

Income(s) counted in the Program Eligibility Income calculation:

- A person who will have title to the property and will sign the mortgage. (i.e., a Borrower)
- A person who is expected both to live in the residence being financed and is a legal spouse of a Borrower.
- A person who is expected both to live in the residence being financed and to sign or guarantee the mortgage note. (i.e., an occupant co-signer).

		Program Eligibility Income		
		Person A	Person B	Person C
List names of individuals in the household who meet one of the above definitions:				
INCOME TYPES	Base Pay from an Employer	\$	\$	\$
	Additional Income from an Employer	\$	\$	\$
	Self-Employment/Business Income	\$	\$	\$
	Income from Financial Assets	\$	\$	\$
	Government Transfer Payments	\$	\$	\$
	Insurance or Benefit Payments	\$	\$	\$
	Investment Property Net Rental Income	\$	\$	\$
	Child/Spousal Support	\$	\$	\$
	Regular Cash Contributions	\$	\$	\$
	Employee Allowances	\$	\$	\$
	Custodial Account Income	\$	\$	\$
	Other Sources of Income	\$	\$	\$
Subtotal		\$	\$	\$
Total Program Eligibility Income Compare with income limits for Start Up program		\$		

Income Documentation:

- Supplemental Income Calculation Worksheet is attached? Yes No
- Use standard employment verification methods and documents.
- In addition to information obtained for qualifying/underwriting purposes, if needed, obtain additional written information to calculate Program Eligibility Income.
- Ask employer for clarification if the Borrower has not been on the job long enough to establish a history.
- Verification used to determine Program Eligibility Income must be dated within four months of the closing date.
- Use most recent documentation provided.
- Use all income documentation available (for example, VOE and paystub).

Calculating Income

When calculating Program Eligibility Income, there are two types of income to consider – income from an employer and income from all other sources. Document your calculations so Minnesota Housing staff can understand how you arrived at the total Program Eligibility Income. Include all income unless specifically listed as excluded on this worksheet.

1. Calculating Income from an Employer

Determine whether the borrower receives base pay only or a combination of base pay and additional income from an employer.

Calculate “Base Pay from an Employer”

Regular Hours/Pay

1. Determine frequency of income - weekly, bi-weekly, semi-monthly, etc.
2. Identify documentation needed to support payment frequency and calculation.
3. Apply Calculation - (Base Wage x Hours Worked in a Pay Period) x (# of Pay Periods Per Year)
4. This should approximate the annualized YTD on VOE or paystubs. If not, check for additional pay, such as overtime, bonus, shift differential, etc. (Employers don't always break this out on the VOE).
5. See additional guidance on calculating base pay from an employer.

Hourly pay	Bi-weekly pay	Semi-Monthly pay
Multiply the pay per hour by the number of hours worked per week. Multiply total by 52 weeks a year.	Multiply the bi-weekly pay by 26.	Multiply the semi-monthly pay by 24.
Example: 1. \$15 per hour x 40 hours a week = \$600 2. \$600 x 52 weeks a year = \$31,200 3. \$31,200/12 = \$2,600 gross monthly base pay	Example: 1. \$1,200 every two weeks x 26 pay periods a year = \$31,200 2. \$31,200/12 months = \$2,600 gross monthly base pay	Example: 1. \$1,300 semi-monthly pay x 24 pay periods a year = \$31,200 2. \$31,200/12 months = \$2,600 gross monthly base pay

Irregular Hours/Pay

1. Add YTD Earnings total and prior year’s earnings total, if available.*
2. To annualize, divide the resulting amount by the number of months and days worked, and then multiply that number by 12 months to get total average pay from an employer.
3. See additional guidance on page 3 on calculating base pay from an employer.

Calculate “Additional Pay from an Employer”:

1. Review the earnings section of paystub or VOE and add up all additional income that is included in the YTD earning total and not included in_base pay. (Sick, vacation, holiday, etc. are generally included in base pay.)
2. Add YTD additional pay total and prior year’s additional pay, if available on a VOE.*
3. To annualize, divide the resulting amount by the number of months and days worked, and then multiply that amount by 12 months to get an average of Additional Pay from an Employer.
4. See additional guidance on page 3 on calculating additional pay from an employer.

*If using a different timeframe, the underwriter should provide documentation and an explanation to support using a different timeframe.

2. Calculating Income from Other Sources

Determine if there are other sources of income, apart from wages from an employer.

Types of Income

Base Pay form an Employer	
Definition/Inclusions	Exclusions
<p>Regular Hours/Pay: Borrower is scheduled for the same number of hours per pay period. Gross salary or wage income from part-time, full-time, or seasonal work with regular hours/pay</p> <p>Irregular Hours/Pay: Variable hours, seasonal work, etc., such as nursing, restaurant, construction, retail or part-time work with varied hours or pay.</p>	<ul style="list-style-type: none"> Income no longer available Income not yet earned (i.e., future bonus or expected raise)
Guidance	
<ul style="list-style-type: none"> Determine whether base pay is regular hours/pay or irregular hours/pay and follow calculation instructions on page 2. Borrowers can't manipulate income (quit job, etc.) to become eligible. Include all income, including sick, holiday and vacation pay. Income documentation is required, and could include, but is not limited, to, paystubs, VOE, tax returns, W-2's, etc. Seasonal work requires the same documentation as "Base Pay from an Employer, irregular hours/pay," but should also include any unemployment benefits, if applicable. <ul style="list-style-type: none"> 1099s, tax returns, and/or verification from unemployment office to verify unemployment benefits 	
Base Pay Calculation Notes:	
Additional Income from an Employer	
Definition/Inclusions	Exclusions
Income over and above base pay, such as overtime, shift differential, bonuses, profit-sharing, tips, commissions, etc.	One-time (non-recurring) income; i.e., income received once that does not have a history and is unlikely to reoccur in the future.
Guidance	
<ul style="list-style-type: none"> Follow calculation instructions on page 2. Documentation of additional pay could include, but is not limited to, paystubs, VOE, etc. Always use an average for overtime (unless employer and income history verifies OT was for one-time, special project, etc.), commissions, bonuses, shift differentials, and sick/vacation/holiday pay (if not already included in base pay). Include all income that is included in the YTD Earnings Total on a paystub or on a VOE. 	

- Any income that is determined to not be included in YTD Earnings Total (for example, employer-paid benefits or matches, such as an HSA match) does not have to be included in the Program Eligibility Income calculation.

Additional Pay Calculation Notes

Self-Employment/Business Income

Definition/Inclusions	Guidance
<p>Individuals who earn their income through conducting a trade or business that they directly operate instead of working for an employer who pays them a salary or a wage.</p>	<ul style="list-style-type: none"> • Determine gross annual income. • Use a two-year average from the most recent federal income tax returns, if available. • Self-employment income documentation is required, and may include, but is not limited, to: <ul style="list-style-type: none"> ○ Tax form Schedule C, most recent two years ○ Tax form Schedule K-1 (Form 1120S) ○ YTD Profit & Loss Statement • Request additional supporting documentation (i.e., current balance sheet and income statement) when necessary (to support P&L or other income documentation). • Deduct out-of-pocket business expenses such as office rent, telephone, etc., which are generally tax-deductible items. • Include all entertainment and travel expenses, private retirement contribution plans, and property or equipment depreciation. These items are generally tax-deductible, but must be added back for the Program Eligibility Income calculation if starting with the net income amount. • If a net loss, use \$0. Do not subtract the loss from the Program Eligibility Income calculation. • If using a different timeframe to better reflect the borrower’s current income, the underwriter should provide documentation and an explanation to support using a different timeframe.

Self-Employment/Business Income Calculation Notes:

Income from Financial Assets		
Definition/Inclusions	Exclusions	Guidance
Income from: trusts, annuities, dividends, royalties, interest earned from non- retirement accounts (savings, checking, money market, investments, mutual funds, etc.)	<ul style="list-style-type: none"> • One-time lump sum payments • Investments in retirement accounts (IRAs, VIPs, 403(b)'s, 401(k)'s) • Any cash withdraws from retirements accounts 	<ul style="list-style-type: none"> • Always check tax returns for income from financial assets. • Include average of periodic payments, including recurring, lump-sum payments. • Where assets after closing exceed \$5,000, calculate interest income based on the greater of actual income or imputed income based on the current passbook savings rate, as determined by HUD.
Income from Financial Assets Calculation Notes:		
Insurance or Benefit Payments		
Definition/Inclusions	Exclusions	Guidance
Periodic payments derived from: <ul style="list-style-type: none"> • Long-term care insurance • Disability insurance • Pensions • Death benefits 	Do not include one-time, lump-sum payments.	Include periodic insurance or benefit payments at current level.
Insurance or Benefit Payments Calculation Notes:		
Government Transfer Payments		
Definition/Inclusions	Exclusions	Guidance
Government transfer payments involve payments for which no current services are performed and are a component of personal income. <ul style="list-style-type: none"> • Retirement • Disability benefits • Income maintenance benefits • Pensions • Veterans benefits • Federal education & training assistance • Public assistance • Worker's Compensation • Social Security benefits • Unemployment insurance • compensation 	<ul style="list-style-type: none"> • Food stamps • Government-paid child care paid directly to the provider • Foster care income • Section 8 vouchers 	<ul style="list-style-type: none"> • Include all sources of this income at current level. Do not gross up.

Government Payment Calculation Notes:

Investment Property Net Rental Income

Definition/Inclusions	Exclusions	Guidance
Income from an Investment Property	Potential roommate income or rental income of future duplex or accessory dwelling unit	Calculate investment property net rental income <ul style="list-style-type: none"> • Monthly Gross Rent - Vacancy Loss = Gross Adjusted Rent • Gross Adjusted Rent – PITI and maintenance costs = Net Rental Income. If rental income is negative, enter \$0. In addition, an operating statement may be used in lieu of using the above-referenced formula.

Investment Property Net Rental Income Calculation Notes:

Child/Spousal Support

Definition/Inclusions	Exclusions	Guidance
Child support, child care, medical support, alimony, spousal maintenance	Court-ordered support not received; must document support was not received	<ul style="list-style-type: none"> • Use average of actual support received. • Review divorce/child support agreement. • Check with county social service agency to determine whether any payment adjustments have been made since the original payment schedule. • Cross-check payment schedule with bank statements, etc.

Child/Spousal Support Calculation Notes:

Regular Cash Contributions

Definition/Inclusions	Exclusions	Guidance
Regular cash contributions from non-resident(s)		Check bank statements for regular cash contributions. Include all regular cash contributions from non-residents.

Regular Cash Contributions Calculation Notes:

Employee Allowances

Definition/Inclusions	Exclusions	Guidance
Housing, car, cell phone, per diems, etc.	<ul style="list-style-type: none"> • Reimbursements for specific employee business expenses, such as mileage reimbursements for a business trip 	Include all allowances, per diems or stipends as income.

Employee Allowances Calculation Notes:

Custodial Account Income

Definition/Inclusions	Exclusions	Guidance
Unearned income paid to children age 20 or younger, who live with the Borrower(s) 50% of the time or more	<ul style="list-style-type: none"> • 529 plans • Accounts where someone other than the parents are named as custodian. • Unearned income of adult dependents age 21 or older 	Include all custodial account income.

Custodial Account Income Calculation Notes:

Other Sources of Income

Definition/Inclusions	Exclusions	Guidance
<ul style="list-style-type: none"> • Contract-for-deed interest income • Any other sources of income as identified or represented in the loan file and applicable documentation. • Gambling winnings (unless proof of one-time earning is provided) 	<ul style="list-style-type: none"> • Loans; scholarships; grants and tuition reimbursement; • Earned Income Tax Credit refund payments; health insurance premium reimbursements (deducted from gross pay) and any out-of-pocket expense (co-pays, etc.) reimbursements • One-time lump sum (non-reoccurring) payments from: <ul style="list-style-type: none"> ○ Inheritances ○ Insurance settlements ○ Lottery winnings ○ Gambling winnings ○ Capital gains ○ Liquidation of assets ○ Settlements for personal loss 	<ul style="list-style-type: none"> • Always include other sources of income not specifically excluded. • For contract-for-deed interest income, include interest portion of payments per the terms of the agreement/contract.

Other Sources of Income Calculation Notes: