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 SmartStep^{sm} and SmartStep Plus^{sm}

    - CHFA Preferred^{sm}, Preferred Plus^{sm}, CHFA Preferred Very Low Income Program (VLIP)^{sm}, and CHFA Preferred Very Low Income (VLIP) Program Plus^{sm}

    - CHFA SectionEight^{sm} 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 SmartStep[sm] and CHFA SectionEight[sm] Homeownership programs
  - Statewide income limit
    - Regardless of county, household size, or targeted or non-targeted area
- CHFA Preferred[sm] and CHFA Preferred Plus[sm]
  - 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 Program[sm] (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

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chfa borrower qualifying income calculation example

- Family of four is purchasing a home in Adams County using the CHFA SmartStep Plus program. Family consists two adults; adult "A" who has full time employment, and adult "B" who has full time employment, 18 year old dependent who is a full time student and working part-time and, 12 year old dependent who is a full time student and has no income.

- Adult "A" is the only borrower on the loan with an annual salary of $120,000.

  - Borrower has overtime of $10,000 on their 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

  - Adult "B's" income is $50,000/year – not on the loan so income is not used in calculation

  - 18 year old'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 – loans locked prior to 6/26/2023

  - $160,300 – loans locked on or after 6/26/2023

- 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.

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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 FirstStep^{sm} and FirstStep Plus^{sm}
  - CHFA HomeAccess^{sm} and HomeAccess Plus^{sm}
- All other CHFA programs utilize the borrower qualifying income calculation determined by the Lender for borrower eligibility

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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

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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

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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

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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 (12pay periods), use the number of months through which borrower has been paid

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sample calendar

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
Period End Date	10-24-2021	Check Number

10-29-2021

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

2021 Calendar   www.calendar.best

Income calculation for this borrower: borrower paid on a weekly basis through 10/29/21 would be 44 weeks

$33,332.71 YTD income (deducting the $35.00 reimbursement expense) divide by 44 weeks = $757.56/week.

$757.56 X 52 weeks per year = $39,393.12/annual income.

Divide by 12 months = $3,282.76/month.

44 weeks of pay determined by pay date on check.

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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.

Year to date income for borrower.

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

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

Earnings

Description	Dates	Hours	Rate	Amount	YTD
Bonus - Safety			0		900.00
ER Wages			0		1,840.00
Holiday Pay			0		879.68
Overtime	10/11/2021 - 10/24/2021	25.63333	34.5	884.36	21,914.90
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

Description	Amount	YTD
OASDI	168.97	3,883.73
Medicare	39.51	908.29
Federal Withholding	139.73	3,633.88
State Tax - CO	104.00	2,465.00
Employee Taxes	452.21	10,890.90

2021 Calendar

The income calculation for this borrower: borrower paid on a bi-weekly basis through 10/29/21 would be 22 pay periods

$62,624.89 YTD income divided by 22 pay periods = $2,846.59/pay period

Multiply by 26 pay periods per year = $74,011.23/annual income

Divide by 12 months = $6,167.60/month

22 pay periods of pay determined by pay date on check.

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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.

Earnings Statement

Employee ID			Fed Taxable Income	1,465.97	Check Date	October 15, 2021	Voucher Number	
Location			Fed Filing Status	S	Period Beginning	October 1, 2021	Net Pay	1,272.50
Salary		$1,703.44	State Filing Status	S	Period Ending	October 15, 2021	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: borrower paid on a semi-monthly basis through 10/15/21 would be 19 pay periods.
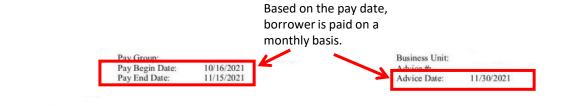
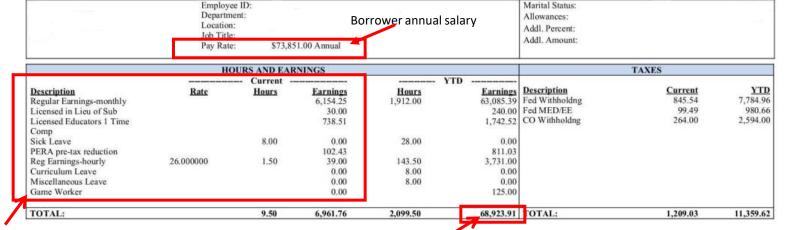**$31,653.56 YTD income divided by 19 pay periods = $1,665.98/per pay period**

Multiply by 24 pay periods per year = $39,983.52/annual income

Divide by 12 months = $3,331.96/month.

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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

Borrower annual salary

					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 Withholdng	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 Withholdng	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: borrower paid on a monthly basis through 11/30/21 would be 11 months.

$68,923.91 YTD income divide by 11 months = 6,265.81/month.

Multiply by 12 pay periods per year = $75,189.72/annual income

Borrower's annual salary on paystub is $73,851.00, the gross annual income calculation would be utilized as it exceeds the annual salary.

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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)

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self employed borrowers (continued)

Using Schedule C from tax returns or transcripts

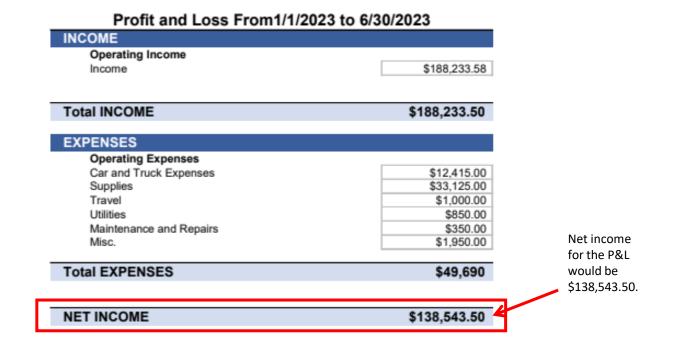| Part I	Income		
1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked ☐	1	208,286
2	Returns and allowances	2	0
3	Subtract line 2 from line 1	3	208,286
4	Cost of goods sold (from line 42)	4	
5	Gross profit. Subtract line 4 from line 3	5	208,286
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	208,286

Part II	Expenses. Enter expenses for business use of your home only on line 30.

8	Advertising	8		18	Office expense (see instructions)	18	275
9	Car and truck expenses (see instructions)	9	24,830	19	Pension and profit-sharing plans	19	
10	Commissions and fees	10		20	Rent or lease (see instructions):		
11	Contract labor (see instructions)	11		a	Vehicles, machinery, and equipment	20a	
12	Depletion	12		b	Other business property	20b	2,100
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13		21	Repairs and maintenance	21	750
				22	Supplies (not included in Part III)	22	66,250
				23	Taxes and licenses	23	
14	Employee benefit programs (other than on line 19)	14		24	Travel and meals:		
15	Insurance (other than health)	15		a	Travel	24a	2,255
16	Interest (see instructions):			b	Deductible meals (see instructions)	24b	
a	Mortgage (paid to banks, etc.)	16a		25	Utilities	25	1,700
b	Other	16b		26	Wages (less employment credits)	26	
17	Legal and professional services	17	245	27a	Other expenses (from line 48)	27a	1,500
				b	Reserved for future use	27b	

28	Total expenses before expenses for business use of home. Add lines 8 through 27a	28	99,905
29	Tentative profit or (loss). Subtract line 28 from line 7	29	108,381
30	Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions. Simplified method filers only: Enter the total square footage of (a) your home: _____ and (b) the part of your home used for business: _____. Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30	30	
31	Net profit or (loss). Subtract line 30 from line 29. • If a profit, enter on both Schedule 1 (Form 1040), line 3, and on Schedule SE, line 2. (If you checked the box on line 1, see instructions.) Estates and trusts, enter on Form 1041, line 3. • If a loss, you must go to line 32.	31	108,381
32	If you have a loss, check the box that describes your investment in this activity. See instructions. • If you checked 32a, enter the loss on both Schedule 1 (Form 1040), line 3, and on Schedule SE, line 2. (If you checked the box on line 1, see the line 31 instructions). Estates and trusts, enter on Form 1041, line 3. • If you checked 32b, you must attach Form 6198. Your loss may be limited.	32a ☐ All investment is at risk. 32b ☐ Some investment is not at risk.	

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self employed borrowers (continued)

Profit and Loss From 1/1/2023 to 6/30/2023

INCOME	
Operating Income	
Income	$188,233.58
Total INCOME	**$188,233.50**

EXPENSES	
Operating Expenses	
Car and Truck Expenses	$12,415.00
Supplies	$33,125.00
Travel	$1,000.00
Utilities	$850.00
Maintenance and Repairs	$350.00
Misc.	$1,950.00
Total EXPENSES	**$49,690**

NET INCOME	**$138,543.50**

Net income for the P&L would be $138,543.50.

The income calculation for this borrower:

**Net income from Schedule C of Tax Returns - $108,381.00
+$138,543.50 net income from P&L
= $246,924.50**

Divided by 18 months (2022) tax returns = 12 months + 6 months on P&L) = $13,718.03/month.

$13,718.03 X 12 months = $164,616.36/annual income

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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

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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

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chfa gross annual income calculation example

- Family of five is purchasing a home in Adams County using the CHFA FirstStep Plus program. Family consists of Adult "A" and Adult "B" 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 an adult dependent who is receiving social security income.

- Adult "A" 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

  - Adult "B'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

  - Adult dependent's social security income is $21,600/year – not on the loan so income is not included

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chfa gross annual income calculation example - continued

- Total annual income for Adult "A" and Adult "B" would be $180,000

- Income limit for the FirstStep Plus program in Adams County, non-targeted area with 5 occupants in the property

  - $135,470 for loans locked prior to 6/26/2023

  - $144,320 for loans locked on or after 6/26/2023

- 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.

- REMINDER – this calculation is NOT a "Gross Household" income calculation, it is a "Gross Annual Income Calculation". Please see slide 11 for definition

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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

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contact us for information

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thank you!