 12 months must be analyzed and documented (e.g. variances due to seasonal/holiday, etc.) before considering the income stable and dependable.</p> <p><b>Continuance:</b> Income will be presumed to continue unless there is documented evidence the income will cease.</p>
<p><b>Required Documentation:</b></p> <ul style="list-style-type: none"> <li>• Paystub(s)/Earning statement(s).</li> <li>• W-2's.</li> <li>• Written VOE or electronic verifications.</li> <li>• Federal income tax returns or IRS tax transcripts with all schedules.</li> <li>• Section 9.3E provides additional information on employment verification options.</li> </ul>		
<b>Worker's Compensation</b>	Include amounts that will be received in the ensuing 12 months.  Lump sums or sporadic payments may be excluded under 7 CFR 3555.152(b)(5).	<p><b>Required History:</b> Six months</p>
<p><b>Required Documentation:</b></p> <ul style="list-style-type: none"> <li>• Award letter or settlement to state amount and duration of payments.</li> <li>• Earnings statements/Paystubs.</li> <li>• Written VOE from employer.</li> </ul>		



<b>Adjusted Annual Income Deductions</b>	
<b>7 CFR 3555.152(c)</b>	
<b>Dependent Deduction [7 CFR 3555.152(c)(1)]:</b>	<ul style="list-style-type: none"> <li>• \$480 deduction per eligible dependent at the time of submission to the Agency.</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 in GUS and Attachment 9-B, the lender's Uniform Underwriting Transmittal Summary (FNMA Form 1008/Freddie Mac Form 1077), or equivalent.</li> </ul>
<b>Child Care Expenses [7 CFR 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>• <u>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.</u></li> <li>• <u>Child care expenses that exceed the earnings of the family member enabled to work are not permissible for deduction.</u></li> <li>• <u>Child care expenses are not permitted if another adult household member is available to care for the child.</u></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 (e.g. canceled checks, money order receipts, bank statements, etc.).</li> <li>• Child support payments and school tuition 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 recorded on Attachment 9-B, the lender's Uniform Underwriting Transmittal Summary (FNMA Form 1008/Freddie Mac Form 1077), or equivalent.</li> </ul>
<b>Disability Expenses [7 CFR 3555.152(c)(3)]:</b>	<ul style="list-style-type: none"> <li>• Deduction for eligible expenses that exceed three percent of the annual income.</li> <li>• 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.</li> <li>• Examples include but are not limited to daily living assistance, wheelchairs, ramps, adaption needs, workplace equipment, etc.</li> <li>• Utilize documentation to estimate anticipated annual expenses.</li> </ul>
<b>Documentation Source Options:</b>	<ul style="list-style-type: none"> <li>• Third party verifications for caregivers/agencies for the dates, costs, and fees.</li> <li>• Receipts, itemized income tax returns, and other evidence to support the deductions.</li> <li>• Calculations must be recorded on Attachment 9-B, the lender's Uniform Underwriting Transmittal Summary (FNMA Form 1008/Freddie Mac Form 1077), or equivalent.</li> </ul>

## Adjusted Annual Income Deductions

### 7 CFR 3555.152(c)

#### **Elderly Household Deduction [7 CFR 3555.152(c)(4)]:**

- Applicants age 62 or older.
- One \$400 deduction allowed per household.

#### **Documentation Source Options:**

- Certify to date of birth on the loan application.

#### **Medical Expenses [7 CFR 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 7 CFR 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, etc.
- Calculations must be recorded on Attachment 9-B, or lender's Uniform Underwriting Transmittal Summary (FNMA Form 1008/Freddie Mac Form 1077), or equivalent.

## Assets and Reserves

### 7 CFR 3555.152(d)

Cash Reserves calculated by the system represent the amount of liquid assets that remain available to the applicants/borrowers after loan closing (includes amounts received at closing). Lenders must use caution and not overstate assets utilized for reserves.

Although all household assets must be verified and documented in the permanent loan file, the lender may underwrite to the most conservative approach with no consideration of assets entered into GUS.

When assets are entered into GUS and used as reserves, lenders must ensure that the funds will be available to the applicants post-closing.

Unverified funds are not an acceptable source of funds for down payment, closing costs, etc.

USDA does not require evidence from all parties to access joint or business accounts unless access to the funds are restricted without it.

#### Bridge Loan

**Documentation:**

- Evidence of loan proceeds, where they are held (depository account, etc.), and balance remaining.
- Confirm corresponding liability for this debt is included in the total debt ratio if applicable.

**Reserves:** Eligible

**Funds to Close:** Eligible

#### Business Accounts

**Documentation:**

- Two months of recent bank statements; or
- Verification of Deposit (VOD) and a recent bank statement (official electronic printout of monthly statement is acceptable).

**Reserves:** Eligible

- Lenders must use the balance as reflected on the most current bank statement, or on the verification of deposit if the date on the verification of deposit is dated after the bank statement (online transaction printouts, registers or lists are not permitted in lieu of bank statements).

**Funds to Close:** Eligible

**GUS Instructions:**

- Enter as Asset Type “Other” in the “Other Assets You Have” section, and select either “Other Liquid Asset” or “Other Non-Liquid Asset.”

#### Cash on Hand

**Documentation:**

- Applicants must supply a letter of explanation to state how the funds were accumulated (how much weekly/monthly/etc.).
- Lender must determine reasonableness of accumulation based on income stream, spending habits, etc.

**Reserves:** Ineligible

**Funds to Close:** Eligible

<p><b>Documentation:</b></p> <ul style="list-style-type: none"> <li>Recent account statement (monthly, quarterly, etc.) to evidence the account balance and early withdrawal penalty, if applicable.</li> </ul> <p><b>Reserves:</b> Eligible</p> <ul style="list-style-type: none"> <li>Lenders may use the current vested balance, minus applicable fees/penalties.</li> </ul> <p><b>Funds to Close:</b> Eligible</p>
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<h2>Assets and Reserves</h2>
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<p><b>Certificate of Deposit (CD)</b></p>
<p><b>Documentation:</b></p> <ul style="list-style-type: none"> <li>Recent account statement (monthly, quarterly, etc.) to evidence the account balance and early withdrawal penalty, if applicable.</li> </ul> <p><b>Reserves:</b> Eligible</p> <ul style="list-style-type: none"> <li>Lenders may use the current vested balance, minus applicable fees/penalties.</li> </ul> <p><b>Funds to Close:</b> Eligible</p>

<p><b>Depository Accounts: Checking, Money Market Accounts, and Savings</b></p>
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<p><b>Documentation:</b></p> <ul style="list-style-type: none"> <li>Two months of recent bank statements; or</li> <li>Verification of Deposit (VOD) and a recent bank statement (official electronic printout of monthly statement is acceptable).</li> <li>Investigate all recurring deposits on the account statements that are not attributed to wages or earnings to confirm the deposits are not from undisclosed income sources. There is no tolerance or percentage of the amount of a recurring deposit that is not required to be investigated.</li> <li>Investigate individual (non-recurring) deposits greater than \$1,000 on the account statements that are not attributed to wages or earnings to confirm the deposits are not from undisclosed income sources.</li> <li>If the source of a deposit is readily identifiable on the account statement(s), such as a direct deposit from an employer, the Social Security Administration, an IRS or state income tax refund, or a transfer of funds between verified accounts, and the source of the deposit is printed on the statement, the lender does not need to obtain further explanation or documentation. However, if the source of the deposit is printed on the statement, but the lender still has questions as to the source of the deposit, the lender should obtain additional documentation.</li> </ul> <p><b>Reserves:</b> Eligible</p> <ul style="list-style-type: none"> <li>Lenders must use the <u>ending</u> balance as reflected on the most current bank statement, or on the verification of deposit if the date on the verification of deposit is dated after the bank statement. <u>Lenders may also opt for a more conservative approach and use a lower figure at their discretion.</u> Electronic printouts are not permitted, unless they are the official electronic statements provided by the banking institution. Deposited gift funds require further documentation and calculation. Refer to the “Gift Funds” section of this Attachment for further guidance.</li> </ul> <p><b>Funds to Close:</b> Eligible</p> <ul style="list-style-type: none"> <li><u>In addition to the documentation requirements above, eElectronic printouts are permitted to verify cash to close.</u></li> </ul>
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<p><b>Earnest Money</b></p>
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**Documentation:**

- Retain a copy of the check, money order receipt, etc. that was remitted for the earnest money.

**Reserves:** Eligible

**Funds to Close:** Eligible

**GUS Instructions:**

- Earnest money that has cleared an applicant’s depository account may be entered under the “Other Credits” section of the “Lender Loan Information” GUS application page. The amount of earnest money should not be reflected in the balance of any asset entered on the “Assets and Liabilities” application page.
- Refer to the “Gift Funds” section of this Attachment for additional guidance when gift funds are used for the Earnest Money deposit.

**Assets and Reserves**

**Foreign Assets (Assets located outside of the United States and its territories)**

**Documentation:**

- Documentation verifying assets have been exchanged to U.S. dollars and held in a Federal or State regulated financial institution prior to closing.
- Lender must verify funds availability and accompanying documentation that has been converted to English, or provide a translation attached to each document, and ensure the translation is complete and accurate.

**Reserves:** Eligible

**Funds to Close:** Eligible **Gift of Equity, Sweat Equity, or Rent Credits**

**Gift of Equity, Sweat Equity, or Rent Credits**

**Documentation:**

- These gifts or credits must be applied as a reduction to the purchase price of the dwelling.
- Ensure the appraiser is aware of the gift and/or credit. This will allow them to properly complete the appraisal report, note the reduction, and support the appraised value compared to purchase price, if applicable.
- The borrower may not receive cash back at loan closing for these gifts and/or credits.

**Reserves:** Ineligible

**Funds to Close:** Ineligible

**Gift Funds**

**Documentation:**

- Gift funds are considered the applicant's own funds, therefore excess gift funds are eligible to be returned to the applicants at loan closing.
- Gift funds may not be contributed from any source that has an interest in the sale of the property (seller, builder, real estate agent, etc.).
- Cash on hand is not an acceptable source of donor gift funds.
- A gift letter must be obtained to specify the donor, the dollar amount of the gift, and include a statement that the funds do not have to be repaid.
- The lender must verify that sufficient funds to cover the gift have been transferred to the applicant's account, or will be documented as received by the closing agent at the time of closing. Acceptable documentation includes:
  - Evidence of the applicant's deposit;
  - A copy of the donor's funds by check/electronic transfer to the closing agent; or
  - A copy of the Closing Disclosure showing receipt of the donor's funds.
- ~~Gift funds must be properly sourced:
  - ~~If the funds have been deposited into the borrower's account, obtain a gift letter to state the funds do not have to be repaid and a bank statement showing the withdrawal from the donor's account. Cash on hand is not an acceptable explanation for the source of funds.~~
  - ~~If the funds have not been deposited into the borrower's account, obtain a gift letter to state the funds do not have to be repaid, a certified check, money order, or wire transfer, and a bank statement as evidence of funds from the donor's account. Cash on hand is not an acceptable explanation for the source of funds.~~
  - ~~If the gift funds will be sent directly to the settlement agent, the lender must obtain a gift letter to state the funds do not need to be repaid, a bank statement as evidence of funds from the donor's account, and verification the funds have been received by the settlement agent. Cash on hand is not an acceptable explanation for the source of funds.~~~~

**Reserves:** Ineligible

**Funds to Close:** Eligible

**GUS Instructions:**

- Gift funds should be entered in the "Gifts or Grants You Have Been Given or Will Receive for This Loan" section of the "Loan and Property Information" GUS application page. If the funds have already been deposited into an asset account, select "deposited" and include the amount of the gift in the applicable asset account on the "Assets and Liabilities" GUS application page. If the funds have not been deposited into an asset account, select "not deposited" and do not include the gift in an asset account on the "Assets and Liabilities" GUS application page.
- Gift funds applied as Earnest Money should not be reflected in the "Gifts or Grants You Have Been Given or Will Receive for This Loan" section of the "Loan and Property Information" GUS application page.

## Assets and Reserves

### Individual Development Account (IDA)

**Documentation:**

- Two months of account statements; or
- Verification of Deposit (VOD); or
- Alternate evidence provided by the account trustee/management to support account activity and monthly balances.
- Verification must document the vested/amount available for withdrawal without penalty or reimbursement.

**Reserves:** Eligible

- Lenders must use the lesser of the current vested balance or the previous month's ending vested balance.

**Funds to Close:** Eligible

### Life Insurance

**Documentation:**

- Document the applicant's receipt of funds from the policy.
- Verify where the proceeds are held and confirm they are available to the applicants.
- Confirm corresponding liability for this debt in the total debt ratio, if applicable.

**Reserves:** Eligible**Funds to Close:** Eligible

### Lump Sum Additions: IRS Refunds, Lottery Winnings, Inheritances, Withdrawals from Retirement Accounts

**Documentation:**

- Document the applicant's receipt of funds.
- Verify where the proceeds are held and confirm they are available to the applicants.
- One-time deposits may not require annual income consideration under 7 CFR 3555.152(b)(5)(vi).
- Do not enter into GUS separately if it is already included in the borrower's depository account.

**Reserves:** Eligible**Funds to Close:** Eligible

### Personal Property Sold

**Documentation:**

- Document the applicant's ownership of the asset.
- Evidence of the transfer of ownership of the asset through a bill of sale or statement from the purchaser.
- Receipt of sales proceeds through deposit slips, bank statements, or a copy of the purchasing party's canceled check, money order, or electronic funds transfer.

**Reserves:** Eligible**Funds to Close:** Eligible

Assets and Reserves
<b>Retirement: 401(k), IRA, etc.</b>
<p><b>Documentation:</b></p> <ul style="list-style-type: none"> <li>Recent account statement (monthly, quarterly, etc.) to evidence the account balance, vested balance available for withdrawal, and early withdrawal penalty, if applicable.</li> <li>Funds borrowed against these accounts may be used for funds to <del>close, but</del> <b>close but</b> are not considered in reserves. The borrowed funds should not be reflected in the balance of any asset entered on the “Assets and Liabilities” application page.</li> </ul> <p><b>Reserves:</b> Eligible</p> <ul style="list-style-type: none"> <li>60 percent of the vested amount available to the applicants may be used as reserves.</li> <li>Funds borrowed against these accounts are <u>not</u> eligible for reserves. The borrowed funds should not be reflected in the balance of any asset entered on the “Assets and Liabilities” application page.</li> </ul> <p><b>Funds to Close:</b> Eligible</p>
<b>Sales Proceeds: Real Estate Owned</b>
<p><b>Documentation:</b></p> <ul style="list-style-type: none"> <li>Closing disclosure or acceptable alternative.</li> <li>Verify where the proceeds are held and confirm they are available to the applicants.</li> </ul> <p><b>Reserves:</b> Eligible</p> <ul style="list-style-type: none"> <li>Reserves will be calculated based on the data entered in the “Assets and Liabilities” and “Real Estate” application pages in GUS. Lenders must confirm the GUS calculation. An override of the data entry, or other asset data entry for this purpose, must have supporting documentation.</li> <li>Net equity/sales proceeds manually entered on a loan application must have supporting documentation.</li> </ul> <p><b>Funds to Close:</b> Eligible</p>
<b>Secured Loan from Personal Asset</b>
<p><b>Documentation:</b></p> <ul style="list-style-type: none"> <li>Document the amount of the secured loan proceeds and the source (e.g. Certificate of Deposit, stocks, etc.).</li> <li>Confirm corresponding liability for this debt is included in the total debt ratio, if applicable.</li> <li>This guidance does not apply to funds borrowed from an applicant’s retirement account (e.g. 401(k), IRA, etc.). Please review the “Retirement” section of this matrix for guidance on these types of accounts.</li> </ul> <p><b>Reserves:</b> Eligible</p> <p><b>Funds to Close:</b> Eligible</p>
<b>Stocks, Stock Options, Bonds, Mutual Funds, and Investments</b>
<p><b>Documentation:</b></p> <ul style="list-style-type: none"> <li>Recent account statement (monthly, quarterly, etc.) to evidence the account balance, vested balance available for withdrawal, and early withdrawal penalty, if applicable.</li> </ul> <p><b>Reserves:</b> Eligible</p> <p><b>Funds to Close:</b> Eligible</p>
<b>Trust Accounts</b>
<p><b>Documentation:</b></p> <ul style="list-style-type: none"> <li>Verify applicants have access to the funds, amounts, circumstances, requirement to repay withdrawal, etc.</li> <li>Recent account/trust statement (monthly, quarterly, etc.) to evidence the account balance.</li> </ul> <p><b>Reserves:</b> Eligible</p> <p><b>Funds to Close:</b> Eligible</p>



## Assets and Reserves

### Unsecured Loan: Borrowed Funds

**Documentation:**

- Document the amount of the loan proceeds and the source (e.g. signature loan, line of credit, credit card advance/loan, overdraft protection, etc.).
- Confirm corresponding liability for this debt is included in the total debt ratio, if applicable.

**Reserves:** Ineligible**Funds to Close:** Ineligible

### ASSET CHANGES AFTER CONDITIONAL COMMITMENT ISSUANCE

Assets verified prior to loan closing that are less than the amounts entered into GUS or on the loan application may retain the issued Conditional Commitment (Form RD 3555-18/18E) when one the following are met:

1. The application was approved with zero months of cash reserves; or
2. The application will continue to have a minimum of four months of cash reserves.

Applicant: \_\_\_\_\_

Co Applicant: \_\_\_\_\_

**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 sources/types of income for all household members. Qualify the loan by documenting all sources/types 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

**ANNUAL INCOME CALCULATION** (Consider anticipated income for the next 12 months for all adult household members as described in 7 CFR 3555.152(b) and HB-1-3555, Chapter 9. Website for instructions: <https://www.rd.usda.gov/resources/directives>)

1. 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.	
2. 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.	
3. Additional Income to Primary Income (Automobile Allowance, Mortgage Differential, Military, Secondary Employment, Seasonal Employment, Unemployment, etc.). Calculate and record how the calculation of each income source/type was determined in the space below.	
4. Additional Adult Household Member (s) who are not a party to the note (Primary Employment from Wages, Salary, Self- Employed, Additional Income to Primary Employment, Other Income, etc.). Calculate and record how the calculation of each income source/type was determined in the space below.	
5. 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.	
<b>6. Annual Household Income</b> (Total 1 through 5)	

Applicant: \_\_\_\_\_

Co Applicant: \_\_\_\_\_

**ADJUSTED ANNUAL INCOME CALCULATION** *(Consider qualifying deductions as described in 7 CFR 3555.152(c) and HB-1-3555 Chapter 9)*

<p>7. Dependent Deduction <i>(\$480 for each child under age 18, full-time student, or disabled family member over the age of 18) - # _____ x \$480</i></p>	
<p>8. Annual Child Care Expenses <i>(Reasonable expenses for children 12 and under) Calculate and record the calculation of the deduction in the space below.</i></p>	
<p>9. Elderly/Disabled Household <i>(1 household deduction of \$400 if 62 years of age or older, or disabled and a party to the note)</i></p>	
<p>10. Disability <i>(Unreimbursed expenses in excess of 3% of annual income per 7 CFR 3555.152(c) and HB-1-3555 Chapter 9) Calculate and record the calculation of the deduction in the space below.</i></p>	
<p>11. Medical Expenses <i>(Elderly/Disabled households only. Unreimbursed medical expenses in excess of 3% of annual income per 7 CFR 3555.152(c) and HB-1-3555 Chapter 9) Calculate and record the calculation of the deduction in the space below.</i></p>	
<p><b>12. Total Household Deductions</b> <i>(Total 7 through 11)</i></p>	

<p><b>13. Adjusted Annual Income</b> <i>(Item 6 minus item 12)</i>  <i>Income cannot exceed Moderate Income Limit to be eligible for SFHGLP</i></p>		
<p><i>Moderate Income Limit:</i></p>	<p>State: <input type="text"/></p>	<p>County: <input type="text"/></p>

Applicant: \_\_\_\_\_

Co Applicant: \_\_\_\_\_

**MONTHLY REPAYMENT INCOME CALCULATION** (Consider stable and dependable income of parties to the note as described in 7 CFR 3555.152(a) and HB-1-3555 Chapter 9. Non-occupant borrowers or co-signers are not allowed.)

14. Stable Dependable Monthly Income (Parties to note only). Calculate and record how the calculation of each income source/type was determined in the space below. Identify income type by party to note.

	<b>Applicant</b>	<b>Co-Applicant</b>	<b>Total</b>
<b>Base Income</b>	<p>_____</p> <p><i>Calculation of Base Income:</i></p>	<p>_____</p> <p><i>Calculation of Base Income:</i></p>	
<b>Other Income</b>	<p>_____</p> <p><i>Calculation of Other Income:</i></p>	<p>_____</p> <p><i>Calculation of Other Income:</i></p>	
<b>Total Income</b>			

**15. Monthly Repayment Income** (Total of 14)

Preparer's Signature: \_\_\_\_\_

Name (Print): \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## ATTACHMENT 9-C EXAMPLE CASE STUDY

**Household members:**

<i>Name</i>	<i>Relationship</i>	<i>Comments</i>	<i>Household Income, Assets, and Expenses</i>
David Example	Applicant Age: 40	Employed, party to note	\$1,250/week wages;  Savings account balance \$41,400 (APY .5) Checking account balance \$3,500
Betsy Example	Applicant Age: 40	Employed, party to note	\$15.50/hr wages – working 20 hours week  \$100/month child support from ex-husband (Kathy's father)
Cynthia Example	David's mother Age: 67	Disabled, moved in when husband died, not a party to the note	\$800/month Social Security benefits  Savings account balance \$3,800 (APY .045) Checking account balance \$1,400
Janet Smith	Daughter Age: 19	Full-time college student, part-time employed, not a party to the note	\$600/month wages
Kathy Smith	Daughter Age: 14	Full-time junior-high school student, part-time employed, not a party to the note	\$9.00/hour x 8 hours per week x 4 weeks = \$288 monthly earnings
Chris Doe	Foster child Age: 8	Full-time elementary student, not a party to the note	County pays household \$800/month to care for foster child. The family pays \$50 per week/\$200 per month for after school child care.

**Eligible Household Income: Calculate annual and adjusted annual income to determine eligibility of the household for the SFHGLP. For Annual Income Calculation – Consider income of all household members:**

- Count David's wages
- Count Betsy's wages
- Count child support (Betsy)
- Count only the first \$480 of Janet's wages (Household member is greater than 18 years of age but is a full-time student)
- Do not count Kathy's wages (Household member is a minor and less than 18 years of age)
- Count Cynthia's Social Security
- Count actual income from assets from all members of the household if they total \$50,000 or more.
- Do not count payments for Care of foster child
- Passbook rate is .03

## Adjusted Annual Income Calculation:

### *Dependent Deduction*

- Three dependent deductions are permitted for Kathy (a minor), Janet (an adult full-time student, who is not the head of household or spouse), and Cynthia (an adult individual with disabilities, who is not the head of household or spouse).
- A foster child is not a permanent household member, and therefore is not an eligible dependent.
- Total household members that meet the Household member definition in 7 CFR 3555.10 are David, Betsey, Cynthia, Janet, and Kathy.
- A deduction of \$1,440 in this example may be deducted ( $\$480$  for each eligible dependent  $\times 3 = \$1,440$ ). Dependents are Kathy, Janet, and Cynthia.

### *Child Care Deduction*

- Child care expenses are permitted for the care of a foster child but must not exceed the amount earned by the family member enabled to work.
- Child care expenses are not permitted if another adult household member is available to care for the child. In this example, it is assumed there are no adult household members available to care for the child.
- Since the cost of child care does not exceed an adult household member's monthly earnings, the full amount of the child care may be deducted.

### *Elderly or Disabled Household Deduction*

- Cynthia, a household member, is 67. But she is not an applicant on the loan, therefore no elderly family deduction is allowed.

### *Medical Expense Deduction*

- Family medical expenses cannot be deducted since this is not an elderly or disabled household as defined in 7 CFR 3555.152(c).

### *Disability Assistance Expenses*

- No disability assistance expenses were claimed. To be allowed a deduction, the expenses would have to be necessary to enable a family member to work.

## **Repayment Income: Calculate the income utilized to repay the loan. Consider only income from parties to the note that is determined to be stable and dependable per 7 CFR 3555.152(a).**

David and Betsy are parties to the note. David has worked the last two years earning \$1,250 per week or \$65,000 annually. Betsy has made \$15.50/hour and worked 20 hours per week for the past five years consistently. Betsy receives child support for Kathy, paid through the court at \$100 a month, or \$1,200 annually. She has received support consistently for the past three years. Kathy is 14. David and Betsy have cared for foster children for the past three years. Chris Doe is 8 years of age. The county pays \$800.00 per month, or \$9,600 annually to the household to care for the foster child. Foster care is not a source of income that is eligible for repayment income.

- David:  $\$65,000$  historical employment income divided by 12 = **\$5,416.67**
- Betsy:  $\$16,120$  historical employment income divided by 12 = **\$1,343.33**
- Betsy:  $\$1,200$  historical child support income divided by 12 = **\$100.00** [3-year continuance since Kathy is 14]
- Total stable and dependable income in accordance with 7 CFR 3555.152(a) = **\$6,860.00/month**

## ATTACHMENT 9-C EXAMPLE CASE STUDY:

Applicant: David Example

Co Applicant: Betsy Example

### 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 sources/types of income for all household members. Qualify the loan by documenting all sources/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
David Example	40	N	N	Y	XYZ Employment
Betsy Example	40	N	N	Y	123 Employment, child support
Cynthia Example	67	N	Y	Y	Social Security
Janet Smith	19	Y	N	Y	PT Employment
Kathy Smith	14	Y	N	Y	PT Employment
Chris Doe	8	Y	N	Y	Foster care income

<p>1. Applicant (<i>Wages, salary, self-employed, commission, overtime, bonus, tips, alimony, child support, pension/retirement, social security, disability, trust income, etc.</i>) Calculate and record how the calculation of each income source/type was determined in the space below.</p> <p style="text-align: center;"><b>David - \$1,250/wk x 52 = \$65,000</b></p>	\$65,000.00
<p>2. Co-Applicant (<i>Wages, salary, self-employed, commission, overtime, bonus, tips, alimony, child support, pension/retirement, social security, disability, trust income, etc.</i>) Calculate and record how the calculation of each income source/type was determined in the space below.</p> <p style="text-align: center;"><b>Betsy - \$15.50/hr x 20 hrs/wk x 52 = \$16,120</b> <b>Betsy – child support - \$100 x 12 = \$1,200</b></p>	\$17,320.00
<p>3. Additional Income to Primary Income (<i>Automobile Allowance, Mortgage Differential, Military, Secondary Employment, Seasonal Employment, Unemployment, etc.</i>) Calculate and record how the calculation of each income source/type was determined in the space below.</p>	\$0
<p>4. Additional Adult Household Member (s) who are not a party to the note (<i>Primary Employment from Wages, Salary, Self-Employed, Additional income to Primary Employment, Other Income</i>). Calculate and record how the calculation of each income source/type was determined in the space below.</p> <p style="text-align: center;"><b>Cynthia- \$800/month x 12 = \$9,600</b> <b>Janet = first \$480 must be counted as full-time student over 18 years of age</b></p>	\$10,080.00
<p>5. Income from Assets (<i>Income from household assets, if total exceeds \$50,000, as described in HB-1-3555, Chapter 9</i>). Calculate and record how the calculation of each income source/type was determined in the space below.</p> <p style="text-align: center;"><i>Total assets=\$50,100</i> <i>David: Savings \$41400x.005=\$207, Checking: 3500x.003(passbook rate)=\$10.50</i> <i>Cynthia: Savings \$3800x.0045=\$17.10, Checking: \$1400x.003=\$4.20</i></p>	\$238.80
<p style="text-align: center;"><b>6. Annual Household Income</b> (Total 1 through 5)</p>	\$92,638

Applicant: David Example

Co Applicant: Betsy Example

**ADJUSTED ANNUAL INCOME CALCULATION** (Consider qualifying deductions as described in 7 CFR 3555.152(c) and HB-1-3555 Chapter 9)

<p>7. Dependent Deduction (\$480 for each child under age 18, full-time student, or disabled family member over the age of 18) - # <u>3</u> x \$480</p>	<p>\$1,440.00</p>
<p>8. Annual Child Care Expenses (Reasonable expenses for children 12 and under) Calculate and record the calculation of the deduction in the space below.</p> <p style="text-align: center;"><b>\$50/week x 52 weeks/year = \$2,600</b></p>	<p>\$2,600.00</p>
<p>9. Elderly/Disabled Household (1 household deduction of \$400 if 62 years of age or older, or disabled and a party to the note)</p>	<p>\$0</p>
<p>10. Disability (Unreimbursed expenses in excess of 3% of annual income per 7 CFR 3555.152(c) and HB-1-3555 Chapter 9) Calculate and record the calculation of the deduction in the space below.</p>	<p>\$0</p>
<p>11. Medical Expenses (Elderly/Disabled households only. Unreimbursed medical expenses in excess of 3% of annual income per 7 CFR 3555.152(c) and HB-1-3555 Chapter 9.) Calculate and record the calculation of the deduction in the space below.</p>	<p>\$0</p>
<p><b>12. Total Household Deductions</b> (Total 7 through 11)</p>	<p>\$4,040.00</p>

<p><b>13. Adjusted Annual Income</b> (Item 6 minus item 12)</p> <p>Income cannot exceed Moderate Income Limit to be eligible for SFHGLP</p> <p>Moderate Income Limit: \$121,300      State: <input type="text" value="Oklahoma"/>      County: <u>Washington</u></p>		<p><b>\$88,598.80</b></p>
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## ATTACHMENT 9-D

### ANNUAL INCOME

#### SOURCES OF INCOME WHICH BY FEDERAL STATUTE ARE EXCLUDED FROM ANNUAL INCOME

**The following sources, subject to exemption by Federal statute, are never considered when calculating annual income.**

Any revenue which a Federal statute exempts shall not be considered income or used as a basis for determining eligibility for an Agency loan, payment assistance, or denying or reducing Federal financial assistance or benefits to which the recipient would otherwise be entitled. Additional financial assistance, which is considered exempt income under Federal statutes, includes:

1. The imminent danger duty-pay to a service person applicant or spouse away from home and exposed to hostile fire. Amounts of imminent danger pay for military personnel stationed in the Combat Zone are excluded from annual income effective August 2, 1990. Any military pay received by persons serving in the Combat Zone received on or after January 17, 1991, is excluded from annual income. The Combat Zone, as defined by the Presidential Executive Order 12744 dated January 21, 1991, consists of the Persian Gulf, the Red Sea, the Gulf of Oman, that portion of the Arabian Sea that lies north of 10 degrees north latitude and west of 68 degrees east longitude, the Gulf of Aden, the total land areas of Iraq, Kuwait, Saudi Arabia, Oman, Bahrain, Qatar, and the United Arab Emirates. Immediately upon notification by the ~~family, or family or~~ based on information from a knowledgeable source that a member of the household was serving in the Combat Zone, the Loan Approval Official shall re- determine the household income retroactive to January 17, 1991, and adjust the applicant's payment assistance accordingly.
2. Payments and assets, including for supportive services and reimbursement of out-of-pocket expenses, for ~~to~~ volunteers under the Domestic Volunteer Service Act of 1973, including, but not limited to:
  - a. National Volunteer Antipoverty Programs, which include Volunteers in Service to America (VISTA), Peace Corps, Service Learning Programs, and Special Volunteer Programs.

b. National Older American Volunteer Programs for persons age 60 and over who include Retired Senior Volunteer Programs, Foster Grandparent Program, Older American Community Services Program, and National Volunteer Programs to Assist Small Business and Promote Volunteer Service to Persons with Business Experience, Service Corps of Retired Executives (SCORE), and Active Corps of Executives (ACE).

3. Allowances, earnings, and payments to individuals participating in programs under the Workforce Investment Act of 1998 reauthorized as the Workforce Innovation and Opportunity Act of 2014.

4. Allowances, earnings, and payments to AmeriCorps participants under the National and Community Service Act of 1990.

b. 3-5. Payments and assets received after January 1, 1989, from the Agent Orange Settlement Fund or any other fund established pursuant to the settlement in the "In Re Agent Orange Product Liability Litigation" In Re Agent Orange product liability litigation, M.D.L. No. 381 (E.D.N.Y.).

6. Payments and assets received under the "Alaska Native Claims Settlement Act" or the "Maine Indian Claims Settlement Act". Additionally, lump sum or periodic payments received by an individual Indian pursuant to the Class Action Settlement Agreement in the case entitled Elouise Cobell et al. v. Ken Salazar et al., for a period of one year from the time of receipt of that payment as provided in the Claims Resolution Act of 2010. This exclusion also applies to assets.

4. Payments received under the "Alaska Native Claims Settlement Act" or the "Maine Indian Claims Settlement Act."

7. Income and assets derived from certain sub-marginal land of the United States that is held in trust for certain American Indian tribes.

8. Payments and assets received by the Indian Claims Commission to the Confederated Tribes and Bands of the Yakima Indian Nation or the Apache Tribe of the Mescalero Reservation.

5-9. Payments, funds, or distributions authorized, established, or directed by the Seneca Nation Settlement Act of 1990. This exclusion also applies to assets.

10. Assistance pPayments or allowances made under the Department of Health and Human Services Low- Income Home Energy Assistance Program.

6-11. Assistance received under the Richard B. Russell School Lunch Act, and the Child Nutrition Act of 1966, including reduced-price lunches and food under the Special Supplemental Food Program for Women, Infants, and Children (WIC).

12. Payments received from the Job Training Partnership Act.

Draft

7. \_\_\_\_\_
13. Income and assets derived from the disposition of funds of the Grand River Band of Ottawa Indians.
  - ~~9.14.~~ The first \$2,000 of per capita shares received from judgment funds awarded by the National Indian Gaming Commission or the U.S. Claims Court, the interests of individual Indians in trust or restricted lands, and the first \$2,000 per year of income received by individual Indians from funds derived from interests held in such trust or restricted lands. This exclusion does not include proceeds of gaming operations regulated by the Commission. This exclusion also applies to assets, Indian Claims Commission or the Court of Claims, or from funds held in trust for an American Indian tribe by the Secretary of Interior.
  15. Payments received from programs funded under Title V of the Older Americans Act of 1965.
  16. Payments from any deferred U.S. Department of Veterans Affairs disability benefits that are received in a lump sum amount or in prospective monthly amounts.
  17. Amounts of student financial assistance funded under title IV of the Higher Education Act of 1965, including awards under Federal work-study programs or under the Bureau of Indian Affairs student assistance programs.
  18. The amount of any refund (or advance payment with respect to a refundable credit) issued under the Internal Revenue Code is excluded from income and assets for a period of 12 months from receipt.
  19. Any allowance paid to children of Vietnam veterans born with spina bifida, children of women Vietnam veterans born with certain birth defects, and children of certain Korean and Thailand service veterans born with spina bifida is excluded from income and assets.
  20. Any amount of crime victim compensation and assets that provides medical or other assistance (or payment or reimbursement of the cost of such assistance) under the Victims of Crime Act of 1984 received through a crime victim assistance program, unless the total amount of assistance that the applicant receives from all such programs is sufficient to fully compensate the applicant for losses suffered as a result of the crime.
  21. Any amounts in an “individual development account” are excluded from assets and any assistance, benefit, or amounts earned by or provided to the individual development account are excluded from income, as provided by the Assets for Independence Act.
  22. Federal assistance for a major disaster or emergency received by individuals and families under the Robert T. Stafford Disaster Relief and Emergency Assistance Act and comparable disaster assistance provided by States, local governments, and disaster

assistance organizations. This exclusion also applies to assets.

23. Any amount in an Achieving Better Life Experience (ABLE) account, distributions from and certain contributions to an ABLE account established under the ABLE Act of 2014.

24. The value of any child care assistance provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for such care) under the Child Care and Development Block Grant Act of 1990.

~~10.25.~~ Assistance and assets received by a household under the Emergency Rental Assistance Program pursuant to the Consolidated Appropriations Act, 2021 and the American Rescue Plan Act of 2021.

~~11.26.~~ Any other income which is exempted under Federal statute.

Draft

## ATTACHMENT 9-E INFORMATION FOR ANALYZING TAX RETURNS FOR SELF-EMPLOYED APPLICANTS

Self-employed applicants must submit current documentation of the business' income and expenses, including any applicable Federal tax returns that were filed with the IRS for the most recent two years in addition to year-to-date profit and loss and balance statements. Lenders are encouraged to use Fannie Mae Form 1084, *Cash Flow Analysis*, and Fannie Mae Form 1088, *Comparative Income Analysis*, to document a trend analysis for the applicant's business. Lenders may use the Fannie Mae forms or any documentation that provides the same information. Regardless of the analysis method used, and the documentation prepared by the lender, the loan file must contain clear and sufficient support for the lender's decision regarding the viability of the business and loan approval.

### A. Individual Tax Returns (IRS Form 1040)

The amount shown on the IRS Form 1040 as "adjusted gross income" must be either increased or decreased based on the lender's analysis of the individual tax returns and any related tax schedules. Particular attention must be paid to:

- **Wages, salaries, tips.** If an amount is shown here, this may indicate the individual is a salaried employee of a corporation or has other sources of income. It may also indicate the spouse is employed, in which case the income must be subtracted from the adjusted gross income in the analysis.
- **Business income or loss (from Schedule C).** The sole proprietorship income calculated on Schedule C is business income. Depreciation or depletion may be added back to adjusted gross income.
- **Rents, royalties, partnerships, etc. (from Schedule E).** Any income received from rental properties or royalties may be used as income after adding back any depreciation shown on Schedule E.
- **Capital gain or loss (from Schedule D).** This is generally a one-time transaction and should not be considered in determining repayment income. However, if the business

has a constant turnover of assets resulting in gains or losses, the capital gain or loss may be considered in determining the income provided the applicants have at least two years' tax returns evidencing capital gains. An example would include an individual who purchases old houses, remodels them, and sells them for a profit.

- **Interest and dividend income (from Schedule B).** This income, both taxable and tax- exempt, may be added back to the adjusted gross income only if it has been received for the past two years and is expected to continue. If the interest-bearing asset will be liquidated as a source of the cash investment, the lender must adjust accordingly.

Draft



- **Farm income or loss (from Schedule F).** Any depreciation shown on Schedule F may be added back to the adjusted gross income.
- **IRA distributions, pensions and annuities, and social security benefits.** The non-taxable portion of these items may be added back to the adjusted gross income if the income is expected to continue for the first three years of the mortgage.
- **Adjustments to income.** Certain adjustments to income shown on the IRS Form 1040 may be added back to the adjusted gross income. Among these are IRA and Keogh retirement deductions, penalties on early withdrawal of savings, health insurance deductions, and alimony payments.
- **Employee business expenses.** These are actual cash expenses that must be deducted from the applicant's adjusted gross income, if applicable.

## B. U.S. Corporate Income Tax Returns (IRS Form 1120)

Corporations are state chartered businesses owned by their stockholders. Compensation to its officers, generally in proportion to the percentage of ownership, is shown on the corporate tax returns and will appear on individual tax returns. If the applicant's percentage of ownership is not shown, it must be separately obtained from the corporation's accountant with evidence the applicants have the right to those funds. Once the adjusted business income is determined, it is to be multiplied by the applicant's percentage of ownership in the business.

In analyzing the corporate tax returns, lenders must adjust for the following:

- **Depreciation and depletion.** The corporation's depreciation and depletion must be added back to after-tax income.
- **Taxable income.** This is the corporation's net income before federal taxes. It must be reduced by the tax liability.
- **Fiscal year versus calendar year.** If the corporation operates on a fiscal year that is different from the calendar year, an adjustment must be made by the lender to relate corporate income to the individual tax return.
- **Cash withdrawals.** The applicant's withdrawal of cash from the corporation may have a severe negative impact on the corporation's ability to continue operating.

## C. "S" Corporation Tax Returns

An "S" corporation is generally a small, start-up business, with gains and losses passed onto stockholders in proportion to each stockholder's percentage of business ownership. The income for the owners comes from W-2 wages and is taxed at the individual rate.

The "compensation of officers" line on the IRS Form 1120-S is transferred to the applicant's IRS Form 1040. Both depreciation and depletion may be added back to income in

proportion to the applicant's share of income. However, income must also be deducted proportionately by the total obligations payable by the corporation in less than one year. The applicant's withdrawal of cash from the corporation may have a severe negative impact on the corporation's ability to continue operating which must be considered in the analysis.

#### **D. Partnership Tax Returns**

A partnership is formed when two or more individuals form a business and share in profits, losses, and responsibility for running the company. Each partnership pays taxes on his or her proportionate share of the partnership income.

Both general and limited partnerships report income on the IRS Form 1065, *U.S. Return of Partnership Income*, which must be reviewed by the lender to assess the viability of the business. The partner's share of income is carried over to Schedule E of IRS Form 1040. Both depreciation and depletion may be added back to income in proportion to the applicant's share of income. However, income must also be deducted proportionately by the total obligations payable by the partnership in less than one year. The applicant's withdrawal of cash from the partnership may have a severe negative impact on the partnership's ability to continue operating that must be considered in the analysis.

#### **E. LLC Corporation Tax Returns**

A limited liability corporation (LLC) can be formed by one or more individuals. Only Massachusetts and the District of Columbia require two or more individuals. Owners in an LLC are referred to as members. A member of an LLC normally has at risk, only his or her share of capital paid into the business. Members are not personally liable for the debts of the LLC. There are three ways in which an LLC is taxed:

- **Single-owner LLC.** LLC owners are taxed on business profits each year on their individual income tax returns. The IRS treats the LLC as a sole proprietorship. Profits are reported on Schedule C of an individual 1040 tax return.
- **LLCs.** The IRS treats the LLC as a partnership. The LLC prepares and files IRS Form 1065, *U.S. Return of Partnership Income*, each year. LLC profits are allocated to each of the owners according to the profit-sharing arrangement set up in the LLC operating agreement. Each owner is given a Schedule K-1, which shows each owner's share of LLC income. The owner then reports and pays taxes on this income on the owner's 1040 income tax return.
- **Check-the-Box Corporate Tax Treatment.** Under these rules, any eligible business can elect to be taxed as a corporation by filing IRS Form 8832, *Entity Classification Election*, and checking the corporate income tax treatment box on the form. After making this election, profits kept in the business are taxed at the separate income tax rates that apply to corporations.

**ATTACHMENT 9-F  
WORKSHEET FOR DOCUMENTING ELIGIBLE  
HOUSEHOLD AND REPAYMENT INCOME  
[AGENCY USE ONLY]**

**Agency Instructions:** Recalculate income in the circumstances noted below. Retain this worksheet as part of the permanent SFHGLP file, when applicable. If the reviewer agrees with the lender's income calculation, check the box indicating agreement with the lender's calculation; otherwise complete the recalculation of income in the space provided.

**Eligible Household Income:** Recalculate the lender's determination of eligible income if the lender's adjusted annual income calculation is within 10 percent of the applicable published income limit for manually underwritten loans. The published income limits may be found at the public website: <http://eligibility.sc.egov.usda.gov/eligibility/>

**Repayment Income:** Recalculate the lender's determination of repayment income for manually underwritten loans if the lender's repayment ratios are within 10 percent of the published debt ratio limit found at §7 CFR 3555.151(h). [i.e. greater than 26.0% principal, interest, taxes and insurance (PITI) OR greater than 37.0% total debt ratio (TD)].

**Definition - Manually Underwritten Loan Files:** 1) Loans submitted by lenders that are not supported by the automated underwriting system, GUS. 2) Loans submitted to GUS, that have received an underwriting recommendation of Refer or Refer With Caution. Accept and Accept with Full Documentation loans are not manually underwritten loans.

GENERAL INFORMATION		
Applicant(s):	GLS Borrower ID:	Lender:

AGENCY WRITTEN ANALYSIS DOCUMENTING ELIGIBLE HOUSEHOLD INCOME	
Consider anticipated income for the next 12 months for <b>all</b> adult household members as described in 7 CFR <a href="#">§3555.152(b)</a> . Consider qualifying deductions as described in 7 CFR 3555.152(c). Website for instructions/technical handbook/notices: <a href="https://www.rd.usda.gov/resources/directives">https://www.rd.usda.gov/resources/directives</a> .	
<b>Calculate and record how the calculation of each income source/type and deduction was determined in the space below.</b>	
<input type="checkbox"/> I have reviewed the lender's calculation and compared it to income verifications. I agree with the lender's calculation of eligible household income.	\$

By: \_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_  
(Title)

Applicant(s):	GLS Borrower ID:	Lender:
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**AGENCY WRITTEN ANALYSIS MONTHLY REPAYMENT INCOME**

Consider the stable and dependable income of parties to the note as described in 7 CFR 3555.152(a). Website for instructions/technical handbook/notices: <https://www.rd.usda.gov/resources/directives>.

**Calculate and record how the calculation of each income source/type and deduction was determined in the space below.**

	\$

Date: \_\_\_\_\_

By: \_\_\_\_\_

(Title) \_\_\_\_\_

## ATTACHMENT 9-G OPTIONAL VERIFICATION OF INCOME FORMS

<b>VERIFICATION OF PENSIONS AND ANNUITIES</b>	
<b>REQUEST FOR INFORMATION</b>	
<b>APPLICANT IDENTIFICATION</b>	
Name _____	Social Security Number _____
<b>REQUESTED INFORMATION</b>	
<b>A. INCOME FROM ANNUITIES</b>	
1. \$ _____ Current monthly gross amount received. Will the applicant continue to receive this monthly amount for the next twelve months? ___ Yes ___ No If, no please explain.	
2. Describe any deductions from the gross amount that are taken.	
<b>B. VERIFICATION OF ASSETS</b>	
1. \$ _____ Current market value of assets held in the retirement or pension plan.	
2. Can the applicants withdraw amounts from the retirement account without retiring or terminating employment? ___ Yes ___ No. If yes, explain the terms of the withdrawal, including any penalties.	
3. Can the applicants borrow against amounts in the retirement account? ___ Yes ___ No If yes, explain the terms (maximum amount, interest rate, repayment term, purposes, etc.)	
<b>LENDER CERTIFICATION:</b> Verifier must print their name, address and telephone number and certify to the accuracy of information recorded by executing below.	
Name: _____	Title: _____
_____	Telephone Number: _____
(Signature)	
<b>WARNING:</b> Knowingly and willingly making a false or fraudulent statement to any department of the United States Government is a felony punishable by fine and imprisonment (Title 18, Section 1001, U.S. Code)	

<b>VERIFICATION OF STUDENT INCOME AND EXPENSES</b>		
<b>REQUEST FOR INFORMATION</b>		
<b>APPLICANT IDENTIFICATION</b>		
Name _____		Social Security Number _____
<b>REQUESTED INFORMATION</b>		
1. Describe any financial assistance the above-reference student receives.		
<u>Amount</u>	<u>Source</u>	<u>Purpose for Which Funds May Be Used</u>
2. Describe any expenses the above-referenced student has for:		
\$ _____	Tuition	
\$ _____	Housing	
\$ _____	Books	
\$ _____	Supplies and Equipment	
\$ _____	Transportation	
\$ _____	Misc. Personal Expenses	
\$ _____	Total	
<b>LENDER CERTIFICATION:</b> Verifier must print their name, address and telephone number and certify to the accuracy of information recorded by executing below.		
Name: _____		Title: _____
_____		Telephone Number: _____
(Signature)		
<b>WARNING:</b> Knowingly and willingly making a false or fraudulent statement to any department of the United States Government is a felony punishable by fine and imprisonment (Title 18, Section 1001, U.S. Code)		

**VERIFICATION OF MEDICAL EXPENSES**

**REQUEST FOR INFORMATION**

**APPLICANT IDENTIFICATION**

Name \_\_\_\_\_ Social Security Number \_\_\_\_\_

**REQUESTED INFORMATION**

1. Please list the purpose of any accumulated medical bills, identify to whom the amount is owed, and provide the amount to be paid during the coming 12 months.

<u>Amount</u>	<u>Owed To</u>	<u>Medical Expenses for</u>
---------------	----------------	-----------------------------

2. Medical Insurance Premiums

\$ \_\_\_\_\_ Amount Paid      Payment Period: \_\_\_ per month, \_\_\_ per year

Medical Insurance Premiums

\$ \_\_\_\_\_ Amount Paid      Payment period: \_\_\_ per month, \_\_\_ per year

3. List other anticipated medical expenses

**LENDER CERTIFICATION:** Verifier must print their name, address and telephone number and certify to the accuracy of information recorded by executing below.

Name: \_\_\_\_\_ Title: \_\_\_\_\_

\_\_\_\_\_  
Telephone Number: \_\_\_\_\_

(Signature)

**WARNING:** Knowingly and willingly making a false or fraudulent statement to any department of the United States Government is a felony punishable by fine and imprisonment (Title 18, Section 1001, U.S. Code)

<b>VERIFICATION OF SOCIAL SECURITY BENEFITS</b>	
<b>REQUEST FOR INFORMATION</b>	
<b>APPLICANT IDENTIFICATION</b>	
Name _____	Social Security Number _____
<b>REQUESTED INFORMATION</b>	
<b>Social Security Data</b>	
_____	Date of Birth
_____	Gross Monthly Social Security Benefit Amount, Type of Benefit
_____	Gross Monthly Supplemental Security Income Payment Amount (including State Supplement) Type of Benefit
_____	Amount of Monthly Deductions for Medicare Paid by the Applicants
<b>LENDER CERTIFICATION:</b> Verifier must print their name, address and telephone number and certify to the accuracy of information recorded by executing below.	
Name: _____	Title: _____
_____	Telephone Number: _____
(Signature)	
<b>WARNING:</b> Knowingly and willingly making a false or fraudulent statement to any department of the United States Government is a felony punishable by fine and imprisonment (Title 18, Section 1001, U.S. Code)	



<b>VERIFICATION OF PUBLIC ASSISTANCE</b>	
<b>REQUEST FOR INFORMATION</b>	
<b>APPLICANT IDENTIFICATION</b>	
Name _____	Social Security Number _____
<b>REQUESTED INFORMATION</b>	
Number in Family: _____	<u>Rate Per Month</u>
Aid to Families with Dependent Children	\$ _____
General Assistance	\$ _____
Does this amount include Court Awarded Support Payments	<input type="checkbox"/> Yes <input type="checkbox"/> No
Amount Specifically Designated for Shelter and Utilities	\$ _____
Other Assistance - Type: _____	\$ _____
Total Monthly Grant	\$ _____
Other Income - Source: _____	\$ _____
*Maximum Allowance for Rent and Utilities	\$ _____
Amount of Public Assistance given during the past 12 months	\$ _____
<b>LENDER CERTIFICATION:</b> Verifier must print their name, address and telephone number and certify to the accuracy of information recorded by executing below.	
Name: _____	Title: _____
_____	Telephone Number: _____
(Signature)	
<b>WARNING:</b> Knowingly and willingly making a false or fraudulent statement to any department of the United States Government is a felony punishable by fine and imprisonment (Title 18, Section 1001, U.S. Code)	

VERIFICATION OF CHILD/DEPENDENT CARE	
<b>REQUEST FOR INFORMATION</b>	
<b>APPLICANT IDENTIFICATION</b>	
Name _____	Social Security Number _____
<b>REQUESTED INFORMATION</b>	
Name of Person or Agency Providing Care: _____	
Address: _____ _____ _____	
Name(s) of person or Persons Cared for: _____ _____ _____	
Specify Hours _____ and Days _____ of Care.	
Average Amount Paid for Care: \$ _____	<input type="checkbox"/> Week <input type="checkbox"/> Month
Estimated Amount to be Paid in coming 12 months (including full-time summer care of school children, if applicable): \$ _____	
Will any amount of this expense be reimbursed by an outside source: <input type="checkbox"/> Yes <input type="checkbox"/> No	
<b>LENDER CERTIFICATION:</b> Verifier must print their name, address and telephone number and certify to the accuracy of information recorded by executing below.	
Name: _____	Title: _____
_____	Telephone Number: _____
(Signature)	
<b>WARNING:</b> Knowingly and willingly making a false or fraudulent statement to any department of the United States Government is a felony punishable by fine and imprisonment (Title 18, Section 1001, U.S. Code)	

**VERIFICATION OF UNEMPLOYMENT BENEFITS**

**REQUEST FOR INFORMATION**

**APPLICANT IDENTIFICATION**

Name \_\_\_\_\_ Social Security Number \_\_\_\_\_

**REQUESTED INFORMATION**

1. Are benefits being paid now?  Yes  No

2. If yes, what is Gross Weekly payment? \$ \_\_\_\_\_

3. Date of Initial Payment \_\_\_\_\_

4. Duration of Benefits \_\_\_\_\_ weeks

Is claimant eligible for future benefits?  Yes  No

5. If yes, How many weeks? \_\_\_\_\_

6. If no, what is termination date of benefits? \_\_\_\_\_

**LENDER CERTIFICATION:** Verifier must print their name, address and telephone number and certify to the accuracy of information recorded by executing below.

Name: \_\_\_\_\_ Title: \_\_\_\_\_

\_\_\_\_\_  
Telephone Number: \_\_\_\_\_

(Signature)

**WARNING:** Knowingly and willingly making a false or fraudulent statement to any department of the United States Government is a felony punishable by fine and imprisonment (Title 18, Section 1001, U.S. Code)

**VERIFICATION OF BUSINESS EXPENSES  
 REQUEST FOR INFORMATION**

**APPLICANT IDENTIFICATION**

Name \_\_\_\_\_ Social Security Number \_\_\_\_\_

**REQUESTED INFORMATION**

Based on business transacted during \_\_\_\_\_ 20\_\_\_\_, to \_\_\_\_\_ 20\_\_\_\_\_

- |                                |  |    |  |
|--------------------------------|--|----|--|
| 1. Gross Income                |  | \$ |  |
| 2. Expenses:                   |  |    |  |
| (a) Interest on Loans          |  | \$ |  |
| (b) Cost of Goods/Materials    |  | \$ |  |
| (c) Rent                       |  | \$ |  |
| (d) Utilities                  |  | \$ |  |
| (e) Wages/Salaries             |  | \$ |  |
| (f) Employee Contributions     |  | \$ |  |
| (g) Federal Withholding Tax    |  | \$ |  |
| (h) State Withholding Tax      |  | \$ |  |
| (i) FICA                       |  | \$ |  |
| (j) Sales Tax                  |  | \$ |  |
| (k) Other                      |  | \$ |  |
| (l) Straight Line Depreciation |  | \$ |  |
| Total Expenses                 |  | \$ |  |
| 3. Net Income                  |  | \$ |  |

**LENDER CERTIFICATION:** Verifier must print their name, address and telephone number and certify to the accuracy of information recorded by executing below.

Name: \_\_\_\_\_ Title: \_\_\_\_\_  
 \_\_\_\_\_ Telephone Number: \_\_\_\_\_  
 (Signature)

**WARNING:** Knowingly and willingly making a false or fraudulent statement to any department of the United States Government is a felony punishable by fine and imprisonment (Title 18, Section 1001, U.S. Code)

VERIFICATION OF SUPPORT PAYMENTS	
<b>REQUEST FOR INFORMATION</b>	
<b>APPLICANT IDENTIFICATION</b>	
Name _____	Social Security Number _____
<b>REQUESTED INFORMATION</b>	
Name of Person Paying Support: _____	
Address: _____	
_____	
For	( ) Former Spouse
	( ) Children
Children Names are:	
_____	
_____	
_____	
Amount of Support	\$ _____ <input type="checkbox"/> Week, <input type="checkbox"/> Month, <input type="checkbox"/> Year
<b>LENDER CERTIFICATION:</b> Verifier must print their name, address and telephone number and certify to the accuracy of information recorded by executing below.	
Name: _____	Title: _____
_____	Telephone Number: _____
(Signature)	
<b>WARNING:</b> Knowingly and willingly making a false or fraudulent statement to any department of the United States Government is a felony punishable by fine and imprisonment (Title 18, Section 1001, U.S. Code)	

<b>RECORD OF ORAL VERIFICATION OF EMPLOYMENT</b>	
<b>APPLICANT INFORMATION</b> <input type="checkbox"/> <b>Applicant</b>	<input type="checkbox"/> <b>Co-Applicant</b>
Name of Applicant/Co-Applicant: _____	
<b>EMPLOYMENT INFORMATION VERIFIED</b> <input type="checkbox"/> <b>Present</b> <input type="checkbox"/> <b>Previous Employment</b>	
Company: _____	
Name and Title of Person Contacted: _____	
Telephone Number: _____	Date: _____
Source of Telephone Number: _____	
Date of Employment: _____	Position: _____
Probability of Continued Employment: _____	
Salary: _____	
Probability of continued bonus and/or overtime is likely to continue: _____	
<b>ADDITIONAL INFORMATION VERIFIED</b>	
_____	
_____ Signature of Person Receiving Verification	_____ Date and Time
<b>WARNING:</b> Knowingly and willingly making a false or fraudulent statement to any department of the United States Government is a felony punishable by fine and imprisonment (Title 18, Section 1001, U.S. Code)	