



# Rental AHP Income Calculation Guidelines

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## I. INCOME CALCULATION GUIDELINES

### A. General Policy

This document sets forth the income guidelines for Federal Home Loan Bank of Des Moines' (FHLB Des Moines, or the Bank) Rental projects in the Competitive Affordable Housing Program (AHP.) Participating Sponsors may use these *Rental AHP Income Calculation Guidelines* to calculate a household's gross annual income for the purpose of qualifying households for subsidy award.

**The income guidelines and calculation methodology used by the FHLB Des Moines may differ from the methodology used by Sponsors and other funders. When this occurs, the Sponsor should provide an explanation and documentation supporting their other funders' methodology requirements.**

Income eligibility is based on a household's projected gross annual income at the time of move-in. This includes all income of adult household members. Projected gross annual income will be calculated by annualizing current gross income.

Income information will be collected from verification of income documents. All households will be determined to be income eligible at the sole discretion of the Bank after review of income documentation and income calculation. The Bank will be conservative in calculating income from the verification of income documentation. For example, if provided both a verification of employment form (VOE) and paystubs, the Bank will use the higher estimate of income derived from those documents in income qualification.

Income verification documents must be completed fully and accurately. If acceptable documentation is not provided, the AHP Rental project may be found to be out of compliance.

Sponsor must provide an explanation for any unusual circumstances regarding the income of any individual in the household. FHLB Des Moines will determine how to calculate income based on the situation and information provided.

**NOTE:** Although this guide covers income requirements and provides examples of the types of income to be included and excluded as well as the calculation methods and verification/documentation requirements, it is not intended to cover all situations. For unique scenarios, it is important to remember the general rules of income determination:

- Determine the best possible estimate of annual income for the coming year based on the information available; and
- Document decisions, calculations, and the information used for verification in the tenant file.

FHLB Des Moines, in its sole discretion, retains the right and the flexibility to determine the best method to use to calculate income. FHLB Des Moines may also evaluate compliance with an AHP project's approved income targeting commitments based on its' independent recalculation of income.

## II. INCOME ELIGIBILITY

Eligible households qualifying under an AHP award must qualify residents based on income targeting approved at AHP application. Households must have annualized incomes less than or equal to 50%, 60%, or 80% of area median income, per the approved application.

The income calculation will be compared to the appropriate income guidelines for the specified year, household size, and property location (by county) and confirmed by the FHLB Des Moines. Projects that serve households eligible for assistance from a Tribally Designated Housing Entity may use the greater of the HUD or NAHASDA income guidelines. Projects funded with tax credits may use the greater of the HUD or Multifamily Tax Subsidy Project (MTSP) income limits. The FHLB Des Moines [Income Limits and Purchase Price Limits](#) website provides easy access to the HUD, NAHASDA and MTSP income limit guidelines.

The AHP Sponsor must provide a Tenant Income Worksheet (TIW) listing the current occupants of the project and their income certification details. Incorrect or outdated Tenant Income Worksheets will be returned for correction.

### A. Household Member Income

Household income is the combined annual earned income of all the occupants aged 18 and older in a given rental unit when the household is qualified by the AHP Sponsor for participation in the Bank's AHP program. Current circumstances will be used to calculate income, and projected annual income will be calculated by annualizing current income. Household income is determined using the methods outlined in this guide.

See table below to determine whether the household member's income should be included.

Household Member	Income Included?
Head of Household	Yes
Spouse	Yes
Co-Head / Cohabiting Partner	Yes
Temporarily-absent household member ( $\geq 18$ )	Yes, if the person intends to reside in the home.
Other Adult, $\geq 18$ years old	Yes
Full-time Students, $\geq 18$ years old that are not head of household or spouse	Yes, up to \$480 per year
Dependent, $\leq 17$ years old	No
Foster Child	No
Live-in Aide	No

### B. No-Income Household Members

If an adult household member is not employed or receiving income of any kind, they should complete and sign a *Certification of Zero Income* form. The *Certification of Zero Income* will act as verification that an adult household member has no income to report.

Persons who are on temporary leave of absence or are laid off and expecting to return to their employer should be regarded as employed and a verification of income obtained from their employer. Their income should be included unless it is confirmed they do not expect to return to work within the next 12 months.

Persons who have received an offer of employment or employment contract but have not begun work should be regarded as employed.

### III. INCOME INCLUSIONS AND EXCLUSIONS

Generally, FHLB Des Moines requires ALL household income to be included in the calculation of the household income. The following table identifies the most common examples of income inclusions and exclusions. This table is not exhaustive and there may be exceptions. Contact FHLB Des Moines' Community Investment department with questions.

Include	Do Not Include
The gross amount of all wages and salaries, overtime pay, commissions, fees, tips, bonuses, differential pay, and other compensation, including recurring allowances, vacation, holiday, personal, sick or other paid time off and training pay.	Income of a live-in aid.
Self-employment income.	One-time lump sum additions to household assets including, but not limited to: inheritances, capital gains, insurance payments (including health, accident, or hazard insurance and worker's compensation), and settlement for personal or property losses.
Alimony and child support payments.	Refunds or rebates received under state or local law for property taxes paid on the dwelling units.
Interest, dividends, and other net income of any kind from real or personal property. Net family assets in excess of \$5,000.	Temporary or non-recurring income including gifts, relocation, or moving expenses.
Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation, and severance pay.	Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member.
Salaries received from a family-owned business.	All forms of student financial assistance paid directly to a student, educational institution, or a veteran.
The full, gross amount of periodic payments (including periodic interest payments) received from social security, annuities, insurance policies, retirement funds (i.e. 401K, IRA, etc.), pensions, disability or death benefits and other similar types of periodic receipts. <i>Do not include deferred periodic amounts from supplemental income and social security benefits that are received in a lump sum amount or in prospective monthly amounts.</i> Include amounts received by adults on behalf of minors or by minors intended for their own support.	Any revenue which is exempt under Federal statute including but not limited to: Imminent danger duty pay; Compensation received under the Victims of Crime Act (42 U.S.C. 10602); the first \$2,000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or Court of Claims, etc.; payments received from the Job Training Partnership Act; payments received from programs funded under Title V of the Older Americans Act of 1965; Supplemental Nutrition Assistance Program (SNAP) – food stamps.
Lottery or gambling winnings paid in periodic or lump sum payments.	Amounts received by any household member participating in programs under the Workforce Investment Act of 1998 or any special training programs funded by HUD.
Public assistance payments unless otherwise indicated.	Payments received for the care of foster children or foster adults. Adoption assistance payments in excess of \$480 per adopted child.
Other income such as government distributions including the Alaska Permanent Fund (PFD)	The amount of Section 8 vouchers used to pay for monthly rent payments.

## IV. ANNUAL HOUSEHOLD INCOME DOCUMENTATION REQUIREMENTS

Income documents should be dated no more than 120 days prior to the certification date listed on the Tenant Income Worksheet.

If income documentation is provided infrequently, it is not required to be dated within the guidelines specified above. For example, a tax return used to document self-employment income or a Social Security award letter used to document non-employment income may be provided to the household member annually only and is not required to be dated within the guidelines specified.

A *Certification of Zero Income* form or equivalent is required for each adult household member that has no income.

**The Sponsor must provide adequate income documentation and the calculations must be clearly documented in a way that ensures they can be easily duplicated and confirmed by FHLB Des Moines.**

**NOTE:**

- Ensure all income documentation submitted accurately represents the household’s income (i.e., hours worked, days worked per week or year, overtime worked, etc.)
- Unless demonstrated otherwise on income documentation, any hours worked greater than 40 hours per week will be calculated as overtime hours.

FHLB Des Moines may, at its discretion, request clarification or additional documentation for any reason, including illegible or missing numbers, dates, etc. on income verification documents.

The following table lists the most common examples of acceptable income source documentation. This list is not exhaustive, and there may be exceptions to the information provided. Contact FHLB Des Moines’ Community Investment Department with questions.

**NOTE: DO NOT** send income documentation or Tenant Income Worksheets (TIW) via (unsecure) regular email. This information contains personally identifiable information (PII). Contact Community Investment for secure transmission options.

Income Type	Documentation Source Required
Salary and Hourly  Bonus, commission, overtime, tips, fees, differential pay, recurring allowances  Includes vacation, holiday, personal, sick or other paid time off and training pay.	<ul style="list-style-type: none"> <li>• At least one, preferably 3 consecutive paystubs that includes gross YTD earnings that accurately represents the household member’s income (i.e., hours worked per week, days worked, overtime worked, etc.)</li> <li>-- OR --</li> <li>• Verification of Employment (VOE) provided by the employer or employer’s designee that includes gross YTD earnings.</li> </ul> <p><i>***In some cases, an employment contract (exp: Teachers contract) or an offer of employment may be provided.</i></p>
Seasonal and Non-traditional	<ul style="list-style-type: none"> <li>• Documentation of Unemployment Benefits received in lay-off period, if received.</li> </ul>

	<ul style="list-style-type: none"> <li>• Previous year W2 (if employed for a full year with the same employer)</li> </ul> <p>-- OR --</p> <ul style="list-style-type: none"> <li>• Verification of Employment (VOE) provided by the employer or employer's designee (includes length of work year)</li> </ul> <p><i>***For seasonal migrant farmworker projects, stated income should be provided by the tenant at intake. Sponsors have 30 days from intake to complete a VOE for the tenant. If the tenant moves out prior to 30days, then a VOE is not required.</i></p>
Self-employment (Tax return must represent one full year of self-employment income)	<ul style="list-style-type: none"> <li>• If tax return represents a full year of self-employment income: Complete individual federal tax return for the previous year signed by the resident(s) including all schedules and 1099s related to self-employment income. IRS e-file Signature Authorization form (IRS Form 8879), signed by the resident(s), can be provided in lieu of signatures on the tax return.</li> </ul> <p>-- OR --</p> <ul style="list-style-type: none"> <li>• If tax return represents less than a full year of self-employment income: YTD profit and loss statement signed by the resident(s).</li> </ul>
Child Support or Alimony	<ul style="list-style-type: none"> <li>• Formal statement from recognized state or local authority or agency verifying alimony award and child support payments (at least 60days of history.) Court orders, including executed divorce decrees, are acceptable.</li> </ul>
Social Security/SSI Retirement/Annuities	<ul style="list-style-type: none"> <li>• Copy of award letter or statement designating gross benefits for current year.</li> </ul> <p>-- OR --</p> <ul style="list-style-type: none"> <li>• 1099 for previous year</li> </ul> <p><i>***Applicable COLA (Cost of Living Adjustment) must be applied for current year if current year award letter is not obtained.</i></p> <ul style="list-style-type: none"> <li>•</li> </ul>
Assets >\$5,000	<ul style="list-style-type: none"> <li>• Current statement or Verification of Assets completed by financial institution validating asset amount.</li> </ul>

## V. CALCULATING INCOME

The method used to determine annualized income varies depending on income type. Generally, all gross current income from all sources is used to determine the household's annual income. No deductions or adjustments to gross income are allowed even if they are allowed by other funding sources. For example, do not deduct childcare, disability status, elderly members of the household, or medical expenses from gross income, and do not "gross up" income from tax-exempt, non-employment sources such as Social Security.

The methods listed below are not exhaustive, and there may be exceptions to the information provided. Contact FHLB Des Moines' Community Investment Department with questions.

## A. Employment Income

Determine annual employment income for each job currently held. Calculate annual income by 1) annualizing year-to-date (YTD) gross income; 2) annualizing pay period average income and 3) annualizing base wages. If there is a significant difference between the calculations, it is recommended that the employer provide an explanation for the discrepancy (i.e., employee received a raise during the income reporting period.) The greater value of the calculations is determined to be the annual employment income. Use these recommended income calculation methods unless employment type or circumstances prevent an accurate representation of the income. For example, if the applicant has started a new job and no YTD income is available, calculate income using the base wages option only. Include an explanation why only one income calculation method was used.

In order to accurately calculate annual income from employment it is important to verify the persons hire date if they were hired in the current year.

**Gross income** is the full amount (before any payroll deductions) of all wages and salaries, overtime pay, commissions, fees, tips, bonuses and other compensation.

### Calculation 1 – Annualizing YTD Gross Income

Annualize gross income by dividing YTD gross income by number of weeks or pay periods included in the income reporting period. Then multiply this by 52 weeks or the total number of pay periods per year.

### Calculation 2 – Annualizing Pay Period Average

Annualize gross income by averaging the gross income amounts listed on the paystubs provided and multiplying by the total pay periods per year. The standard calculations listed below are used based on the employee's pay schedule.

### Calculation 3 – Annualizing Base Wage and Other Compensation

Annualize base wages by multiplying base wages per period by the total pay periods per year. The standard calculations listed below are used based on the employee's pay schedule.

Wage Type	Calculation
Hourly Wages	Multiply hourly wages by hours worked per week and weeks worked per year
Weekly Wages	Multiply weekly wages by 52
Bi-weekly Wages	Multiply bi-weekly wages by 26
Semi-monthly Wages	Multiply semi-monthly wages by 24
Monthly Wages	Multiply monthly wages by 12
Annual Wages	Multiply annual wages by 1

**Other Income** –annualize income from overtime, tips, commissions, bonuses or other like income. If non-recurring income has been received, such as a one-time bonus, submit written verification of the income from the employer. Verification must be provided upon request.

There are times when it makes the most sense to combine calculation methods listed above. For example, if a tenant receives a consistent base pay or salary, but occasionally receives a bonus throughout the year, it may be reasonable to utilize a combination of the annualized base pay and the annualized YTD for the additional income being received in order to determine the total annual income being received.

**NOTE:**

- The default for average work week hours is 40 unless otherwise documented.
- If work hours are expressed as a range, use the high end of the range unless an explanation and documentation supporting other funders' methodology requirements can be provided. For example, if the range of hours worked per week is 30-35, use 35 hours as the hours per week.
- Semi-monthly Pay means paid twice a month on the same recurring schedule. For example, the individual is paid on the 15<sup>th</sup> and last day of each month.
- Bi-weekly Pay means paid every other week. For example, the individual is paid every other Friday.
- Monthly Pay means paid once per month. For example, the individual is paid on the 1<sup>st</sup> day of the month

*\*\*\*If the pay schedule is not provided, the default pay schedule will be weekly.*

- If an explanation is received from the employer verbally, the explanation must be properly documented and include the following:
  - ✓ Name of employer contact
  - ✓ Title of employer contact

For other income received on a recurring or periodic schedule, calculate the annualized amount by taking the gross periodic amount times the number of periods in the year. For amounts that vary, annualize the average of the amount received to date.

For child support, use only the current amount of support. If child support is not received regularly, and this is documented, determine annual support by averaging the child support received and annualize.

## C. Seasonal

For seasonal and non-traditional workers, either a VOE (that includes the number of days or weeks worked per year) or the most recent year's W-2 may be used to verify income if the current year employer is the same. If the worker was not employed for the full year represented by the W-2, other documentation will be required. Use the standard calculation guidelines to determine annual income, while discounting the amount for off-season time (for example: weeks worked per year may not be 52). Include any unemployment compensation the beneficiary has or may receive during the off-season.

## D. Self-Employment

- If the household member has been self-employed for a full tax year:
  - The tax return **signed** by the resident(s) - (and completed IRS Form 8879 IRS e-file Signature Authorization signed by the resident(s) if tax return is not signed) including all schedules and 1099 statements related to self-employment income from the year prior to the income certification year.
  - If the tax return is not available, provide YTD profit and loss statement, signed and dated by the resident(s), for the year prior as defined above. After the tax filing deadline for the tax return year, if the previous year's tax return is not filed, provide either a copy of the request for extension signed by the resident(s) or documentation evidencing the extension was approved by the IRS.

-- OR --

- If the household member has not been self-employed for a full tax year, provide a YTD profit & loss (P&L) statement for the current year. The P&L must be signed and dated by the household member.

Calculate a household's net self-employment using the net income shown on the required documents (as indicated above):

- Prior year signed tax return – including all schedules (Schedule C, Schedule E, or Schedule F. *Beginning in 2018, this income is referenced in Schedule 1 of the 1040.*)
- Current year signed profit and loss statement

\*\*\**Negative income is considered to be \$0.*

## E. Asset Income

When net family assets are more than \$5,000, annual income shall include the greater of the following:

- Actual interest income from all net family assets; or
- A percentage of the value of such assets based upon the current passbook savings rate as established by HUD. This is called *imputed* income from assets.

For savings account, use the current balance. For checking accounts, use the average balance for the last six months.

## VI. INCOME CALCULATION QUESTIONS

Contact FHLB Des Moines' Community Investment Department for assistance with income sources and types that do not easily fit into a specific income category or any questions about the Income Calculation Guidelines at 800.544.3452 ext. 2400.

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