

## **INCOME LIMIT CALCULATION GUIDE FOR ELIGIBILITY FOR CHFA LOANS (FINANCED THROUGH MORTGAGE REVENUE BONDS)**

**Eligibility Income is not the same as Qualifying Income. To determine eligibility income, you must annualize YTD/current income from all sources (predictive).**

### **Base pay if set hours per week/salaried:**

- Annually      Annual gross pay / 12 months
- Monthly      Use monthly gross payment amount
- Bimonthly    Twice monthly gross pay x 2 pay periods
- Biweekly     (Biweekly gross pay x 26 pay periods) / 12 months
- Weekly       (Weekly gross pay x 52 pay periods) / 12 months
- Hourly        (Hourly gross pay x # of hours worked per week x 52 weeks) / 12 months

Perform a YTD gross pay analysis using the **pay date** to ensure consistent. If not consistent, ask why (unpaid leave, temporary assignment, increase in pay rate)

### **Base pay if hours are irregular/Income is variable:**

- YTD base pay (including sick leave, vacation, holidays (pay date)) / # weeks \* 52 / 12 = monthly - annualize for eligibility income

If too early in the year or prior year is higher, add prior year and divide by appropriate # weeks

- YTD + prior year / # weeks \* 52 / 12 = monthly

Check for consistency/irregularities – if prior year is higher than YTD average, determine if the hours are higher during certain parts of the year and not accounted for in YTD. Use higher amount. If not consistent, ask why (unpaid leave, temporary assignment, increase in pay) and if will continue, use higher amount

### **Bonus:**

- Check frequency received (annual/semi-annual/etc.)
  - Annual – received YTD (or previous year) / 12 months
  - Semi-Annual – received YTD / 6 – monthly – if none, use previous year
  - Quarterly – received YTD / 3 – monthly – if none, use previous year
- If none received YTD, use previous year average
- Also perform a previous year + YTD / appropriate months/weeks and use the highest

Check for consistency/irregularities...

**Overtime (and any other variable income, such as holiday worked, shift premium, weekend, etc.):**

- Use same method as above for irregular hours – use higher amount – YTD or prior year + YTD average

### **Child Support/Retirement Distributions/Trust/Etc. and Temporary Pay with defined end date**

- Current amounts received/expected to be received over next 12 months.
  - Example, if the borrower has received 6 months' worth of child support payments during this calendar year and only 3 additional payments are due/forthcoming, the 9 months total is what would be included/annualized.
  - Another example, if it is late in the year and the customer is only expecting to receive 6 additional months of support, you can look forward to what is expected over the next full 12 months and use that amount to annualize.

### **Self-Employment:**

- Determine # of years federal tax returns required based on AUS findings
  - If only 1 year required, use 12-month average
  - If 2 years required:
    - if income increased, use most recent year average
    - if income decreased substantially, use two-year average
- YTD Profit & Loss statements are not acceptable

### **Rental Income for 2–4-unit properties:**

- 75% of Gross Rent to be included in eligibility income calculations

### **Losses/Expenses reported on Federal Tax Returns:**

- Self-employment or investment losses and employee expenses on Form 2106 will not be deducted for purposes of eligibility

### **Rental Income on 2-4 Unit properties:**

- Use Fair Market Rent or, if existing lease is transferring, use actual lease agreement rent amount, less applicable vacancy factor

### **Other Sources of Income:**

- Interest/dividend/capital gains income as reported on Federal Tax Returns or asset statements when significant
- Review asset statements for undisclosed income, such as child support/separate maintenance, Lyft, Uber, sales consultant, gambling winnings, etc.

**This is a guide to assist lenders in determining income for limits. CHFA reserves the right to use its discretion for determining income.**