

# HOW TO USE THE IHDA INCOME CALCULATOR

*April 2, 2014*



## How to use the income calculator

- The income calculator is divided into six sections
- The **PURPLE** section is for borrowers income data
- The **GREEN** section is for co-borrowers income data
- The **DARK BLUE** section is for spouses not going on the loan and/or household members 18 and older
- The **ORANGE** section is for the calculation of interest income
- The **PINK** section is for self employment income
- The **LIGHT BLUE** section is the household information page
  - This section determines if the buyer qualifies for the program or not
  - *The calculator requires the signature of both the lender and the borrower(s)*



Annual Income Calculator - Single Family Homeownership			
<b>Income Related Fields</b> - Loan Numbers#			
<b>Borrower</b>	<b>Name:</b>		
YTD Gross	<b>Employment:</b>	\$ -	
Start Date	1/0/1900		
Pay Date	1/0/1900		
Projected Annual Income	\$ -		
<b>OT/Bonus/Commission/etc.</b>	<b>Start Date</b>	<b>End Date</b>	<b>Amount</b>
Current Year			\$ -
Past Year			\$ -
Projected Annual OT/Bonus/Commision/ect	\$ -		
<b>Other Income Categories</b>	<b>Frequency</b>	<b>Amount</b>	<b>Annualized Amount</b>
	<input type="text"/>		



**How To navigate:**

The calculator uses a series of drop downs and data fields to enter information

The drop down fields are found in the following sections:

- **Other Income and Frequency:** (Found in the Borrower, Co-Borrower, Members 18 and older sections of the website)
- **Asset Type and Mortgage fields:** (Found at the Asset Type section of the calculator)
- **Months Worked field:** (Found at the self employment section of the calculator)
- **County, # of family members, AMI Limit, Non/targeted area fields:** (Found at the household information section of the [website](#))



## General Guidelines for calculating income

- Count income from all sources
  - Even if you're not counting the income for underwriting purposes
- Count the income from all sources for spouses not going on the loan (not signing the note)
  - Even if they are separated
- Count Income from all sources of those 18 and older who will reside in the house
- Provide the supporting documentation for your findings.



IHDA INCOME CALCULATOR

# **BASIC CALCULATIONS**



**Earnings Statement** Mary DOE

Period Ending: 2/28/2014      Company JOE's AUTO  
Pay Date: 3/15/2014      Emp # 123      Dept: 456



<b>Earnings</b>	<b>Rate</b>	<b>Hours</b>	<b>Current Period</b>	<b>Year to Date</b>
Regular	\$20	80	\$ 1,600.00	\$8,000
Overtime	\$ 37.00	25	\$ 925.00	\$ 5,000.00
PTO	\$ -		\$ -	
PTO Bank2	\$ -		\$ -	
PTO2	\$ -		\$ -	
Holwrkd 2	\$ -		\$ -	
Overtime 2	\$ -		\$ -	
Regular 2	\$ -		\$ -	
Wknd AM	\$ -		\$ -	
Wknd ON	\$ -		\$ -	
<b>Gross Pay</b>			105 \$ 2,525.00	\$ 13,000.00



Step 1: Locate Gross Income & Pay Date



Annual Income Calculator - Single Family Homeownership			
<b>Income Related Fields</b> - Loan Numbers#			
<b>Borrower Name:</b>			
YTD Gross	<b>Employment:</b>	\$	13,000.00
Start Date			1/1/2014
Pay Date			3/15/2014
Projected Annual Income		\$	64,109.59
<b>OT/Bonus/Commission/etc.</b>			
	<b>Start Date</b>	<b>End Date</b>	<b>Amount</b>
Current Year			\$ -
Past Year			\$ -
Projected Annual OT/Bonus/Commision/ect			\$ -
<b>Other Income Categories</b>			
	<b>Frequency</b>	<b>Amount</b>	<b>Annualized Amount</b>
Total Calculated Other Income (Borrower)		\$	-
Total Calculated Annual Income (Borrower)		\$	64,109.59
Total Calculated Monthly Income (Borrower)		\$	5,342.47



Enter the Following information in the borrower section:

- YTD Gross
- Start Date and Pay Date

The Income Calculator will calculate both annual and monthly income for you.

**Note: If the borrower has not worked at their current job for the entire year, enter the actual start date and not the beginning of the year. You will need to document start date**



Annual Income Calculator - Single Family Homeownership			
<b>Income Related Fields</b> - Loan Numbers#			
<b>Borrower</b>	<b>Name:</b>		
YTD Gross	Employment:	\$	13,000.00
Start Date	1/1/2014		
Pay Date	3/15/2014		
Projected Annual Income	\$		64,109.59
<b>OT/Bonus/Commission/etc.</b>	<b>Start Date</b>	<b>End Date</b>	<b>Amount</b>
Current Year			\$ -
Past Year			\$ -
Projected Annual OT/Bonus/Commission/etc	\$		-
<b>Other Income Categories</b>	<b>Frequency</b>	<b>Amount</b>	<b>Annualized Amount</b>
Total Calculated Other Income (Borrower)	\$		-
Total Calculated Annual Income (Borrower)	\$		64,109.59
Total Calculated Monthly Income (Borrower)	\$		5,342.47

Many borrowers will qualify under our income limits using this basic calculation alone. Sometimes this basic calculation will get you over IHDA's limits, but note that you are allowed to average the following:

- Bonus
- Overtime
- Commission

Let's look at an example





IHDA INCOME CALCULATOR

**BASIC CALCULATIONS:  
OVERTIME BONUSES AND  
COMMISSIONS**



**Earnings Statement** Mary DOE

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Period Ending: 2/28/2014      Company JOE's AUTO  
 Pay Date: 3/15/2014      Emp # 123      Dept: 456

<b>Earnings</b>	<b>Rate</b>	<b>Hours</b>	<b>Current Period</b>	<b>Year to Date</b>
Regular	\$40	80	\$ 3,200.00	\$16,000
Overtime	\$ 37.00	25	\$ 925.00	\$5,000
PTO	\$ -		\$ -	
PTO Bank2	\$ -		\$ -	
PTO2	\$ -		\$ -	
Holwrkd 2	\$ -		\$ -	
			\$ -	
Overtime 2	\$ 25.00	10	250.00	\$2,000
Regular 2	\$ -		\$ -	
Wknd AM	\$ -		\$ -	
Wknd ON	\$ -		\$ -	
<b>Gross Pay</b>			115 \$ 4,375.00	<b>\$ 23,000.00</b>



When Mary's gross income (\$23,000) was entered into the IHDA calculator, she was over income. However, you are allowed to average the following:

- Bonus
- Overtime
- Commission



**Earnings Statement** Mary DOE

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Period Ending: 2/28/2014      Company JOE's AUTO  
 Pay Date: 3/15/2014      Emp # 123      Dept: 456

<b>Earnings</b>	<b>Rate</b>	<b>Hours</b>	<b>Current Period</b>	<b>Year to Date</b>
Regular	\$40	80	\$ 3,200.00	\$16,000
Overtime	\$ 37.00	25	\$ 925.00	\$5,000
PTO	\$ -		\$ -	
PTO Bank2	\$ -		\$ -	
PTO2	\$ -		\$ -	
Holwrkd 2	\$ -		\$ -	
			\$ -	
Overtime 2	\$ 25.00	10	250.00	\$2,000
Regular 2	\$ -		\$ -	
Wknd AM	\$ -		\$ -	
Wknd ON	\$ -		\$ -	
<b>Gross Pay</b>			115 \$ 4,375.00	<b>\$ 23,000.00</b>



When calculating income with overtime, bonuses etc. do the following:  
**STEP ONE:** Subtract the OT from YTD gross income (\$23,000 -\$7,000)



Annual Income Calculator - Single Family Homeownership			
Income Related Fields - Loan Numbers#			
Borrower Name:			
YTD Gross Employment:	\$	16,000.00	
Start Date		1/1/2014	
Pay Date		3/15/2014	
Projected Annual Income	\$	78,904.11	
Current YTD Base OT/Bonus/Commission/etc.			
Current YTD Base OT/Bonus/Commission/etc.	\$	7,000.00	
Check Date		3/15/2014	
Previous Year Gross OT/Bonus/Commission/etc.			
Previous Year Gross OT/Bonus/Commission/etc.	\$	2,000.00	
Projected Annual OT/Bonus/Commission/etc.	\$	7,482.68	
Other Income Categories	Frequency	Amount	Annualized Amount
Total Calculated Other Income (Borrower)	\$	-	
Total Calculated Annual Income (Borrower)	\$	86,386.79	
Total Calculated Monthly Income (Borrower)	\$	7,198.90	

**STEP TWO:** Take YTD OT and average with last year's OT earnings (Example \$2,000 OT in prior year)

- Obtain VOE or last check stub from the prior year
  - Enter the data into the income calculator under prior year
- Submit the VOE or other supporting documentation with your submission to IHDA.
- YTD income calculation is now \$86,386.79

**Note:** If the borrower has not worked at their current job for the entire year, enter the actual start date and not the beginning of the year.



Annual Income Calculator - Single Family Homeownership			
<b>Income Related Fields</b> - Loan Numbers#			
<b>Borrower Name:</b>			
YTD Gross	Employment:	\$	16,000.00
Start Date			1/1/2014
Pay Date			3/15/2014
Projected Annual Income		\$	78,904.11
Current YTD Base OT/Bonus/Commission/etc.		\$	7,000.00
Check Date			3/15/2014
Previous Year Gross OT/Bonus/Commission/etc.		\$	2,000.00
Projected Annual OT/Bonus/Commission/etc.		\$	7,482.68
<b>Other Income Categories</b>	<b>Frequency</b>	<b>Amount</b>	<b>Annualized Amount</b>
Total Calculated Other Income (Borrower)		\$	-
Total Calculated Annual Income (Borrower)		\$	86,386.79
Total Calculated Monthly Income (Borrower)		\$	7,198.90

- Notes:
- If the buyer receives a one time bonus (moving expenses, signing bonus etc.) you do not have to calculate this towards income. You must however, provide documentation from the employer to support this and include it in the submission to IHDA.
  - You still have to calculate Overtime, Bonus, Commissions even though the company cannot guarantee it.
  - If the buyer starts a new job, you will not have a way to average OT, bonus, etc. Therefore include in gross base pay
  - and project it forward.



IHDA INCOME CALCULATOR

# **BASIC CALCULATIONS: MONTHLY INCOME**



<u>Other Income Categories</u>	<u>Frequency</u>	<u>Amount</u>	<u>Annualized Amount</u>
Social Security	Monthly	\$ 500.00	\$ 6,000.00
Total Calculated Other Income (Borrower)			\$ 6,000.00

For other monthly sources of income use the other income category. Other monthly sources of income includes:

- Child Support
- Social Security
- Pension
- Housing Allowance

For this type of income, please note the following:

- If there is an order for support, make sure that you include the income in the calculation *even if* the buyer isn't currently receiving it.
- Include the gross monthly income amount from pensions, Social Security etc.
  - Do not rely solely on direct deposits
  - Use award letters and/or 1099's to determine actual monthly amounts

Note:

This section is only for the use of fixed monthly income such as social security. Do not use this section to calculate income earned from jobs.



IHDA INCOME CALCULATOR

**BASIC CALCULATIONS:  
UNEARNED INCOME**





<b>Asset Type</b>	<b>Mortgagor</b>	<b>Amount</b>	<b>Amount</b>
Checking	Borrower	\$ 5,000.00	\$ 5,000.00
Savings	Co-Borrower	\$ 3,000.00	\$ 3,000.00
Total Calculated Assets			\$ 8,000.00
Less Funds used for Closing			\$ 5,000.00
Net Assets			\$ 3,000.00
HUD pass-through rate / % of Net Assets	2%		\$ 45.00
Actual Income from Assets			\$ 50.00
Greater of Actual Income and Dollar-value			\$ 50.00



**Unearned Income**

You must calculate unearned income for every loan. Take the amount that borrower(s) have from all accounts including:

- Savings
- Checking
- Money Market
- Stocks, Bonds
- Etc.

**To calculate do the following:**

- Obtain information from section VI Asset section of the 1003. (If you're aware of other accounts not listed on the 1003 include those as well)
- Enter the information at the asset area
- Subtract the cash need to close from section VII details of transaction

**The calculator will determine any interest income and compute the greater of:**

1. Actual Income from assets or the Passbook Rate
2. Actual Income is the actual interest income earned on the prior years federal tax return
3. Passbook Rate interest income automatically calculates

\* If Total Calculated Assets are below \$5,000 interest income is not counted. Even if calculated assets are below \$5,000 you must enter data in that field



IHDA INCOME CALCULATOR

# **BASIC CALCULATIONS: SELF EMPLOYED BORROWERS**



## **SELF EMPLOYED BORROWERS**

To determine the income of a self-employed borrower, average their income using most recent/current Federal income tax returns and a signed year-to-date Profit and Loss (P & L) Statement for the current year. The P & L should state the gross income, the expenses and the year to date net income. Note that the Profit and Loss Statement may need to come from a third party if required for credit underwriting purposes or if requested by IHDA. Calculate the historical monthly income and use that number to project the income forward (multiply monthly average by 12). For self-employed borrowers, the income calculation allows for the exclusion of legitimate operating expenses.



<b>Self Employment</b>	<b>Mths Worked</b>	<b>Amount</b>
Current YTD	5	\$ 500.00
Past Year	12	\$ 1,500.00
Two Years Prior		
Average Self-Employed Income:		\$ 117.65
Annualized Self-Employed Income:		\$ 1,411.76

### What you'll need

- Last year's signed federal tax returns with all applicable schedules
- A signed YTD profit & loss statement
  - If you have not exceeded the 1<sup>st</sup> quarter (March) of the current year, you can use the prior two years of federal tax returns.
  - Otherwise use the past year and current YTD fields
  - If the borrower just started the self employment, then use the current YTD field only and project income forward.

### Notes

- If the borrower's income from self employment is minor or a secondary source of income, then a signed and dated profit and loss from the buyer will suffice
- If the borrower's major source of income is through self employment, then P and L must come from third party verification and you may need to provide corporate tax return if warranted.



IHDA INCOME CALCULATOR

# **TOTAL ANNUALIZED INCOME AND SIGNATURE SECTION**



<b>Household Information</b>		
County _____	Cook	
County Income Limits _____	\$	106,120.00
Number of Family Members living in Household _____	4	
AMI% Limit _____	Above 80% AMI	
	Non / Targeted Area _____	Non-Targeted
<b>Name of Person Living in Household</b>	<b>Age</b>	
Mary Doe	40	<b>Compliant</b>
John Doe	41	
Baby Doe	10	
2nd Baby Doe	5	
		(Compliance Reviewer Signature)

After completing all the applicable prior fields, you must confirm that the household income is under IHDA's applicable limits.



Household Information			
County _____		Cook	
County Income Limits _____		\$ 106,120.00	
Number of Family Members living in Household _____		4	
AMI% Limit _____		Above80%AMI	
_____		Non-Targeted	
Name of Person Living in Household	Age		
Mary Doe	40		<b>Compliant</b>
John Doe	41		
Baby Doe	10		
2nd Baby Doe	5		
		_____ (Compliance Reviewer Signature)	

**Step One: Enter the following:**

- County Name
- Number of members in the household
- Whether the household income is Above of Below 80% AMI
- Whether the property is in targeted or non-targeted area

**Note: The number of family members in the household must match the number of people listed in Name and Age section**



Household Information			
County _____		Cook	
County Income Limits _____		\$ 106,120.00	
Number of Family Members living in Household _____		4	
AMI% Limit _____		Above 80% AMI	
		Non-Targeted	
Name of Person Living in Household	Age		
Mary Doe	40	<b>Compliant</b>	
John Doe	41		
Baby Doe	10		
2nd Baby Doe	5		
		_____ (Compliance Reviewer Signature)	



After completing the Household Information section ensure that the calculator states “compliant”. If the calculator states “Non-compliant,” do the following:

- Verify that the data is entered correctly
- Recalculate: The buyer may actually be over IHDA’s income limits





<b>Signature Page</b>			
Based on the Review of Source Documentation, the mortgage lender has completed an Income Eligibility Analysis and has determined that the household is ____ or is not ____ Eligible for the Authority's Home Buyer Program.			
I further Certify that the Information contained in this certification is true and accurate to the best of my knowledge.			
Signature of Reviewer: _____			Date: _____
Print Name: _____			Date: _____
I/we certify that the information contained in this certification is true and accurate to the best of my/our knowledge.			
Signature of Borrower: _____			Date: _____
Signature of Co-Borrower: _____			Date: _____
<p><b>*Note: Attach Source Documents used for the Review. Maintain a copy in the Borrower's file.</b></p>			

If the loan is under IHDA's income limit, both the lender and the borrower must sign and date the income calculator.

Submit the signed original income calculator along with all supporting income documentation(check stubs, award letters etc.) to IHDA after the loans closes .

**Note:** Before signing, double check that data was entered correctly and that you have calculated income from all sources