



Calculation of Income Worksheet Instructions

I. Calculating Income for Owner-Occupied Projects

This worksheet must be completed for each owner-occupied Affordable Housing Program (AHP), Rural Homeownership Fund (RHF), Urban First Time Homebuyer Fund (UFT) and Native American Housing Initiative (NAHI) -assisted household. **The worksheet must be maintained for all assisted households and submitted to the Bank as requested with all sampling.**

The worksheet is required to calculate annual household gross income (prior to any deductions) in a standardized manner. Please use multiple sheets as needed.

All sources of income must be verified by a third party.

For wage and salary income verification, we recommend using a Verification of Employment (VOE) as the preferred documentation. If the employer will not provide a VOE; two months pay stubs, dated within three months of the date of the application, are acceptable. The Bank recommends that tax returns be used for verification of wage and salary income if other verification can not be obtained. If tax returns must be used as the primary method to verify earned income, the application can not be more than six months from the date of the return and W-2 forms must be included.

Acceptable documentation for other sources of income includes:

- Social Security Statement/letter
- Pension Statement/letter
- Alimony/child support – court records are the preferred documentation. (If not available, copies of cancelled checks, divorce decree or separation agreement can be used.)
- VA letter/distribution form
- Unemployment income (if seasonal) may be verified from tax statements or tax returns
- Other forms of verification may be accepted provided the information is provided and signed by third-party
- Tax returns should be used to verify self-employment income (including farm income, or income that can not be verified from other methods.

The Bank wishes to accommodate financial institutions that use low doc procedures for income verification. Please assure that all income is included and maximized and appropriate verification attached.

Please refer to the Income Determination Guidelines for Owner Occupied Projects in the AHP Implementation Plan, and to the Technical Guide for Determining Income and Allowances for the HOME Program (pages 20-22), both available on our website, for further information on income inclusions and exclusions.

II. Utilizing the Calculation of Income Worksheet

This worksheet can be completed in Excel or manually. If it is completed in Excel you should complete the yellow shaded boxes and the calculations in the white boxes will be done automatically. If you complete it manually, you will need to complete all the boxes and calculations by hand.

A. Payroll Frequency and Code

Determine how the wage earner is paid (hourly, weekly, etc). If it is hourly, enter the number of hours worked weekly in the “Hourly Payroll Factor Calculation Chart” to get the Hourly Payroll Factor. If the person is paid weekly, bi-weekly, etc., the Hourly Payroll Factor is provided. The Hourly Payroll Factor will then be entered in Section I with the appropriate code (H, W, BiW, etc.).

B. Section I: Calculation of Gross Annual Wage Income

There is space for two household members to be entered. Use additional sheets if there are more than two wage earners.

The preferred method to calculate income is entering the Gross Rate of Pay and multiplying it by the Payroll Factor for the Gross Wage Income. This method is best for those with regular and consistent wages.

There will be some wage earners with wages that vary from pay period to pay period. For these people it may be best to use their year-to-date (YTD) income divided by the number of months and multiplied by twelve. This method may not work well if the verification only has a few months of income to annualize. If you use this method, please remember that if someone has worked from January 1st to August 15th they have worked seven and one half months.

C. Section II: Calculation of Other Annual Income

In this section enter other income that the household receives. Please make notes to provide clarification where necessary. The amount of the income should be entered and then multiplied by the frequency it is received annually.

D. Qualification

The total household gross annual income will calculate or should be entered manually. This income will be checked against income guidelines including the Mortgage Revenue Bond (MRB), HUD, or NAHASDA income limit for the year that the income was earned. For instance, if the Worksheet is being completed in 2008, but the income was earned in 2007,

the 2007 income limit adjusted for family size should be entered. Please enter this information in the appropriate box. If calculated income exceeds the income guidelines for that household, the household would not be eligible for benefit.

Please also indicate the income guideline that was used to qualify the household in the box provided.

E. E. Signatures

For AHP funded projects, the Calculation of Income Worksheet must be signed by the person at the member or sponsor that completed or reviewed the income calculation. In addition, the homeowner/homebuyer must sign the worksheet, certifying that the income calculation is correct.

For RHF, UFT, and NAHI funded projects, the form does not need to be signed. The signatures on the Certification and Draw Request Form used in those programs are sufficient.

Please call the Community Investment Department at 1-800-544-3452 ext. 1173 with questions.