



Calculation of Income Worksheet Instructions

I. Calculating Income for Owner-Occupied Projects

This worksheet must be completed for each assisted household in an owner-occupied unit in the Affordable Housing Program (AHP), the Rural Homeownership Fund (RHF), Urban First Time Homebuyer Fund (UFT) and Native American Housing Initiative (NAHI) programs. The worksheet is required to calculate annual household gross income per the Income Determination Guidelines for Owner-occupied Projects included in the Affordable Housing Program Implementation Plan. This calculation of income will be used to determine a household's eligibility for grant assistance.

The worksheet must be completed for all assisted households at the time of their application for assistance (i.e. enrollment) and submitted to the Bank as requested for project monitoring.

II. Application Information

Provide the Applicant's Name at the top of the worksheet. All adult household members residing in the property should be identified as applicants for purposes of Calculation of Income. On transactions that include home purchase non-resident co-signers or co-borrowers must also be included as applicants if the purchaser is a student or the co-signers or co-borrowers will also be titleholders to the property. If there is any question about who should be included as an applicant in determining income eligibility, contact the Community Investment Department at 1-800-544-3452 ext. 1173.

The Date of Application entered on the worksheet should be the date the household applied for assistance (i.e. the enrollment date). Income should be estimated from the enrollment date per the Income Determination Guidelines for Owner-occupied Projects.

Enter the household size (i.e. family size). This should include all adult household members and minor children in the household.

Enter the county or Metropolitan Statistical Area (MSA) in which the property that will be subject to the Retention Agreement/Deed Restriction is located. The income limit for this area at the time of enrollment should be determined by referencing the applicable income guidelines and limits on the FHLB Des Moines website. The income limit needs to be input at the bottom of the worksheet, as "Applicable Income Limit, Adjusted for Family Size". This should conform to the income targeting in the project (50%, 60%, or 80% of median income). The applicable guideline should also be shown. This might include MRB, HUD, or NAHASDA income guidelines.



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III. Income Verification

Income of each adult member of the household should be identified and included in the worksheet. Income must be verified in writing by a third party or from other acceptable documentation. Income can be calculated from current income and should include a projection of future income if there is an anticipated change in household income. **Under no circumstance should a household member self-certify income.**

There are two acceptable ways to document wage and salary income. This may be done using a Verification of Employment (VOE) form that is obtained from an employer. In lieu of a VOE two months' pay stubs dated within three months of the date of the application are acceptable. Use the most current pay stub to calculate year-to-date income.

All overtime, bonus, tips, and commission income that is included in the VOE or the pay stub must be included in the calculation of income, unless an employer verifies in writing that this income will not be continued and discontinuance is reflected in the income verification.

Tax returns should not be used for wage and salary income verification unless other verification cannot be obtained. If tax returns must be used to verify wage and salary income, enrollment cannot be more than six months from the date of the return and W-2 forms must also be included in documentation. When using tax returns with a W2 for wage income ensure you use the total of wages, tips, and other compensation, and not social security wages.

Tax returns should be used to verify self-employment income, farm income, rent, or income from investment activity. They may also be used as a check of income verification, to ensure that all sources of income have been disclosed and that calculation of income is reasonable and conforms to actual income.

Acceptable documentation for other sources of income includes:

- Social Security or Supplemental Social Security Statement/benefit letter-dated within the last 12 months
- Pension Statement/benefit letter
- VA benefit letter/distribution form-dated within the last 12 months
- TANF benefit letter/distribution form
- Child support/alimony – court records are the preferred documentation. If not available, copies of cancelled checks, divorce decree or separation agreement can be used.
- Unemployment income (if seasonal) may be verified from tax statements or tax returns
- Other forms of verification may be acceptable if provided by or signed by a third-party



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For further information on income inclusions and exclusions and acceptable verification refer to the [Income Determination Guidelines](#) and to the [Home Program Guide for Determining Income and Allowances](#).

IV. Utilizing the Calculation of Income Worksheet

This worksheet can be completed in Excel or manually. If the worksheet is completed in Excel you should complete the yellow shaded boxes where applicable. Calculations are performed automatically in the green shaded boxes. If you complete the worksheet manually, you will need to complete all the boxes and calculations by hand.

A. Payroll Frequency and Code

There are two ways the worksheet can be used to calculate wage and salary income. One way is to determine a person's wage rate and frequency of pay and use this information to calculate annual income. The worksheet provides tables referencing different payroll frequencies and provides a frequency code and a payroll factor to assist in calculation.

Examples:

- If a person is paid hourly, enter the number of hours worked weekly in the "Hourly Payroll Factor Calculation Chart" to get the Payroll Factor. In Section I of the form, enter the hourly wage rate as Gross Rate of Pay and the calculated Payroll Factor. The person's annual gross wage income will be automatically calculated. For example, Mr. Smith is paid hourly, earning \$10.00 per hour, and works 32 hours every week of the year. To calculate the Payroll Factor, enter 32 in the appropriate cell in the "Hourly Payroll Factor Calculation Chart". The payroll factor will be automatically calculated, as 1,664. In Section I, enter his \$10.00 per hour wage as Gross Rate of Pay, and the Payroll Factor of 1,664. Annual wage of \$16,640 will be automatically calculated. For informational purposes, enter the Payroll Frequency Code of "H" in the appropriate cell next to the Payroll Factor.
- Ms. Jones is paid a \$1,000 bi-weekly salary. To calculate her annual income, forgo using the "Hourly Payroll Factor Calculation Chart". In Section I enter the subject's \$1,000 bi-weekly salary as Gross Rate of Pay. Enter the bi-weekly Payroll Factor of 26 from the Payroll Factor table. Annual wage of \$26,000 will be calculated automatically. For informational purposes, enter the Payroll Frequency Code of "BiW" in the appropriate cell next to the Payroll Factor.

B. Section I: Calculation of Gross Annual Wage Income

There is space for two household members and/or sources of wage income to be entered. Use additional sheets if there are more than two wage earners in the household or wage earners are at more than two jobs.



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As related, there are two ways the worksheet can be used to calculate wage and salary income. The method referenced above using “Payroll Frequency Code” is best for those persons 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) gross income to calculate income. If using this method enter their YTD gross income and the number of months of employment that are represented in the appropriate cells. (Note: Number of months of employment is the number elapsed, not the number of the current month. For example, if someone has worked from January 1st to August 1st they have worked seven months, not eight months.) The worksheet will automatically calculate annual gross income by annualizing the YTD income.

When using YTD income from a pay stub remember to use gross income, not net income. Also, gross income should include vacation pay, sick pay, shift differential, and other compensation. The preparer could also include commission, overtime, or bonus income and forego separate calculation of this income in Section II of the worksheet. In those cases, please make note of that in Calculation Notes for commission, overtime, or bonus income in Section II.

C. Section II: Calculation of Other Annual Income

In this section enter other income that the household receives. To calculate annual income from these sources the amount of income periodically received could be entered and then multiplied by the frequency it is received to calculate annual income. Examples are offered below. These examples are not inclusive of all possible sources of other income. Please consult the Bank’s [Income Determination Guidelines](#).

- Commission/Overtime/Bonus Income: This could be included in calculation of wage income in Section I if YTD income was used to calculate wage income. If these sources were included as part of wage income in Section I, make note of that in Calculation Notes.

It is recommended that commission/overtime/bonus be calculated over the entire period verified. For example, a VOE form was obtained that verified Mr. Smith began his current employment in 2009, and is currently paid a Gross Rate of Pay of \$36,000. Gross Rate of Pay was used to calculate wage income in Section I. Mr. Smith was also paid overtime and bonus of \$12,000 in 2009, and \$4,150 in the first five months of 2010, as reported on the VOE. Total of overtime and bonus over the 17 month period was \$16,150, averaging \$950 a month ($\$16,150/17$). This monthly average of \$950 should be entered in Amount and multiplied by 12 for a total of \$11,400 annual overtime and bonus.



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- Seasonal Income, including Unemployment

A seasonal worker's unemployment benefits should be included in income calculation. The benefit could be averaged over the period reviewed and then annualized. For example, a landscaper who works seasonally was paid \$5,000 unemployment in 2009 and \$4,000 in 2010. A total of \$9,000 was paid over 24 months, an average of \$375 a month. This monthly average of \$375 should be entered in Amount and multiplied by 12 for a total of \$4,500 annual overtime and bonus.

- Social Security/Supplemental Security Income

A retiree's monthly social security benefit per their current year benefit letter is \$1,100 gross. The monthly benefit multiplied by 12 provides \$13,200 annual income.

A handicapped child in a household receives \$300 a month in supplemental social security. The monthly benefit multiplied by 12 provides \$3,600 annual income.

- Pension/Retirement Income

A retiree's pension statement shows that they received \$8,000 in pension benefit payments in 2010. This annual amount multiplied by 1 provides \$8,000 in annual income.

- Child Support/Alimony Income

Per a divorce decree the mother of two children is to receive \$500 a month in child support or \$6,000 annually. Documentation from the Clerk of Court's office reveals that she had not been receiving full support. Over the last year only \$3,000 has been received, an average of \$250 a month. Child support income is thus estimated to be only \$3,000 annually based on the actual amount received.

- Investment Income (Interest/Dividends, etc.)

Tax returns reveal a household has earned \$1,200 over the last two years from interest and dividend income. This amount divided by 2 years provides \$600 in annual income.

- Self-employment Income (Business, Farm, Rent)

An applicant has income from a business. Tax returns are obtained to verify income. Income on line 12 of the 1040 tax return (Schedule C) was \$10,000 in 2009, but there was a loss of \$1,000 on line 12 in 2010. The loss on operations should be regarded as \$0 income in calculating self-employment income. Income total over two years is thus \$10,000 plus \$0, or \$10,000. This amount divided by 2 provides \$5,000 annual income. (Note: In calculating self-employment



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income the FHLB Des Moines does not require non-cash expenses such as depreciation to be added back to income.)

Income from business activity (line 12 of the 1040), farm activity (line 18 of the 1040), and rental real estate (line 17 of the 1040) could be included in Self Employment Income.

- Other Income

Identify the type of “Other Income” in the Calculation Notes, and include calculation of annualized income.

D. Income Calculation and Qualification

The “Total Household Gross Annual Income” will be calculated automatically from the different sources identified in Sections I and II and displayed at the bottom of the form, or should be entered manually. This must be checked against the applicable income guidelines and income limit for the program as of the “Date of Application” (see Application Information above). The applicable income limit, adjusted for family size, must be entered on the form. For example, if the Date of Application was June 30, 2010, an applicable 2010 income limit available on the Bank’s website should be entered in “Applicable Income Limit, Adjusted for Family Size”. Also, identify the income guideline that was used to qualify the household in the box provided. This could include the MRB or HUD income limit, or the NAHSDA income limit for Native American projects.

The form is preset to answer “No” to the question “Income Qualified?” The form will answer “Yes” if a household is income qualified after entry of income data and the income limit. If the “No” answer appears in that text box the form is either incomplete, or the calculated income exceeds the income guidelines for that household and the household is not eligible for grant assistance.

E. Signatures

The Calculation of Income Worksheet must be signed by the person at the member or sponsor institution that completed or reviewed the income calculation. In addition, the applicants identified must sign the worksheet, certifying that the income calculation is correct. For RHF, UFT, and NAHI projects, the form may be accepted without applicant signature. Their signatures on the Certification and Draw Request Form used in that program are sufficient for certification of income.)

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