

# calculating household income for chfa loans

chfa home finance



*financing the places where  
people live and work*

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# income calculations

- This income calculation training is applicable to the following programs:
  - CHFA HomeAccess<sup>sm</sup> and HomeAccess Plus<sup>sm</sup>
  - CHFA SectionEight<sup>sm</sup> for Homeownership
  - CHFA Mortgage Credit Certificate<sup>sm</sup> programs
- All other CHFA programs accept the qualifying income utilized by determining borrower eligibility for the mortgage loan type, and which complies with applicable insurer/guarantor or Fannie Mae guidelines

# calculation differences

## ■ CHFA

- All household income for all occupants of the property 18 and older
  - All household income sources, no matter the length of time received by occupant of property
  - Household occupant = anyone living in the home 50% or more of the time, including children, other family members, etc.

## ■ Lender

- Credit qualifying income
  - May not have to include income if there is not a “history” of the borrower receiving that income

# sources of household income

- All household income must be included for all occupants of the property 18 and older
- Sources of household income can include
  - Child support
  - Maintenance
  - Overtime
  - Tips
  - Bonuses
  - Commissions
  - Non-taxable income
- See the income section (Chapter 5, Section 501) in the CHFA Seller's Guide for all sources of income

# household income calculations

- CHFA will verify start date of employment using a Verification of Employment from lender
- Household income types
  - W-2 Employees - including overtime
    - 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 or bi-weekly pay basis, use the number of weeks through which borrower has been paid
    - Link to calendar that has numbered weeks:  
<http://www.calendar-365.com/2016-calendar.html>
    - See next slide for an example
  - Semi-monthly pay basis, use the number of pay periods through which borrower has been paid (there are 24 pay periods in a year)
  - Monthly pay basis, use the number of months through which borrower has been paid

# sample calendar

Number of weeks in year



January 2016							
	Su	Mo	Tu	We	Th	Fr	Sa
1						1	2
2	3	4	5	6	7	8	9
3	10	11	12	13	14	15	16
4	17	18	19	20	21	22	23
5	24	25	26	27	28	29	30
6	31						

February 2016							
No.	Su	Mo	Tu	We	Th	Fr	Sa
6		1	2	3	4	5	6
7	7	8	9	10	11	12	13
8	14	15	16	17	18	19	20
9	21	22	23	24	25	26	27
10	28	29					

March 2016							
No.	Su	Mo	Tu	We	Th	Fr	Sa
10			1	2	3	4	5
11	6	7	8	9	10	11	12
12	13	14	15	16	17	18	19
13	20	21	22	23	24	25	26
14	27	28	29	30	31		

April 2016							
No.	Su	Mo	Tu	We	Th	Fr	Sa
14						1	2
15	3	4	5	6	7	8	9
16	10	11	12	13	14	15	16
17	17	18	19	20	21	22	23
18	24	25	26	27	28	29	30

May 2016							
No.	Su	Mo	Tu	We	Th	Fr	Sa
19	1	2	3	4	5	6	7
20	8	9	10	11	12	13	14
21	15	16	17	18	19	20	21
22	22	23	24	25	26	27	28
23	29	30	31				

June 2016							
No.	Su	Mo	Tu	We	Th	Fr	Sa
23				1	2	3	4
24	5	6	7	8	9	10	11
25	12	13	14	15	16	17	18
26	19	20	21	22	23	24	25
27	26	27	28	29	30		

July 2016							
No.	Su	Mo	Tu	We	Th	Fr	Sa
27						1	2
28	3	4	5	6	7	8	9
29	10	11	12	13	14	15	16
30	17	18	19	20	21	22	23
31	24	25	26	27	28	29	30
32	31						

August 2016							
No.	Su	Mo	Tu	We	Th	Fr	Sa
32		1	2	3	4	5	6
33	7	8	9	10	11	12	13
34	14	15	16	17	18	19	20
35	21	22	23	24	25	26	27
36	28	29	30	31			

September 2016							
No.	Su	Mo	Tu	We	Th	Fr	Sa
36					1	2	3
37	4	5	6	7	8	9	10
38	11	12	13	14	15	16	17
39	18	19	20	21	22	23	24
40	25	26	27	28	29	30	

October 2016							
No.	Su	Mo	Tu	We	Th	Fr	Sa
40							1
41	2	3	4	5	6	7	8
42	9	10	11	12	13	14	15
43	16	17	18	19	20	21	22
44	23	24	25	26	27	28	29
45	30	31					

November 2016							
No.	Su	Mo	Tu	We	Th	Fr	Sa
45			1	2	3	4	5
46	6	7	8	9	10	11	12
47	13	14	15	16	17	18	19
48	20	21	22	23	24	25	26
49	27	28	29	30			

December 2016							
No.	Su	Mo	Tu	We	Th	Fr	Sa
49					1	2	3
50	4	5	6	7	8	9	10
51	11	12	13	14	15	16	17
52	18	19	20	21	22	23	24
53	25	26	27	28	29	30	31





# w-2 employee – bi-weekly

Pay Statement						
Period Start Date		08/31/2015				
Period End Date		09/13/2015				
Pay Date		09/18/2015				
Document						
Net Pay		\$840.80				
Pay Details						
Employee Number	ARCH BIWEEKLY		Federal Income Tax			
SSN			CO State Income Tax (Residence)			
Job			CO State Income Tax (Work)			
Pay Rate	\$13.50	Regional Branch				
Pay Frequency	Biweekly	Cost Center Grouping				
Earnings				Deductions		
Pay Type	Hours	Pay Rate	Current	YTD	Employee	
BONUS	0.0000		\$0.00	\$1,045.38	Deduction	Pre-Tax
HOLIDAY	8.0000		\$108.00	\$724.00	Basic Life	No
OVERTIME	0.7000		\$14.18	\$3,772.85	Long Term	No
REGULAR	73.0000		\$985.50	\$19,105.20	Short Term	No
Vacation	0.0000		\$0.00	\$300.00		
Total Hours				81.7000		
Taxes				Current	YTD	
				EE Withholding	\$0.00	\$18.00
				CO State Income Tax	\$47.00	\$1,078.00
				Employee Medicare	\$16.06	\$361.74
				Federal Income Tax	\$135.14	\$3,277.58
				Social Security Employee Tax	\$68.68	\$1,546.74
Paid Time Off			Net Pay Distribution			
Plan	Current	Balance	Account Number	Account Type	Amount	
Pers	0.0000	8.0000		Checking	\$840.80	
Vac	3.0769	50.4614	Total		\$840.80	
Pay Summary						
Pay Type	Gross	FIT Taxable Wages	Taxes	Deductions	Net Pay	
Current	\$1,107.68	\$1,107.68	\$266.88	\$0.00	\$840.80	
YTD	\$24,947.43	\$24,947.43	\$6,282.06	\$0.00	\$18,665.37	

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

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

The income calculation for this borrower would be as follows: borrower paid on a bi-weekly basis through 9/18/15 would be 38 weeks (if this were an odd number, i.e. 37, then you would add 1 to make it an even week number since borrower is paid bi-weekly). Take the YTD income - \$24,947.43 - and divide by 38 weeks. Multiply by 52 weeks per year, then divide by 12 months to get \$2,844.88/month.

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

Year to date income for borrower.



# w-2 employee – weekly

**11885**

Employee	SSN	Status (Fed/State)	Allowances/Extra	
		Single/Single	Fed-31/CO-170	
		Pay Period: 10/06/2015 - 10/14/2015	Pay Date: 10/16/2015	
Earnings and Hours				
	Qty	Rate	Current	YTD Amount
Hourly Rate	40:00	17.50	700.00	23,045.33
Overtime Hourly Rate (1.5)	15:13	26.25	399.44	8,229.14
Bonus (one-time cash award)			0.00	300.00
Holiday			0.00	380.88
Piecework-Finishing			0.00	3,479.00
Overtime Hourly Rate (double)			0.00	85.17
	55:13		1,099.44	35,499.52
Taxes				
			Current	YTD Amount
Medicare Employee Addl Tax			0.00	
Federal Withholding			-125.00	-3,538.00
Social Security Employee			-68.17	-2,200.97
Medicare Employee			-15.94	-514.74
CO - Withholding			-45.00	-1,420.00
			-254.11	-7,673.71
Adjustments to Net Pay				
			Current	YTD Amount
Gas Reimbursement			15.00	15.00
Net Pay			860.33	27,840.81

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

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

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

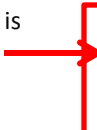
Year to date income for borrower.

The income calculation for this borrower would be as follows: borrower paid on a weekly basis through 10/16/15 would be 42 weeks (could be an odd or even number since borrower is paid weekly). Take the YTD income - \$35,499.52 - and divide by 42 weeks. Multiply by 52 weeks per year, then divide by 12 months to get \$3,662.65/month.

# w-2 employee – semi-monthly

Pay Statement							
Period Start Date		10/01/2015					
Period End Date		10/15/2015					
Pay Date		10/15/2015					
Document							
Net Pay		\$1,266.70					
Pay Details							
Employee Number		Pay Group		Federal Income Tax \$0			
SSN		Location		CO State Income Tax (Residence) \$0			
Job		Group		CO State Income Tax (Work) \$0			
Pay Rate \$21.63		Department					
Pay Frequency Semi-Monthly		Sub-dept					
Earnings				Deductions			
Pay Type	Hours	Pay Rate	Current	YTD	Employee		
Overtime Flat	0.0000		\$48.08	\$867.16	Deduction	Current	YTD
Regular Pay	86.6700		\$1,875.00	\$30,666.61	401K	\$76.92	\$1,273.02
Retroactive Pay	0.0000		\$0.00	\$291.67	CTL - Life	\$0.00	\$0.00
					LTD	\$0.00	\$0.00
					Mini Option 1	\$126.99	\$2,412.81
					PPO	\$12.54	\$238.26
					Vision	\$1.55	\$29.45
<b>Total Hours</b>	<b>86.6700</b>				Taxes		
					Taxes	Current	YTD
					CO State Income Tax	\$75.00	\$1,205.00
					Employee Medicare	\$25.84	\$422.60
					Federal Income Tax	\$227.05	\$3,582.55
					Social Security Employee Tax	\$110.49	\$1,806.99
Paid Time Off			Net Pay Distribution				
Plan	Current	Balance	Account Number	Account Type	Amount		
No records found						\$1,266.70	
			Total			\$1,266.70	
Pay Summary							
		Gross	FIT Taxable Wages	Taxes	Deductions	Net Pay	
Current		\$1,923.08	\$1,705.08	\$438.38	\$218.00	\$1,266.70	
YTD		\$31,825.44	\$27,871.90	\$7,017.14	\$3,953.54	\$20,854.76	

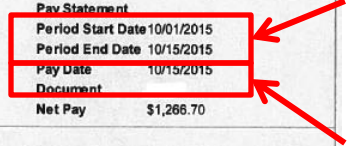
Types of pay borrower is receiving.



Year to date income for borrower.



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.

The income calculation for this borrower would be as follows: borrower paid on a semi-monthly basis through 10/15/15 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 \$3,350.05/month.



# w-2 employee – monthly

<b>Employee Name:</b>		<b>Status:</b>		<b>Net Pay:</b> \$2,888.03	
<b>Employee Number:</b>		<b>Exemptions:</b>		<b>Advice Number:</b> 355847	
				<b>Advice Date:</b> 08/20/2015	
EARNINGS					
DESCRIPTION	HOURS	RATE	CURRENT	YEAR TO DATE	
Regular Pay			3,994.67	31,304.62	
Benefit Cafeteria Dollars			231.18	1,849.44	
Longevity Pay				1,000.00	
Reportable Life Insurance			1.50	12.00	
<b>TOTALS</b>			<b>4,227.35</b>	<b>34,166.06</b>	
EMPLOYER PAID BENEFITS					
DESCRIPTION			CURRENT	YEAR TO DATE	
Medical Premium Supplement			169.24	1,353.92	
PERA Employer Benefit			703.18	5,710.74	
Group Basic Life & AD&D			3.00	24.00	
Long Term Disability Insurance			6.35	49.78	
Medicare Employer Benefit			55.59	451.43	
<b>TOTALS</b>			<b>937.36</b>	<b>7,589.87</b>	
CURRENT LEAVE CATEGORY					
TYPE	ACCRUAL	USAGE	BALANCE		
LEAVE	0.00	24.00	157.00		

Types of pay borrower is receiving.

Year to date income for borrower.

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

The income calculation for this borrower would be as follows: borrower paid on a monthly basis through 8/20/15 would be 8 months. Take the YTD income - \$34,166.06 - and divide by 8 months to get \$4,270.76/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)
  - Net income from Year to Date Profit and Loss statement
  - 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 2016 use P&L for 2015 and returns for 2014)

# self employed borrowers (continued)

<b>Income</b>		Total number of exemptions claimed..... above 1	
7	Wages, salaries, tips, etc. Attach Form(s) W-2.....	7	
8a	Taxable interest. Attach Schedule B if required.....	8a	
	<b>b Tax-exempt interest. Do not include on line 8a.....</b>	8b	
9a	Ordinary dividends. Attach Schedule B if required.....	9a	
	<b>b Qualified dividends.....</b>	9b	
10	Taxable refunds, credits, or offsets of state and local income taxes.....	10	
11	Alimony received.....	11	
12	Business income or (loss). Attach Schedule C or C-EZ.....	12	4,604.
13	Capital gain or (loss). Att Sch D if reqd. If not reqd, ck here.....	13	
14	Other gains or (losses). Attach Form 4797.....	14	
15a	IRA distributions.....	15a	
	<b>b Taxable amount.....</b>	15b	
16a	Pensions and annuities.....	16a	
	<b>b Taxable amount.....</b>	16b	
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E.....	17	
18	Farm income or (loss). Attach Schedule F.....	18	
19	Unemployment compensation.....	19	
20a	Social security benefits.....	20a	
	<b>b Taxable amount.....</b>	20b	
21	Other income.....	21	
22	Combine the amounts in the far right column for lines 7 through 21. This is your <b>total income</b> .....	22	4,604.
23	Educator expenses.....	23	

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

If you did not get a W-2, see instructions.

<b>Part II Expenses.</b> Enter expenses for business use of your home <b>only</b> on line 30.			
8	Advertising.....	8	64.
9	Car and truck expenses (see instructions).....	9	5,040.
10	Commissions and fees.....	10	
11	Contract labor (see instructions).....	11	
12	Depreciation.....	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:		
	<b>a</b> Mortgage (paid to banks, etc).....	16a	
	<b>b</b> Other.....	16b	
17	Legal & professional services.....	17	130.
18	Office expense (see instructions).....	18	645.
19	Pension and profit-sharing plans.....	19	
20	Rent or lease (see instructions):		
	<b>a</b> Vehicles, machinery, and equipment.....	20a	
	<b>b</b> Other business property.....	20b	
21	Repairs and maintenance.....	21	
22	Supplies (not included in Part III).....	22	885.
23	Taxes and licenses.....	23	
24	Travel, meals, and entertainment:		
	<b>a</b> Travel.....	24a	
	<b>b</b> Deductible meals and entertainment (see instructions).....	24b	64.
25	Utilities.....	25	
26	Wages (less employment credits).....	26	
27a	Other expenses (from line 48).....	27a	1,523.
27b	<b>Reserved for future use</b> .....	27b	
28	<b>Total expenses</b> before expenses for business use of home. Add lines 8 through 27a.....	28	8,351.
29	Tentative profit or (loss). Subtract line 28 from line 7.....	29	5,648.



# self employed borrowers (continued)

## Profit and Loss Statement

For January 2015 Ending September 30th

	Current Period
<b>Profit</b>	
Quarter 1	4,948
Quarter 2	5,189
Quarter 3	6,597
Quarter 4	TBD
<b>Gross Profit</b>	16,734
<b>Expenses</b>	
Supplies	409
Travel	737
Other	
<b>Total Expenses</b>	1,146

Net income for the P&L would be \$15,588.

The income calculation for this borrower would be: Net income from Income section of Tax Returns - \$4,604.00 + net income from P&L \$15,588.00 divided by 21 months (2014 months of 12 plus 9 months on P&L) = \$961.52/month.

# other household 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 one time bonus for the year, then it can be annualized over 12 months
    - Must be documented 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 paid



# other household income (continued)

- Social Security income can be considered non-taxable
  - Allowable to gross up – grossed up amount must be used for CHFA household income calculation
- Pensions
  - Use amount from current year federal tax returns or current pension statement
- Overtime
  - Must be included in the gross monthly household income calculation, no matter the length of time borrower has received it
  - Use year to date amount from paystubs
- Tips
  - Can average year to date amount from paystub and previous year's amount from written verification of employment
- Commissions
  - Can average year to date amount from paystub and previous year's amount from written verification of employment
- Any support provided to a parent/guardian on behalf of a minor child

# contact information

Call us with questions:  
(888) 320-3688 Home Finance



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