



FHA INCOME DOCUMENTATION

FHA Total Scorecard & Manual

This does not encompass every type of income, but the more common forms of income we see. The FHA FAQ <https://portal.hud.gov/hudportal/HUD?src=/FHAFQAQ> OR 4000.1. Reminder, the 4000.1 is the final word if there is any discrepancy between guidelines.

If you do not need tax returns, DO NOT SUBMIT, OBSOLETE! Less documentation is more. Only require tax returns if the income requires tax returns

- **2020 W2s** must be issued by employers by January 31st
- **2020 K1s** typically issued by March 15th
- **2106 expense** (unreimbursed employee expenses) is no longer required to be deducted
- **6 month Gap of Employment** ONLY applies to the borrower's current position. They must be on his/her current job 6 months at time of case assignment if they had a gap between the last and current jobs 6 months or greater
- **Non- taxable income** is grossed up max **115%**
- **Capital Gains** losses must be considered

Base Pay (Salary or Hourly)

- **Total Scorecard**
 - most recent paystub and previous two years W2s, W2 transcripts or 2 year written VOE.
 - OR Third Party Verification Vendor (TPV) covering two years – Work Number thru Credit Plus
 - For past employment documentation, can document one of the following: W2s or VOE(s) or evidence supporting school enrollment or military
- **Manual**
 - most recent paystub covering a minimum of 30 consecutive days (28 for weekly or biweekly) and previous two years W2s, W2 transcripts or 2 year written VOE
 - OR Third Party Verification Vendor (TPV) covering two years – Work Number thru Credit Plus
 - For past employment documentation, can document one of the following: W2(s) or VOE(s) or evidence supporting school enrollment or military

Part-time Employment (Second Job) – Paystub(s), Two years W2s OR TPV VOE

- Considered effective income if the borrower has worked a part time job uninterrupted for the past two years and is likely to continue.
- This can also mean, your borrower worked one part time job for a period less than two years, but switched to another part time job to complete a two year history of working two jobs. That combination is still an uninterrupted history.

Overtime, Bonus & Tips – Two year written VOE OR current paystub(s) with year end paystubs for last 2 years. 12 to 24 months may be considered to qualify

Commission Income – written VOE for two years. May use commissions earned for at least one year.

Self Employed Income –

- FHA requires **two years** most recent personal & business returns.
- Self-employment income may be considered between **one and two years** IF the borrower was previously employed in the same line of work or related occupation at least two years
 - Depreciation, depletion, amortization, casualty losses may be added back to gross income
 - Schedule C Business Use of Home – mortgage interest, mortgage insurance premiums, RE taxes & property insurance deducted for business use of a house may be added back to income
- **Greater than 20% decline in *effective* income** must be **manually down graded**
- Schedule C requires personal returns, Profit and Loss required if more than one calendar quarter has elapsed since date of most recent tax return filed
- S Corporation 1120S requires personal returns, W2s if applicable, 1120S business returns, K-1s, Profit and Loss AND Balance Sheet required if more than one calendar quarter has elapsed since date of most recent tax return filed
- Partnership 1065 requires personal returns, 1065 business returns, K-1s, Profit and Loss AND Balance Sheet required if more than one calendar quarter has elapsed since date of most recent tax return filed
- Corporation requires personal returns, W2s, business returns, Profit and Loss AND Balance Sheet required if more than one calendar quarter has elapsed since date of most recent tax return filed

Alimony, Child Support, and Maintenance Income

- Final divorce decree, legal separation agreement, court order or voluntary payment agreement with documented receipt
- 3 months receipt for consistent payments
- Inconsistent payments must be averaged
- 12 months for voluntary payments
- Prove 3 years continuance

Social Security Income or Supplemental SSI, Social Security disability income

- Obtain one of the following: Tax returns, most recent bank statement showing receipt of SSI, proof of income letter (Budget or Benefits Letter), OR SSA 1099/1042S Social Security Benefit Statement
- Document continuance with award letter or equivalent document that established award benefits
- IF there is no defined expiration date, we must consider the income effective and likely to continue for SSI (retirement) & supplement SSI
- SSI Disability or Private Disability set to expire within 3 years cannot be used to qualify

Pension

- Obtain one of the following: Tax returns, most recent bank statement showing receipt or copy of Pension/retirement letter