

calculating income for chfa loans

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borrower qualifying income

borrower income

- Borrower qualifying income as calculated by the CHFA Participating Lender is used for the following CHFA loan programs:
 - CHFA SmartStepsm and SmartStep Plussm
 - CHFA Preferredsm, Preferred Plussm, CHFA Preferred Very Low Income Program (VLIP)sm, and CHFA Preferred Very Low Income (VLIP) Program Plussm
 - CHFA SectionEightsm Homeownership
- Only the qualifying income of borrowers or co-borrowers on the loan is utilized
- Qualifying income calculation must comply with applicable FHA, VA, USDA-RD, Fannie Mae or Freddie Mac guidelines

chfa income limits

- CHFA SmartStepsm and CHFA SectionEightsm Homeownership programs
 - Statewide income limit
 - Regardless of county, household size, or targeted or non-targeted area
- CHFA Preferredsm and CHFA Preferred Plussm
 - Income limits based on 80% Area Median Income (AMI) for county in which property is located for locks prior to 1/30/2023
 - Statewide income limit for locks on or after 1/30/2023
 - PMI coverages will differ based on income of 80% AMI and lower or over 80% AMI, see CHFA eNews notification issued on 1/30/2023
- CHFA Preferred Very Low Income Programsm (VLIP) – Freddie Mac only
 - Income limits based on 50% AMI for county in which property is located
- All CHFA income limits are listed on CHFA website

chfa borrower qualifying income calculation example

- Family of four is purchasing a home in Adams County using the CHFA SmartStep Plus program. Family consists of husband who has full time employment, wife/spouse who has full time employment, 18 year old son who is a full time student and working part-time and, 12 year old daughter who is a full time student and has no income.
- Husband is the only borrower on the loan. His yearly salary is \$120,000.
 - Borrower has overtime of \$10,000 on his paystub, but does not have a 2 year history of overtime
 - Lender does not use the overtime in the income calculation due to the history of overtime receipt
 - Spouse's income is \$50,000/year – not on the loan so income is not used in calculation
 - Son's income is \$10,000/year – not on the loan so income is not used in calculation
- Statewide income limit for the SmartStep Plus program
 - \$148,120
- Family would be able to utilize this program as they are under the income limit. Only the ***borrower qualifying income*** is used for income calculation purposes.

income documentation

- All income documentation used for qualifying purposes per the underwriter or underwriting findings are to be submitted in the file, including, but not limited to; paystubs, VOE's, tax returns/tax transcripts, W-2's, etc
 - CHFA will verify only the income used for qualifying purposes
- CHFA Preferred loan programs - CHFA will require the most current 2 years of tax transcripts, listed on the 4506, in the purchase file (after loan has closed) for audit purposes. Income on transcripts will not be utilized for income calculation purposes

gross annual income calculation

gross annual income calculation

- Gross annual income is applicable to the following programs:
 - CHFA FirstStepsm and FirstStep Plussm
 - CHFA HomeAccesssm and HomeAccess Plussm
- All other CHFA programs utilize the borrower qualifying income calculation determined by the Lender for borrower eligibility

income calculation requirements

- CHFA Gross Annual Income Calculation –Income for each applicant, spouse or civil union partner of each applicant and any other household member who is expected to be secondarily liable on the mortgage loan is included even if not used to qualify borrower, i.e.; child support, alimony, over-time, etc.
- All income documentation for each applicant, spouse or civil union partner of each applicant and any other household member who is expected to be secondarily liable on the mortgage loan
 - Any dependent with differing last names on Tax Returns, letter of explanation and Child Support docs if applicable
 - Profit and Loss Statement signed and dated for all self-employed individuals
- Review Chapter 6 of the CHFA Seller's Guide
- Income limits based on program, number of occupants, subject property county and targeted vs non-targeted area
- Occupant = any person living in the household at least 50% or more of the time
- This calculation is separate from the income calculation the lender will use to qualify the borrower for FHA, USDA-RD

sources of income

- All income must be included for the CHFA gross annual income calculation
 - Sources of income can include
 - Child support
 - Maintenance
 - Overtime
 - Tips
 - Bonuses
 - Commissions
 - Non-taxable income, i.e. social security income, etc
 - Self-employed income
 - Ongoing dividends received
 - Trust income
 - Royalty income
 - Ongoing gambling winnings
- See Chapter 6 in the CHFA Seller's Guide for all sources of income

gross annual income calculations

- CHFA will verify start date of employment using a Verification of Employment (VOE) received from lender
- Common income types
 - W-2 Employees
 - Bi-weekly
 - Weekly
 - Semi-Monthly
 - Monthly
 - Self-Employed
 - Other Income
 - Bonus
 - Social Security
 - Disability
 - Pensions
 - Unemployment
 - Rental income

determining pay periods

- Borrowers who are W-2 employees may be paid on a weekly, bi-weekly, semi-monthly or monthly basis
 - Weekly (52 pay periods) or bi-weekly (26 pay periods) pay basis, use the number of weeks through which borrower has been paid
 - Semi-monthly (24 pay periods), use the number of pay periods through which borrower has been paid
 - Monthly (12 pay periods), use the number of months through which borrower has been paid

sample calendar

www.calendar.best

2021 Calendar						
January						
Wk	Su	Mo	Tu	We	Th	Fr
1	27	28	29	30	31	1
2	3	4	5	6	7	8
3	10	11	12	13	14	15
4	17	18	19	20	21	22
5	24	25	26	27	28	29
6	31					

February						
Wk	Su	Mo	Tu	We	Th	Fr
6	31	1	2	3	4	5
7	7	8	9	10	11	12
8	14	15	16	17	18	19
9	21	22	23	24	25	26
10	28					

March						
Wk	Su	Mo	Tu	We	Th	Fr
10	28	1	2	3	4	5
11	7	8	9	10	11	12
12	14	15	16	17	18	19
13	21	22	23	24	25	26
14	28	29	30	31		

April						
Wk	Su	Mo	Tu	We	Th	Fr
14	28	29	30	31	1	2
15	4	5	6	7	8	9
16	11	12	13	14	15	16
17	18	19	20	21	22	23
18	25	26	27	28	29	30

May						
Wk	Su	Mo	Tu	We	Th	Fr
18	23	24	25	26	27	28
19	2	3	4	5	6	7
20	9	10	11	12	13	14
21	16	17	18	19	20	21
22	23	24	25	26	27	28
23	30	31				

June						
Wk	Su	Mo	Tu	We	Th	Fr
23	30	31	1	2	3	4
24	6	7	8	9	10	11
25	13	14	15	16	17	18
26	20	21	22	23	24	25
27	27	28	29	30		

July						
Wk	Su	Mo	Tu	We	Th	Fr
27	27	28	29	30	1	2
28	4	5	6	7	8	9
29	11	12	13	14	15	16
30	18	19	20	21	22	23
31	25	26	27	28	29	30

August						
Wk	Su	Mo	Tu	We	Th	Fr
32	1	2	3	4	5	6
33	8	9	10	11	12	13
34	15	16	17	18	19	20
35	22	23	24	25	26	27
36	29	30	31			

September						
Wk	Su	Mo	Tu	We	Th	Fr
36	28	30	31	1	2	3
37	5	6	7	8	9	10
38	12	13	14	15	16	17
39	19	20	21	22	23	24
40	26	27	28	29	30	

October						
Wk	Su	Mo	Tu	We	Th	Fr
40	26	27	28	29	30	1
41	3	4	5	6	7	8
42	10	11	12	13	14	15
43	17	18	19	20	21	22
44	24	25	26	27	28	29
45	31					

November						
Wk	Su	Mo	Tu	We	Th	Fr
45	31	1	2	3	4	5
46	7	8	9	10	11	12
47	14	15	16	17	18	19
48	21	22	23	24	25	26
49	28	29	30			

December						
Wk	Su	Mo	Tu	We	Th	Fr
49	28	29	30	1	2	3
50	5	6	7	8	9	10
51	12	13	14	15	16	17
52	19	20	21	22	23	24
1	26	27	28	29	30	31

Number of weeks in year

w-2 employee – weekly

Borrower's pay date. This is the date to use for the number of weeks borrower has been paid through.

Based on the period start and end dates, borrower is paid on a weekly basis.

Period Start Date	10-18-2021	Check Date	10-29-2021
Period End Date	10-24-2021	Check Number	

Earnings - Current & Year To Date

Date	Pay Description	Pay Rate	Hrs/Units	Pay Amount	YTD Amount
10-24-2021	REGULAR PAY	26.0000	40.00	1040.00	32789.17
10-24-2021	OVERTIME	39.0000	0.35	13.65	543.54
-	REIM EXPENSE	-	-	-	35.00

Types of pay borrower is receiving. Reimbursement expense will be deducted from total gross income.

Year to date income for borrower.

TOTAL	40.35	1,053.65	\$33,367.71
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2021 Calendar www.calendar.best

Month	Weeks
January	4
February	4
March	4
April	4
May	4
June	4
July	4
August	4
September	4
October	4
November	4
December	4

The income calculation for this borrower would be as follows: borrower paid on a weekly basis through 10/29/21 would be 44 weeks (could be an odd or even number since borrower is paid weekly). Take the YTD income - \$33,332.71 (deducting the \$35.00 reimbursement expense) - and divide by 44 weeks. Multiply by 52 weeks per year, then divide by 12 months to get \$3,282.77/month.

44 weeks of pay determined by pay date on check.

w-2 employee – bi-weekly

Based on the period start and end dates, borrower is paid on a bi-weekly basis.

Borrower's pay date. This is the date to use for the number of weeks borrower has been paid through.

Name	Company	Employee ID	Pay Period Begin	Pay Period End	Check Date	Check Number
			10/11/2021	10/24/2021	10/29/2021	

	Gross Pay	Earnings or Deductions	Employee Taxes	Deductions	Net Pay
Current	2,724.36	136.22	452.21	0.00	2,135.93
YTD	62,624.89	1,814.02	10,890.90	0.00	49,919.97

Earnings						Employee Taxes		
Description	Dates	Hours	Rate	Amount	YTD	Description	Amount	YTD
Bonus - Safety			0		900.00	OASDI	168.97	3,883.73
ER Wages			0		1,840.00	Medicare	39.51	908.29
Holiday Pay			0		879.68	Federal Withholding	139.73	3,633.88
Overtime	10/11/2021 - 10/24/2021	25.63333	34.5	884.36	21,914.90	State Tax - CO	104.00	2,465.00
PTO			0		2,046.72			
Regular	10/11/2021 - 10/24/2021	80	23	1,840.00	35,043.59			
Earnings				2,724.36	62,624.89	Employee Taxes	452.21	10,890.90

Year to date income for borrower.

Types of pay borrower is receiving. See other income for bonus information.

2021 Calendar www.calendar.best

The income calculation for this borrower would be as follows: borrower paid on a weekly basis through 10/29/21 would be 44 weeks (if this were an odd number, i.e. 43, then you would add 1 to make it an even week number since borrower is paid bi-weekly). Take the YTD income - \$62,624.89 - and divide by 44 weeks. Multiply by 52 weeks per year, then divide by 12 months to get \$6,167.60/month.

44 weeks of pay determined by pay date on check.

w-2 employee – semi-monthly

Based on the period start and end dates, borrower is paid on a semi-monthly basis.

Borrower's pay date. This is the date to use for the number of pay periods through which borrower has been paid.

Employee ID
Location
Salary **\$1,703.44**

Fed Taxable Income **1,465.97**
Fed Filing Status
State Filing Status

Check Date **October 15, 2021**
Period Beginning **October 1, 2021**
Period Ending **October 15, 2021**

Earnings Statement
Voucher Number
Net Pay **1,272.50**
Total Hours Worked **0.00**

Earnings	Rate	Hours	Amount	YTD
BONUS				1,000.00
Employer C		0.00	237.45	4,036.65
Employer C		0.00	16.41	278.97
Employer L		0.00	13.90	236.30
ER PCOPS	8.51	0.00	144.96	2,639.14
ER PERA	8.81	0.00	150.07	2,700.59
REGULAR	24.81	0.00	1,703.44	29,653.56
Stipend				1,000.00
Gross Earnings		0.00	1,703.44	31,653.56

Deductions	Amount	YTD
DENTAL INS	6.21	105.57
HSA Employee	8.33	158.27
Medical Ins Pre Tax	40.00	680.00
PERA NEW 2019	178.86	3,122.98
VISION	4.07	69.19
Deductions	237.47	4,136.01
Direct Deposits	Type Account	Amount
		1,272.50
Total Direct Deposits		1,272.50

Types of pay borrower is receiving.

Year to date income for borrower.

The income calculation for this borrower would be as follows: borrower paid on a semi-monthly basis through 10/15/21 would be 19 pay periods. Take the YTD income - \$31,825.44 - and divide by 19 pay periods. Multiply by 24 pay periods per year, then divide by 12 months to get \$3,331.95/month.

w-2 employee – monthly

Based on the pay date, borrower is paid on a monthly basis.

Pay Group:
 Pay Begin Date: 10/16/2021
 Pay End Date: 11/15/2021

Business Unit:
 Advice #:
 Advice Date: 11/30/2021

				TAX DATA:		Federal	CO State	
Employee ID:				Marital Status:				
Department:				Allowances:				
Location:				Addl. Percent:				
Job Title:				Addl. Amount:				
Pay Rate:	\$73,851.00 Annual							
HOURS AND EARNINGS						TAXES		
Description	Rate	Current Hours	Current Earnings	YTD Hours	YTD Earnings	Description	Current	YTD
Regular Earnings-monthly			6,154.25	1,912.00	63,085.39	Fed Withholding	845.54	7,784.96
Licensed in Lieu of Sub			30.00		240.00	Fed MED/EE	99.49	980.66
Licensed Educators 1 Time Comp			738.51		1,742.52	CO Withholding	264.00	2,594.00
Sick Leave		8.00	0.00	28.00	0.00			
PERA pre-tax reduction			102.43		811.03			
Reg Earnings-hourly	26.000000	1.50	39.00	143.50	3,731.00			
Curriculum Leave			0.00	8.00	0.00			
Miscellaneous Leave			0.00	8.00	0.00			
Game Worker			0.00		125.00			
TOTAL:		9.50	6,961.76	2,099.50	68,923.91	TOTAL:	1,209.03	11,359.62

Types of pay borrower is receiving.

Year to date income for borrower.

The income calculation for this borrower would be as follows: borrower paid on a monthly basis through 11/30/21 would be 11 months. Take the YTD income - \$68,923.91 - and divide by 11 months to get \$6,265.81/month.

self-employed borrowers

- To calculate self employed income, use the following
 - Net income from last year's Federal Tax Returns
 - Add back any depreciation (if applicable)
 - Any previous year's mileage, if applicable
 - Net income from year-to-date Profit and Loss statement adding back depreciation and/or milage
 - Add the income from previous year's Federal Tax Returns plus the year-to-date Profit and Loss statement and divide by the number of months through the date of the Profit and Loss statement
 - If in the first quarter of the year, obtain a Profit and Loss statement for the previous year and use the most current tax return filing (i.e., in 2023 use P&L for 2022 and returns for 2021)

self employed borrowers (continued)

Part I Income			
1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked	▶ <input type="checkbox"/>	1 91,000
2	Returns and allowances		2
3	Subtract line 2 from line 1		3 91,000
4	Cost of goods sold (from line 42)		4 5,096
5	Gross profit. Subtract line 4 from line 3		5 85,904
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)		6
7	Gross income. Add lines 5 and 6	▶	7 85,904

Part II Expenses. Enter expenses for business use of your home only on line 30.			
8	Advertising	8	
9	Car and truck expenses (see instructions)	9	14,366
10	Commissions and fees	10	
11	Contract labor (see instructions)	11	
12	Depletion	12	
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	
14	Employee benefit programs (other than on line 19)	14	
15	Insurance (other than health)	15	
16	Interest: (see instructions):		
a	Mortgage (paid to banks, etc.)	16a	
b	Other	16b	
17	Legal and professional services	17	
18	Office expense (see instructions)	18	
19	Pension and profit-sharing plans	19	
20	Rent or lease (see instructions):		
a	Vehicles, machinery, and equipment	20a	
b	Other business property	20b	
21	Repairs and maintenance	21	1,088
22	Supplies (not included in Part III)	22	
23	Taxes and licenses	23	
24	Travel and meals:		
a	Travel	24a	
b	Deductible meals (see instructions)	24b	
25	Utilities	25	
26	Wages (less employment credits)	26	
27a	Other expenses (from line 48)	27a	1,449
b	Reserved for future use	27b	
28	Total expenses before expenses for business use of home. Add lines 8 through 27a	▶ 28	16,903
29	Tentative profit or (loss). Subtract line 28 from line 7	29	69,001
30	Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829		

self employed borrowers (continued)

Profit and Loss
01/01/21 - 11/30/21

GROSS INCOME= \$86,995.00

Total income= \$ 86,995.00

Expenses

- Supplies \$ 829.00
- Car and Trucking expenses \$ 12,049
- Cell \$1,246.00
- Rent or Leases \$598.00
- Legal and Professional \$800.00

Net income
for the P&L
would be
\$71,503.00.

Total expenses= \$ 15,492.00

Total, income= \$71,503.00

The income calculation for this borrower would be: Net income from Income section of Tax Returns - \$85,904.00 + net income from P&L \$71,503.00 divided by 23 months (2020 tax returns = 12 months + 11 months on P&L) = \$6,843.78/month.

other income

- Child support and or alimony/maintenance
 - Child support - include separation/child support orders and/or Family Registry pay schedule
 - If there are no orders available for child support, then a letter of explanation must be in the file
 - Alimony/maintenance – include separation documents or divorce decree to show amount received
- Bonuses
 - If borrowers receive a documented one time bonus, or annual bonus, for the year, then it can be annualized over 12 months
 - Must be verified in writing by employer that it is only an annual bonus
 - If borrowers receive a bonus on a monthly or quarterly basis, bonus must be averaged over the amount of pay periods through which they have been received and projected forward

other income (continued)

- Social Security income must be included even though it can be considered non-taxable
 - If gross up amount is used for qualifying, that amount must be used for CHFA's income calculation
- Pensions
 - Use amount from previous year federal tax returns or current pension statement
- Overtime
 - Must be included in the gross annual income calculation, regardless of frequency
 - Use year to date amount from paystubs
- Tips
 - Average year-to-date amount from paystub and previous year received
- Commissions
 - Can average year-to-date amount from paystub and previous year received
- Any support provided to a parent/guardian on behalf of a minor child

chfa gross annual income calculation example

- Family of five is purchasing a home in Adams County using the CHFA SmartStep Plus program. Family consists of spouses which both have full time employment, an 18 year old dependent who is a full time student and working part-time, 12 year old dependent, and dependent who is disabled and receiving social security income.
- Spouse #1 is the only borrower on the loan. Their yearly salary is \$120,000.
 - Paystub includes \$10,000 in overtime, but does not have a two year history
 - Lender does not use the overtime in the borrower qualifying income calculation due to the lack of a two year history of overtime receipt, however CHFA is required to use this income for the gross annual income calculation example
- Spouse #2's income is \$50,000/year – not on the loan but income must be utilized for the gross annual income calculation – will need 30 days of current paystubs and VOE showing start date of employment
- 18 year old dependent's income is \$10,000/year – not on the loan so income is not included
- Disabled dependent's income is \$21,600/year – not on the loan so income is not included

chfa gross annual income calculation example - continued

- Total income for year for husband and wife would be \$170,000
- Income limit for the FirstStep Plus program in Adams County, non-targeted area with 5 occupants in the property
 - \$135,470
- Family would not be able to utilize this program as they are over the income limit. See the requirements for gross annual income used for income calculation purposes.

income documentation

- All income documentation required by CHFA for calculating gross annual income per the checklist specific to the program
 - CHFA Form 750, FirstStep Program Compliance Review Submission Checklist
- CHFA will require most current year of tax returns or tax transcripts, as well as any additional years required by the automated underwriting findings

contact information

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thank you

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