Start Up Loan Program Eligibility Income Worksheet

What you Need to Know:

- Document your calculations so Minnesota Housing staff can understand how you arrived at the total Program Eligibility Income.
- Each loan file will have two income calculations:
    - For **qualifying income**, follow industry standard documentation and calculation requirements.
    - For **program eligibility income**, provide documents dated within four months of the closing date to support your calculations. Within those four months, use the most recent information available.
    - See Eligibility and Qualifying Income Reference Guide for further explanation about when to use each type of calculation.
- **Borrowers cannot intentionally manipulate income (quit job, etc.) to become eligible.**
- Lender must **review bank statements** for deposits and provide an explanation addressing whether deposits are additional income sources or not. Follow this guide to determine whether any such income sources need to be included in the Start Up program eligibility income calculation.

Questions? Have your underwriter contact the Partner Solutions Team (PST) by email at mnhousing.solution@state.mn.us or by phone 651.296.8215.

Include Income from the following individuals:

- A person who will have title to the property and will sign the mortgage. (i.e. a Borrower)
- A person expected both to live in the residence being financed and is a legal spouse of a Borrower.
- A person expected both to live in the residence being financed and to sign or guarantee the mortgage note (i.e. an occupant co-signer).

Choose the applicable income type(s) and use page 2 to show your calculation:

- Base Pay from an Employer
- Insurance or Benefit Payments
- Additional Income from an Employer
- Investment Property Net Rental Income
- Employee Allowances
- Child/Spousal Support
- Self-Employment/Business Income
- Regular Cash Contributions
- Income from Financial Assets
- Custodial Account Income
- Government Transfer Payments
- Other Sources of Income

Annual Program Eligibility Income

Include the individuals who meet any of the criteria in the Include Income from the following individuals section. Use the table below to add together the Annual Program Eligibility Income.

Instructions for use of table below: *Enter name(s), select income type and enter in the total amounts for that source of income. All amounts entered will automatically subtotal per person.*

Table 1: calculation for income Types and subtotal amounts

Income Types	Person A	Person B	Person C	Person D
Name:				
Choose an item.	$	$	$	$
Choose an item.	$	$	$	$
Choose an item.	$	$	$	$
Choose an item.	$	$	$	$
Subtotal	$0.00	$0.00	$0.00	$0.00

Total Annual Program Eligibility Income: $ 0.00

Note: The amount listed above must be under the Start Up Program Eligibility Income Limits

Program Eligibility Income Calculations and Notes

Include **all** income type(s) for all persons (A to D) listed in the table above. Show program eligibility income calculations here with notes as applicable.

* M C E L G I N W S T *

Calculating Program Eligibility Income

When calculating Program Eligibility Income, there are **two** types of income to consider – **income from an employer** and **income from all other sources**. Include all income unless specifically listed as excluded on this worksheet.

Calculating income from an Employer

Determine whether the Borrower receives base pay only or a combination of **base pay** and **additional income** from an employer. Ask employer for clarification if the Borrower has not been on the job long enough to establish a history. Contact PST by email mnhousing.solution@state.mn.us or by phone 651. 296.8215, for additional guidance if your Borrower recently quit a job, lost a job or is between jobs.

1. Base Pay from an Employer

Definitions/Inclusions

Regular Hours/Pay:

Borrower is scheduled for the same number of hours per pay period. Gross salary or wage income from part-time, full-time, or seasonal work with regular hours/pay.

Irregular Hours/Pay:

Variable hours, seasonal work, etc., such as nursing, restaurant, construction, retail or part-time work with varied hours or pay.

Exclusions

- Income no longer available
- Income not yet earned (i.e. future bonus, expected raise)

Contact PST for additional guidance if your Borrower recently quit a job, lost a job, or is between jobs.

Guidance

Borrowers cannot intentionally manipulate income (quit job, etc.) to become eligible.

- Determine whether base pay is regular hours/pay or irregular hours/pay and follow calculation instructions on page 3 and 4.
- Include all income, including sick, holiday, and vacation pay.
- Income documentation is required, and could include, but is not limited to; paystubs, VOE, tax returns, W-2's, etc.
- Seasonal work requires the same documentation as "Base Pay from an Employer, irregular hours/pay," but should also include any unemployment benefits, if applicable.
- 1099s, tax returns, and/or verification from unemployment office are required to verify unemployment benefits.

Regular Hours/Pay Calculation

1. Determine frequency of income - weekly, bi-weekly, semi-monthly, etc.
2. Identify documentation needed to support payment frequency and calculation.
3. Apply Calculation - (Base Wage x Hours Worked in a Pay Period) x (# of Pay Periods Per Year).
4. This should approximate the annualized YTD on VOE or paystubs. If not, check for additional pay, such as overtime, bonus, shift differential, etc. (Employers don't always break this out on the VOE).
5. Don't double count by adding sick, vacation, and holiday earnings.
6. See **"**Calculate Additional Pay from an Employer**"** below.

Pay Calculation Examples

Hourly Pay:

Multiply the pay per hour by the number of hours worked per week. Multiply total by 52 weeks a year.

Example:

1. $15 per hour x 40 hours a week = $600
2. $600 x 52 weeks a year = $31,200
3. $31,200/12 = $2,600 gross monthly base pay

Bi-Weekly Pay:

Multiply the bi-weekly pay by 26.

Example

1. $1,200 ever two weeks x 26 pay periods a year = $31,200
2. $31,200 /12 months = $2,600 gross monthly base pay

Semi-Monthly Pay:

Multiply the semi-monthly pay by 24.

Example:

1. $1,300 semi-monthly pay x 24 pay periods a year = $31,200
2. $31,200 /12 months = $2,600 gross monthly base pay

Irregular Hours/Pay:

1. Add YTD Earnings total and prior year's earnings total, if available. If using a different timeframe, the underwriter should provide documentation and an explanation to support using a different timeframe.
2. To annualize, divide the resulting amount by the number of months and days worked, and then multiply that number by 12 months to get total average pay from an employer.



Additional Income from an Employer

Definition/Inclusions

Income over and above base pay, such as overtime, shift differential, bonuses, profit-sharing, tips, commissions, etc.

Income is counted regardless of the currency in which it is paid (i.e. U.S. Dollars or virtual currency).

Exclusions

- One-time (non-recurring) income; i.e. income received once that does not have a history and is unlikely to re-occur in the future, employer provides written notice additional pay is ending.
- Reimbursements for specific employee business expenses, such as mileage reimbursements for a business trip

Guidance

- Documentation of additional pay could include, but is not limited to, paystubs, VOE, etc.
- Always use an average for overtime (unless employer and income history verify OT was for one-time, special project, etc.), commissions, bonuses, shift differentials, and sick/vacation/holiday pay (if not already included in base pay).
- Include all income that is included in the YTD Earnings Total on a paystub or on a VOE.
- If income identified on paystubs and/or on the VOE was excluded from the YTD earnings total, that income does not need to be included in the Program Eligibility Income calculation.
- Virtual currency as compensation for services: Calculate as you would with other income, with frequency documented. For such calculations, use the fair market value of the virtual currency on the date received. Virtual currency documentation may include but is not limited to printouts or screenshots of virtual wallets, ledgers, receipts, etc. Virtual currency income from an employer is included in “Wages, tips, other compensation” reported on Form W-2.

Additional Pay Calculation

1. Review the earnings section of paystub or VOE and add up all additional income that is included in the YTD earning total and not included in base pay. (Sick, vacation, holiday, etc. are generally included in base pay.)
2. Add YTD additional pay total and prior year’s additional pay, if available on a VOE. If using a different timeframe, the underwriter should provide documentation and an explanation to support using a different timeframe.
3. To annualize, divide the resulting amount by the number of months and days worked, and then multiply that amount by 12 months to get an average of Additional Pay from an Employer.

Calculating Income from Other Sources

Determine if there are other sources of income, apart from wages from an employer.

2. Employee Allowances

Definition/Inclusions

- Housing
- Car
- Cell phone
- Per diems, etc.,

Exclusions

Reimbursements for specific employee business expenses, such as mileage reimbursements for a business trip

Guidance

- Include all allowances, per diem or stipends as income.
- Include job-related unreimbursed expenses (i.e., union dues, computer/phone purchase, supplies needed, required training, etc.,). These expenses cannot be deducted from eligibility income.

3. Insurance or Benefit Payments

Definition/Inclusions

Periodic payments derived from:

- Long-term care insurance
- Disability insurance
- Pensions
- Death benefits

Exclusions

Do not include one-time, lump-sum payments.

Guidance

Include periodic insurance or benefit payments at current level.

4. Regular Cash Contributions

Definition/Inclusions

Regular cash contributions from non-resident(s)

Guidance

- Check bank statements for regular cash contributions.
- Include all regular cash contributions from non-residents.

5. Government Transfer Payments

Definition/Inclusions

Government transfer payments involve payments for which no current services are performed and are a component of personal income.

- Retirement benefits
- Disability benefits
- Income maintenance benefits
- Pensions
- Veterans benefits
- Veterans Education benefits
- Federal education & training assistance
- Public assistance
- Worker's Compensation
- Social Security benefits
- Unemployment insurance compensation

Exclusions

- Food stamps
- Government-paid child care paid directly to the provider
- Social Security benefits for a minor where someone other than the Borrower is named as custodian
- Foster care income
- Section 8 vouchers
- Adoption Assistance Subsidy for children with special needs
- Federal Communications Commission Assistance
- Veterans Disability Benefits

Guidance

- Include all sources of this income at current level.
- **Do not gross up.**
- See also Custodial Account Income

6. Custodial Account Income

Definition/Inclusions

Unearned income paid to children age 20 or younger, who live with the Borrower(s) 50% of the time or more

Guidance

Include all custodial account income.

Exclusions

- 529 plans
- Accounts where someone other than the Borrower is named as custodian.
- Unearned income of adult dependents age 21 or older



7. Self-Employment

Definition/Inclusions

Individuals who earn their income through conducting a trade or business that they directly operate instead of working for an employer who pays them a salary or a wage.

This includes gig-jobs which may include, but not limited to:

- Lyft or Uber
- Run errands or complete tasks
- Sell goods online
- Provide creative or professional services
- Provide other temporary, on-demand or freelance work

Guidance

- Determine gross annual income.
- Use a two-year average from the most recent federal income tax returns, if available.
    - If using a different timeframe to better reflect the Borrower's current income, the underwriter should provide documentation and an explanation to support that.
- Self-employment income documentation is required, and may include, but is not limited, to:
    - Tax form Schedule C, most recent two years
    - Tax form Schedule K-1 (Form 1120S)
    - YTD Profit & Loss Statement
    - YTD print out from gig-job (i.e. from Uber, etc.)
    - Additional Bank Statements (enough months to demonstrate consistent average income)
- Request additional supporting documentation (i.e. current balance sheet and income statement) when necessary (to support P&L or other income documentation).
- Deduct out-of-pocket business expenses such as office rent, telephone, etc., which are generally tax-deductible items.
- Include all entertainment and travel expenses, private retirement contribution plans, net operating loss deduction and property or equipment depreciation. These items are generally tax-deductible, but must be added back for the Program Eligibility Income calculation if starting with the net income amount.
- If a net loss, use $0. Do not subtract the loss from the Program Eligibility Income calculation.

8. Income from Financial Assets

Definition/Inclusions

Income from:

- Trusts
- Annuities
- Dividends
- Royalties
- Interest earned from non-retirement accounts:
    - Savings
    - Checking
    - Money market
    - Investments
    - Virtual currency
    - Mutual funds, etc.,
- Certificate of deposit.

Exclusions

- One-time lump sum payments
- Distributions from investments in retirement accounts (IRA, VIP, 403(b), 401(k))
- Any cash withdraws from retirement accounts

Guidance

- Always check tax returns for income from financial assets (including virtual currency).
- Include average of periodic payments, including recurring, lump-sum payments.
- Where assets after closing exceed $5,000, calculate interest income based on the greater of actual income or imputed income based on the current passbook savings rate, as determined by HUD.
- Additional guidance on virtual currency as an investment: Follow IRS guidance. See the IRS FAQs on Virtual Currency

9. Investment Property Net Rental Income

Definition/Inclusions

Income from an Investment Property

Exclusion

Potential roommate income or rental income of future duplex or accessory dwelling unit

Guidance

Calculate investment property net rental income

- Monthly Gross Rent - Vacancy Loss = Gross Adjusted Rent
- Gross Adjusted Rent – PITI and maintenance costs = Net Rental Income.
- If rental income is negative, enter $0. In addition, an operating statement may be used in lieu of using the above-referenced formula

10. Child/Spousal Support

Definitions/Inclusions

- Child support
- Childcare
- Medical support
- Alimony
- Spousal maintenance

Exclusions

Court-ordered support not received; must document support was not received

Guidance

- Use average of actual support received.
- Review divorce/child support agreement.
- Check with county social service agency to determine whether any payment adjustments have been made since the original payment schedule.
- Cross-check payment schedule with bank statements, etc.

Contact PST if less than six months remain.

11. Other Sources of Income

Definition/Inclusions

- Contract-for-deed interest income
- Any other sources of income as identified or represented in the loan file and applicable documentation.
- Gambling winnings (unless proof of one-time earning is provided); gambling losses cannot be deducted from winnings.

Guidance

- Always include other sources of income not specifically excluded.
- For contract-for-deed interest income, include interest portion of payments per the terms of the agreement/contract

Exclusions

- Loans; scholarships; grants and tuition reimbursement
- Earned Income Tax Credit refund payments; health insurance premium reimbursements (deducted from gross pay) and any out-of-pocket expense (co-pays, etc.) reimbursements
- State Child Tax Credit
- One-time lump sum (non-reoccurring) payments from:
    - Gambling winnings
    - Inheritances
    - Insurance settlements
    - Lottery winnings
    - Capital gains
    - Liquidation of assets
    - Settlements for personal loss
    - Front Line Worker Pay