



Calculating Income Q and A's

How do I calculate base pay?

Base pay is the regular rate of pay multiplied by the number of pay periods per year. If a person is paid hourly multiply the pay rate times the hours worked per pay period. For a full time employee at 40 hours per week this will be 2080 hours per year. This should include the full amount before any payroll deductions including all taxes.

Is overtime included if not stated on the VOE but is on the pay stub?

Always use an average for overtime (unless employer and income history verifies OT was for one-time, special project, etc.), commissions, part-time income, bonuses, shift differentials, sick pay and holiday pay.

Does Bonus income count as annual income?

All bonus income should be included in the annual income. The exception to this would be if an employer was to offer a one time bonus for a special project then documentation from the employer will be required stating that the bonus in fact is a one time bonus and will not continue. If an employer pays an annual bonus once a year this needs to be included in the annual income.

Do we count a co-signer's income?

If a co-signer is not on title or mortgage and does not live in the household then we do not include their income. If the co-signer is on the note or mortgage or living in the household their income needs to be included.

Co-Borrower- If there are 2 or more people on the mortgage but not in the household do we include the income of the person not living in the home?

All income for all persons on the mortgage is counted even if they are not in the household.



How do I calculate income for self employed borrowers?

Use a two year average from the most recent completed federal income tax returns for income verification purposes. Deduct out of pocket business expenses such as office rent, telephone and general tax deductible items.

How do I calculate Commissions/tips/seasonal employment?

Commissions, tips and seasonal work is always averaged based on the prior year's figures. The most recent complete year tax return may be used for this purpose.

Is housing and car allowances counted?

Always include housing and car allowances as income minus expenses paid on tax returns. Tax returns will be required.

Is child support counted as income since this is not taxable?

Child support is counted. Documentation used for verification is a divorce decree, child support order from the court or documentation from child support services verifying the amount of child support received.

Is unemployment counted as income?

Include all sources of income including unemployment, public assistance, Worker's compensation, Disability, VA, Pensions and Social Security benefits. For verification purposes the benefit letter will be accepted.

How is military pay calculated?

Include all regular pay, special pay and allowances of a member of the Armed Forces. The exception to this is special pay to a family member serving in the Armed Forces who is exposed to hostile fire. One time pay is not included in the annual income.