

HSP INCOME CALCULATION

DOCUMENTING AND CALCULATING HOUSEHOLD INCOME

DISCLAIMER

The following slides provide basic HSP Income Calculation information. The slides do not provide an in-depth review of all HSP Income Calculation guidelines. For an in-depth review of all guidelines, visit the Resources tab of the HSP public website.

Resources Tab

- HSP Eligibility Questionnaire
- AHP/HSP Income Calculation Guide
- HSP Income Calculation Workbook (ICW)
- HSP Income Limits
- Zero Income and/or Unemployed Certification



Household Member

Who Will Occupy the Home?

Household: Includes **ALL** individuals who **CURRENTLY** or **WILL** occupy the house or residence.

- Currently OR Will Includes **
 - Spouses
 - Fiancés
 - Roommates
 - Children (regardless of custody/visitation schedule)
 - Other Dependents (family members and non-family members)
 - Temporarily—absent Household Members
 - Deployed Service Members
 - College Students

Ask the homebuyer who will be living in the home.



^{**}This list is examples of the most common household members and is not exhaustive.

What Income Should Be Included?

Income Sources: Generally, all gross household income sources should be included in the income calculation.

- Income Sources**
 - Wages and salaries (included overtime, commission, tips, bonuses, etc.)
 - Income from seasonal and/or non-traditional employment
 - Self-employment
 - Alimony and/or child support
 - Unemployment and/or disability compensation
 - Social Security benefits
 - Annuities, insurance policies, and/or retirement funds
 - Payments received for the care of foster children or foster adults
 - Disability and/or death benefits
 - Lottery or gambling winnings
 - Public assistance payments
 - Cash provided from outside source (family member, friend, etc.)



^{**}This list is examples of the most common income sources and is not exhaustive.

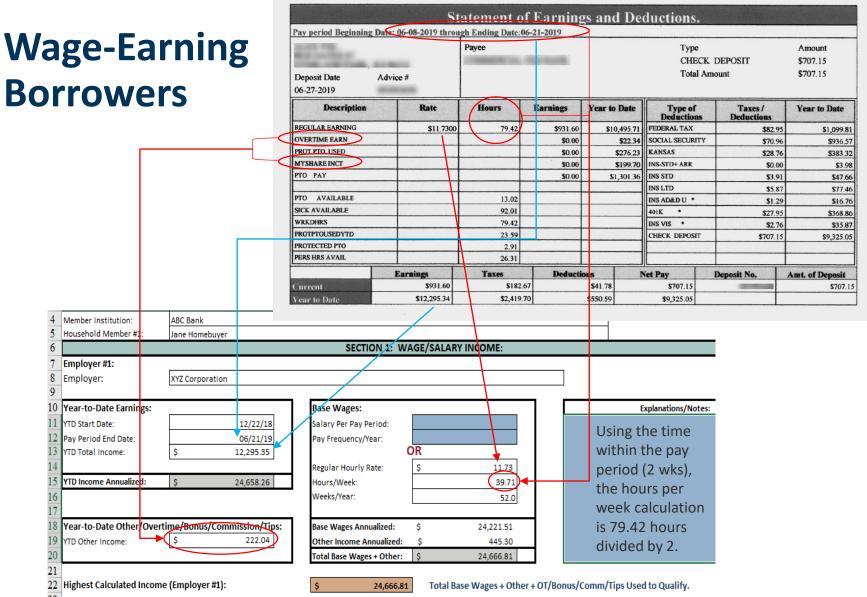
How Is the Income Documented?

- Salary and Hourly: ONE Paystub OR Verification of Employment (VOE)

 (a paystub is preferred)
 - Accurately represents a normal pay period
 - Hours worked per pay period
 - Number of days worked per pay period
 - No holiday, sick, vacation, etc. shown as paid for the pay period
 - Includes at least 28 days of YTD Earnings
 - Dated no more than 60 days prior to reservation submission
- Self-employment: Previous Year's Federal Tax Return
 - Provide tax return if homebuyer was self-employed in the previous tax year
 - Signed
 - Dates the self-employment tax return represent
- Self-employment: Profit and Loss Statement
 - If tax return is not completed prior to tax filing deadline
 OR
 - Self-employment started after the beginning of the year
 - Signed
 - Dates P&L represents should be listed on P&L

Self-employment:
Provide only the
previous year's
federal tax return OR
a Profit and Loss
Statement, NEVER
BOTH.







Self-Employment Income

If the Tax Return represents an entire year, complete the start and end dates using the entire year. See the example.

If the Tax Return does NOT represent an entire year, complete using the time frame in which the homebuyer was self-employed. For example, if a borrower started a business on 5/15 of the previous year the "Tax Return Start Date" would be 5/15 of that vear.

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TOTAL SELF EMPLOYMENT/RENTAL INCOME:

Tax Return Information (if required):

Tax Return Start Date:

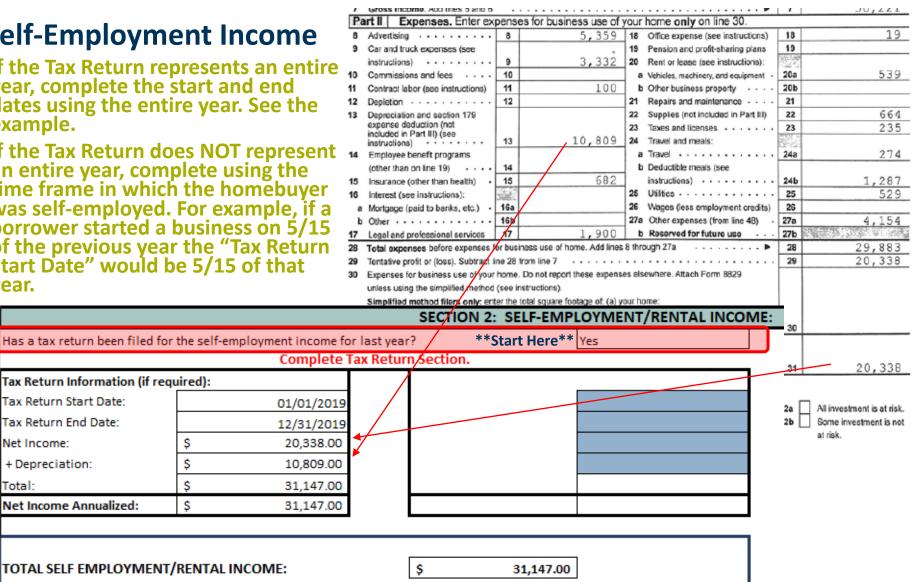
Tax Return End Date:

Net Income Annualized:

Net Income:

Total:

+ Depreciation:



The documentation and information should be based on the most recent tax year.

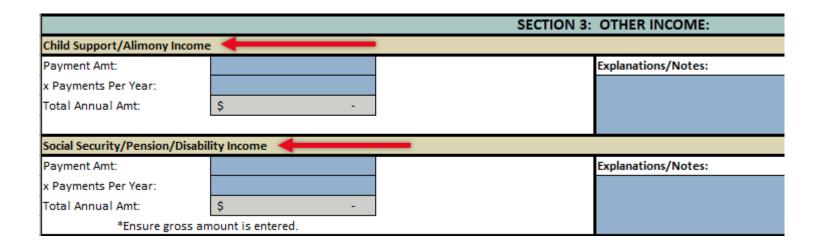


How Is the Income Documented?

- Child Support or Alimony Formal Statement or Court Order
 - Formal Statement
 - Recognized state or local authority or agency
 - Statement should verify award/payment OR document 60 days of payment history
 - Name of homebuyer must be visible on document
 - Court Order
 - Executed and Recorded
- Social Security/SSI/Pension/Disability Current Award Letter or 1099
 - Gross Benefit
 - Preferred that all pages are provided
 - 1099 from previous year
 - Will only be accepted during the 1st quarter of the calendar year



Child Support and Social Security/Pension



If multiple child support orders or multiple Social Security/Pension/Disability incomes are received, add the payments together and make a note in the Explanations/Notes section.



How Is the Income Documented?

- Retirement –1099, Current Award Letter OR Current Statement
 - 1099 from previous year
 - Gross Benefit; Do not provide bank account statements documenting net deposit
- Seasonal Paystub, VOE OR W-2
 - Does not work entire year (lifeguard, para, ski resort, seasonal construction, etc.)
 - Verbal or written verification from employer confirming seasonal employment
 - Year round, part-time employment is not considered seasonal
 - If providing a VOE or Paystub
 - Verbal or written verification from employer verifying the number of weeks homebuyer will work during the year
 - Complete the Seasonal Section in the ICW
 - If providing a W-2 from previous year
 - Verbal or written verification from employer that W-2 represents a full season of employment
 - Only complete the YTD Earnings (Employer 1 or Employer 2) on the ICW; don't complete Base Wages



Seasonal - VOE

Complete the Seasonal Income section of the ICW, not the Employer 1 and/or Employer 2 sections

If using a VOE to complete Seasonal income, all pieces must be listed on the VOE:

- Number of Weeks the homebuyer will work
- Number of Weeks worked year to date (represented in earnings on the VOE)
- Year to date total income
- Year to date earnings breakdown, so all types of the gross earnings must be completed (bonus, overtime, etc.)
- Hourly Rate
- Hours per week

Applicant's	Date of Employment	8/12/16	10. Present Positi	[∞] Para		11. Proba	ability of Continued Employment
12A. Current Gross Pay Base (Enter Amount and Check Period)			13. For Military Personnel Only		14. If overtime or Bonus is Applicable, is its		
Annual Weekly Other (specify			Pay Grade		Continuance likely? Overtime Yes X No		
12.02		Туре	Monthly Amo	ount	Bonus Yes No.		
\$ Monthly X Hourly			Base Pay	\$		5. If paid hourly – avg. hours per week	
12B. Gross Earnings			Rations	\$		26.92	
Type Thru 5/31/19	Year To Date	Past Year	Past Year	Flight or Hazard	\$		16. Date of applicant's next pay increase
Base Pay	8068.32			Clothing	\$		N/A
Overtime	0			Quarters	\$		17. Projected amount of next pay increase
Commissions	0			Pro Pay	\$		N/A
Bonus	0			Overseas or Combat	\$		18. Date of applicant's last pay increase 8/14/18
Total	8068.32			Variable Housing Allowance	\$		19. Amount of last pay increase .30/per hour

Homebuyer is a para that works 37.9 weeks per year. Earnings on VOE represent 26 weeks of earnings YTD.

Part III - Verification of Previous Employment

Seasonal Income (if W-2 not available or does not represent a full season of employment) **Year-to-Date Earnings** #Weeks Will Work This Year: 37.90 Weeks Worked Year-to-Date: 26.00 YTD Total Income: \$ 8,068.32 Ś YTD Income Annualized: 11,761.13 **Base Wages** YTD Overtime/Bonus/Tips/etc: § Regular Hourly Rate: \$ 12.02 Hours/Week: 26.92 Base Wages Annualized: \$ 12,263.62 Other Income Annualized: \$ Total Base Wages+YTD OT,etc: \$ 12,263.62 **Highest Calculated Income:** 12,263.62

Complete both the Year-to-Date Earnings and Base Wages sections.



Seasonal **Employment**

- Confirm the W-2
 represents the entire
 season and complete
 the YTD section only
- The documentation should be based on the most recent tax year.

Highest Calculated Income (Employer #1):

Void a Employee	's social security number	No. 1545-0008	
b Employer identification number (EIN)	CIVID	1 Wages, tips, other compensation	2 Federal income tax withheld
10 100 100 Indianation Indianation		1133.74	3.81
c Employer's name, address, and ZIP code		3 Social security wages	4 Social security tax withheld
		1133.74	70.29
		5 Medicare wages and tips	6 Medicare tax withheld
		1133.74	16.45
		7 Social security tips	8 Allocated tips
d Control number	/	9 Verification code	10 Dependent care benefits
e Employee's name, address, and ZIP code		Suff. 11 Nonqualified plans	12a See instructions for box 12
		13 Statutory Retirement Third-party sick pay	12b
		14 Other	12c
			12d
and the second	<u></u>		
15 State Employer's state ID number KS	16 State wages, tips, etc. 17 Sta 1133.74	tte income tax 18 Local wages, tips, etc.	19 Local income tax 20 Locality name

YTD Earnings Used to Qualify.

Employer #1:			
Employer:	USD 23		
Year-to-Date Earnings: YTD Start Date: Pay Period End Date: YTD Total Income:	01/01/19 12/31/19 \$ 1,133.74	Base Wages: Salary Per Pay Period: Pay Frequency/Year: OR	Explanations/Notes: Sam Smith, HR Manager at USD 23, confirmed that James Homebuyer is a para. Sam also confirmed that the 2019 W2 represents the entire season.
YTD Income Annualized:	\$ 1,133.74	Regular Hourly Rate: Hours/Week: Weeks/Year:	
Year-to-Date Other/Ove	rtime/Bonus/Commission/Tips:	Base Wages Annualized: \$ - Other Income Annualized: \$ - Total Base Wages + Other: \$ -	

1,133.74



How Is the Income Documented?

- Non-traditional Paystub, VOE OR W-2
 - Is not paid hourly or salary (paid per load, paid per mile, straight commission, etc.)
 - Only complete the YTD Earnings (Employer 1 or Employer 2) on the ICW; Do not complete Base Wages
 - W-2 from previous year
 - Verification from employer verifying dates that W-2 represents
 - Verification from employer confirming non-traditional employment

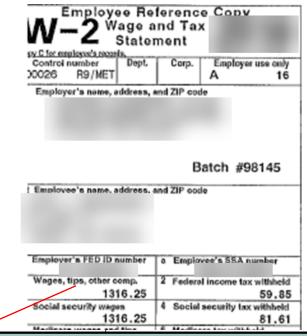


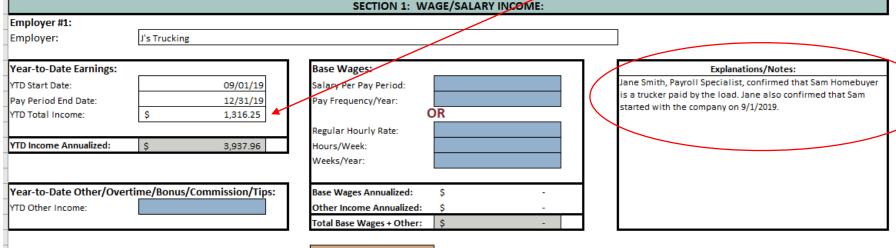
Non-traditional Employment

If the W2 represents an entire year, complete the YTD earnings using 1/1/20XX to 12/31/20XX.

If the W2 does NOT represent an entire year, complete using the time frame represented. See the example below.

Notes should be included explaining the type of non-traditional income, i.e. by the mile, straight commission, per job, etc. and the timeframe included in the W2.





YTD Earnings Used to Qualify.

3,937.96



Highest Calculated Income (Employer #1):

Non-traditional – Paystub

Notes are not needed for this example because the paystub clearly shows that the homebuyer is paid by the mile. If this was not on the paystub, or the paystub was not clear about how the income was earned, additional notes would be required including an explanation directly from the employer, homebuyer explanations are not acceptable.

		PAID THRU: 2/1	
EARNINGS	- CHECK DA	TE: 3/01/19EMPLOYEE	TAXES
DESCRIPTION	CURRENT	DESCRIPTION CURRE	INT YTD
REG. HOURS		FED WITH 146.	03 680.36
OVERTIME		FICA 95.	65 619.82
OTHER PAY	20.00	STATE WITH 51.	00 291.00
MILE PAY 2954.00	1270.22	LOCAL TAX	
PERSONAL PAY		EIC PAYMENT	
VACATION PAY			
HOLIDAY PAY		AMT OF DIR DEP 1127.	27
TOTAL GROSS	1290.22	AMT WIRED	
YTD INFORMATION		CURRENT DED & REIM	
GROSS	8461.98	ADVANCE 150.0	0
TAXES	1591.18	GARNISHMENTS	
ADMANDED	1442 00	דאופווס אוורים 20 0	ידי

SECTION 1: WAGE/SALARY INCOME: Employer #1: Employer: J's Trucking 7.27 Year-to-Date Earnings: Base Wages: YTD Start Date: 12/16/18 Salary Per Pay Period: 02/15/19 Pay Frequency/Year: Pay Period End Date: OR \$ YTD Total Income: 8,461.98 Regular Hourly Rate: YTD Income Annualized: s 49,816.50 Hours/Week: Weeks/Year: Year-to-Date Other/Overtime/Bonus/Commission/Tips: Base Wages Annualized: \$ YTD Other Income: Other Income Annualized: Total Base Wages + Other:



Employer Verifications

When is verification needed?

Written

- Earnings and Wages
- Non-recurring income

Verbal or Written

- Pay schedules/frequency
- Discrepancies \$3000.00 or greater between YTD and Base Wages
- Seasonal & Non-traditional
 - Time period W-2 represents
 - Determination that employment is seasonal or non-traditional (if unable to determine with income documentation provided)
 - Weeks homebuyer will work this year (seasonal)

What is needed for verification?

- Employer representative title/position
- Name of the employer representative
- Explanation/summary of conversation with employer representative
- Written
 - Upload written employer verification with the other income documents on the Household Income screen
 - Emails and letters on letterhead from the employer will be accepted
- Verbal
 - Document the verbal employer verification in the Explanation/Notes section of the ICW



Discrepancies

How do I identify a discrepancy?

- Difference of \$3000.00+ between YTD Income Annualized and Total Base Wages/Other
 - YTD Income Annualized \$17502.34 Total Base Wages and Other \$20947.18 = \$3444.84 Discrepancy
- Red Font Warning below Highest Calculated Income
- If there is a discrepancy in the ICW, make corrections or provide an explanation from the employer. DO NOT submit the ICW with a discrepancy unless it is accompanied by an employer explanation.

Year-to-Date Earnings:		Base Wages:			Explanations/Notes:	
YTD Start Date:	12/16/19	Salary Per Pay Period:				
Pay Period End Date:	02/15/20	Pay Frequency/Year:				
YTD Total Income:	\$ 2,973.00	OR				
		Regular Hourly Rate: \$	13.00			
YTD Income Annualized:	\$ 17,502.34	Hours/Week:	40.00			
		Weeks/Year:	40.0			
Year-to-Date Other/Overtime/Bonus/Commission/Tips:		Base Wages Annualized: \$	20,800.00			
YTD Other Income:	\$ 25.00	Other Income Annualized: \$	147.18			
		Total Base Wages + Other: \$	20,947.18			
Highest Calculated Income	Highest Calculated Income (Employer #1): \$ 20,947.18 Total Base Wages + Other + OT/Bonus/Comm/Tips Used to Qualify.					
Correct income in	Correct income information based on Income Calculation Guidelines or provide an explanation from the employer for the discrepancy between the two calculations.					



DISCREPANCIES

Why is there a discrepancy and what is needed to explain the discrepancy?

YTD Income Annualized Higher

- YTD Start Date is incorrect
 - Determine correct YTD Start Date with income documents OR obtain YTD Start Date from employer
- OT, commission, bonus, etc. earnings are not entered in YTD Other Income
 - Update ICW to include all earnings not paid at the regular wage in the YTD Other Income cell

Additional Reason for Discrepancy

- Hours per week on paystub or VOE don't accurately represent a typical pay period
 - Obtain average hours per week from employer OR income document that accurately represents a typical pay period
 - The high end of the range must always be used in the ICW. Do not enter the average hours in the income calculation if the average is lower hours. Obtaining the average is only used to explain the discrepancy.

YTD Total Base Wages + Other Higher

- Homebuyer was off work, without pay, for an extended period of time
 - Obtain dates range or number of weeks/days homebuyer was off work without pay from employer
- Homebuyer received a wage increase
 - Obtain the date and amount of the wage increase from the employer
- ALL earnings are not entered in the YTD Total Income cell
 - Update ICW to include all earnings in the YTD Total Income cell

**This page includes examples of the most common reasons for income calculation discrepancies and is not exhaustive.



Questions?



HCD Toll Free Number: 866.571.8155

Email: hsp@fhlbtopeka.com/hsp

DO NOT provide income documentation via email. Income documentation contains personally identifiable information (PII), and email is not secure.

