Income Type and Calculation Guide

Please read the following guidelines carefully.

It is important to correctly identify and calculate the income of applicants, and then to obtain the required documents that prove the stated income. We may return contract packages that do not follow these requirements. Documentation older than 60 days from the contract date will not be accepted.

Income Type

1. W-2

» **Paystub**

· Computer generated paystubs must be provided. Base pay will be used to calculate income if the applicant is employed for less than 90 days, if the paystub is within 1/1 through 3/31, or no YTD is present on the paystub.

· Must be dated within 60 days of contract date.

· Federal and/or state taxes must be withheld

» **W-2**
A W-2 can only be used from 1/1 thru 3/31. After 3/31, the applicant must provide the most recent paystub with YTD.

» **Commissions**

· Will be included in YTD if employed for more than 90 days.

· If employed less than 90 days we will not use the commission pay.

· From 1/1 to 3/31 commission needs to be on W-2 or we will exclude commission no matter how long employed.

» **Letters of Employment**
LOE can be used for POI if it is typed on company letterhead, and includes employer contact name, phone number, hire date and hourly pay. A typed letter with a copy of the company business card is also acceptable. Handwritten letters of employment are not acceptable. Letters of employment are only acceptable if the applicant is employed for less than 30 days. If applicant is self-employed or a 1099 employee, see the requirements below.

2. Self-Employed or 1099 (contract worker)

» **Method 1: Previous year (1 year) professionally pre-pared tax return and 3 months complete current personal bank statements (If the tax return submitted is not professionally prepared, there will be a $200.00 fee).**

» **Method 2: Three months complete current personal bank statements and a $200.00 fee.**

» **Income will be calculated using the following steps:**
1] Calculate the total deposits for each month.
2] Deduct any credits and transfers.
3] Divide by the number of months bank statements received.
4] Divide by the number of people on the account.

3. Fixed Income

» **Tribal Income**
Must provide one of the following: letter of tribal income (must be typed on letterhead and have a contact name and phone number), paystub (if available, calculate using YTD), or three most recent months' bank statements ($200 fee).

» **SSI, Disability, Child Support, Alimony, Adoption, Foster Care**
Benefits letter or court order is required. In addition to the benefits letter or court order we also require three most recent months' personal bank statements (must show regular monthly payments), three most recent cancelled checks (copies of front and back), and state issued statement reflecting at least three months consecutive payments (must tie back to applicant by name, SSN, and/or case number).

4. Part-Time and/or Second Income

» **Paystub, W-2, 1099 or Self-Employed**
To accept the part-time or second income, the applicant must have proof of continuous employment for a minimum of six months.

5. Temporary Income

» **Paystub, W-2**
Applicant must have a minimum of six months of employment through the same agency.

6. Union Workers

» **Paystub**
Must have all the final paystubs for every job the applicant worked throughout the year.

» **W-2**
From 1/1 through 3/31 we will accept W-2s. Applicant must provide W-2s for all jobs worked throughout the year. If the applicant was a 1099 employee for any or all jobs, the 1099 requirements must be followed.

7. Military Income

» **Leave and Earnings Statement**
The most recent LES must be used. We will include the Base pay along with BAH (Basic Allowance for Housing) and BAS (Basic Allowance for Sustenance).

» **W-2**

· From 1/1 through 3/31 we will accept W-2s for military applicants.

8. Teacher Income

» **Paystub**

To calculate income correctly, you must determine if the applicant is paid for nine months of the year or 12 months.

» **W-2**

· From 1/1 through 3/31 we will accept W-2s from teachers.

· Sub-teacher income requires W-2 or paystub after 3/31.

» **Contract agreement**

During the summer when the applicant is not working we will accept the last paystub the applicant received or the contract for the next school year.

9. Bonuses

» **When can you use Bonuses?**

To allow bonuses you must verify how often the applicant has the potential to receive bonus. If you cannot verify, bonuses must be excluded from YTD gross income.

10. Rental Income

· We will accept a copy of the Rental Agreement along with a minimum of three months most recent bank statements showing corresponding deposits.

Income Calculations

1. Base Pay

» **Using Hourly Pay**

· Hourly Rate X Hours Worked* X 4.33

· (Example: $10 X 40 X 4.33 = $1,732/monthly)

» **Using Weekly Pay**

· Weekly pay X 4.33

· (Example: $400 X 4.33 = $1,732/monthly)

» **Using Bi-Weekly Pay (Every two weeks)**

· Bi-weekly pay rate X 2.16

· (Example: $800 X 2.166 = $1,732.80/monthly)

» **Using Semi-Monthly Pay (Twice a month)**

· Semi-Monthly pay X 2

· (Example: $866 X 2 = $1,732/monthly)

· Note: Overtime is NOT allowed.

*Hours worked is defined as the number of regular hours listed on the paystub (OT is not included when calculating Base pay).

2. Year to Date (YTD)

Divide the YTD gross by the number of months

» **Scenario**

· Gross YTD is $25,000

· Pay Period End (PPE) is 11/15/(Current Year)

· Hire Date 7/2/2000

· If PPE date is 11/15 the applicant worked 10 full months, and 15 days of the current month (15/30=.5) give a total time worked of 10.5 months

· (Example: $25,000 / 10.5 = $2,380.95)

3. Bonuses

If the bonus received is annual, divide the bonus by 12 and add to the monthly amount. If the bonus received is quarterly, divide the bonus by three (contingent on quarters passed) and add to the monthly amount.

4. Fixed Income

· We will no longer gross up fixed income.

· Take the total monthly income from fixed income source, this will be the monthly income.

5. Personal Bank Statements

· Add up the total deposits minus credits and transfers to get the total deposits for the bank statements.

· (Example: Month 1 total deposits of $4,500 + Month 2 total deposits of $4,200 + Month 3 total deposits of $4,400 / 3 = $4,366.67)