

# Calculating Compliance Income



NC<sup>1st</sup> Home Advantage

DOWN PAYMENT



NC Home Advantage

TAX CREDIT

# Special Rules for the NC 1<sup>st</sup> Home Advantage and Mortgage Credit Certificate Programs

- Funds are Available in all 100 NC Counties
- New or Existing Properties
- Must be First Time Home Buyer or Meet Exceptions
- Sales Price Limit is currently \$490,000 Statewide
- Income Limits Apply and Vary Based on the County and # of Occupants

# Family Income Limits Apply

**For the current income limits go to:**

<https://www.nchfa.com/home-buyers/income-limits>

# What is Family Income?

**All** of the income received by All borrowers, spouses, & owner occupants must be considered.

- Base Pay
- Bonus, Overtime, Auto Allowance
- Self Employment Income
- Interest, Dividends, Annuities
- Pension, Social Security, Unemployment, Workers Comp, VA benefits
- Child & Spousal Support
- Government Subsidies (Section 8, AFDC)
- Gross Rental Income
- Deferred Income
- All other regularly occurring additional income
- Other as applicable

Not all inclusive. Check Program Guide for other types of Compliance Income.

## Family Income, Documentation, & Disclosure Matrix

*NC 1<sup>st</sup> Home Advantage w/\$15,000 DPA\**  
*NC Advantage Tax Credit (MCC)\**

Category of Borrower/Titleholder	Is Income Counted in Family Income?	VOE, Paystubs, W2 (1099) & 3 yrs. Tax Returns	Are They FTHB?	Is Credit Report Required?	Notice to Borrower Form – 026 DPA	Recapture Notice Form - 015	Mortgage Affidavit Form - 016
Borrower	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Co-Borrower	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Spouse	Yes	Yes	Yes	No	No	No	Yes
Someone Secondarily Liable, Occupant	Yes	Yes	Yes	No	No	No	Yes
Titleholder, Occupant	Yes	Yes	Yes	No	No	No	Yes
Adult Occupant only	No	No	No	No	No	No	Yes

\*Both the NC 1<sup>st</sup> Home Advantage (\$15,000) and the NC Advantage Tax Credit (MCC) are funded by Mortgage Revenue Bonds and **cannot be** used together. The NC Advantage Tax Credit MAY be combined with the NC Home Advantage Mortgage™ and the Community Partner Loan Pool program. The NC 1<sup>st</sup> Home Advantage Mortgage may be combined with the Community Partner Loan Pool program. The NC 1<sup>st</sup> Home Advantage Mortgage (\$15,000) and the NC Advantage Tax Credit follow the same Family Income & Sales Price limits.

April 2023. Subject to change. Refer to Program Guides for detailed information.

# Disclosure of Income

- Lenders should always ask the borrowers and/or titleholders to disclose their current base income (before any payroll deductions). Current base income includes income from **primary** and **part-time** jobs **and all other income that the borrowers receive at the time the lender submits loan documents for NCHFA approval**. This information must be used for compliance underwriting.
- **All income is projected for 12 months to calculate compliance income (regardless of its likelihood to continue).**

# Documentation the Agency will Review

- Three years **signed** Federal Tax Returns **or** Transcripts
- Paystubs dated within **45 days of submission** to NCHFA clearly indicating base income as well as other sources of income such as bonus, over-time, commission, shift differential, etc.
- Verifications of Employment – Verbal or Written for **all W2s from the previous year**
- The sum of all W2s **must match the amount reported on the tax return**
- Copies of any additional income such as child support, alimony, pension, social security, VA compensation and/or pension, interest, etc.\*
- YTD Profit and Loss if Self-Employed
- Business Use Worksheet if Self-Employed

# Prior Employment or New Employment

- For borrowers **quitting or resigning from a job**, a resignation letter and verification from prior employer must be dated, signed, and acknowledged by former employer prior to submission of underwriting file to NCHFA. If borrower is **starting a new job**, then we must have copy of resignation letter and proof of acceptance from prior employer, otherwise income from both jobs will be used in calculating gross, family income.
- For borrowers starting **a new job where a paycheck/paystub is not yet available**, the lender must obtain a written VOE from employer along with a signed, valid offer letter from new employer that shows salary and start date. The **Master Servicer will require a paystub as part of the final closing package submitted after closing.**



# Weekly Payroll Calendar for 2024

## Calendar for Year 2024 (United States)

January							February							March							April										
Week	Su	Mo	Tu	We	Th	Fr	Sa	Week	Su	Mo	Tu	We	Th	Fr	Sa	Week	Su	Mo	Tu	We	Th	Fr	Sa	Week	Su	Mo	Tu	We	Th	Fr	Sa
1		1	2	3	4	5	6	5					1	2	3	9						1	2	14		1	2	3	4	5	6
2	7	8	9	10	11	12	13	6	4	5	6	7	8	9	10	10	3	4	5	6	7	8	9	15	7	8	9	10	11	12	13
3	14	15	16	17	18	19	20	7	11	12	13	14	15	16	17	11	10	11	12	13	14	15	16	16	14	15	16	17	18	19	20
4	21	22	23	24	25	26	27	8	18	19	20	21	22	23	24	12	17	18	19	20	21	22	23	17	21	22	23	24	25	26	27
5	28	29	30	31				9	25	26	27	28	29			13	24	25	26	27	28	29	30	18	28	29	30				
																14	31														

  

May							June							July							August										
Week	Su	Mo	Tu	We	Th	Fr	Sa	Week	Su	Mo	Tu	We	Th	Fr	Sa	Week	Su	Mo	Tu	We	Th	Fr	Sa	Week	Su	Mo	Tu	We	Th	Fr	Sa
18				1	2	3	4	22						1	27		1	2	3	4	5	6	31					1	2	3	
19	5	6	7	8	9	10	11	23	2	3	4	5	6	7	8	28	7	8	9	10	11	12	13	32	4	5	6	7	8	9	10
20	12	13	14	15	16	17	18	24	9	10	11	12	13	14	15	29	14	15	16	17	18	19	20	33	11	12	13	14	15	16	17
21	19	20	21	22	23	24	25	25	16	17	18	19	20	21	22	30	21	22	23	24	25	26	27	34	18	19	20	21	22	23	24
22	26	27	28	29	30	31		26	23	24	25	26	27	28	29	31	28	29	30	31				35	25	26	27	28	29	30	31
								27	30																						

  

September							October							November							December										
Week	Su	Mo	Tu	We	Th	Fr	Sa	Week	Su	Mo	Tu	We	Th	Fr	Sa	Week	Su	Mo	Tu	We	Th	Fr	Sa	Week	Su	Mo	Tu	We	Th	Fr	Sa
36	1	2	3	4	5	6	7	40			1	2	3	4	5	44						1	2	49	1	2	3	4	5	6	7
37	8	9	10	11	12	13	14	41	6	7	8	9	10	11	12	45	3	4	5	6	7	8	9	50	8	9	10	11	12	13	14
38	15	16	17	18	19	20	21	42	13	14	15	16	17	18	19	46	10	11	12	13	14	15	16	51	15	16	17	18	19	20	21
39	22	23	24	25	26	27	28	43	20	21	22	23	24	25	26	47	17	18	19	20	21	22	23	52	22	23	24	25	26	27	28
40	29	30						44	27	28	29	30	31			48	24	25	26	27	28	29	30	1	29	30	31				

# Calculating Base Pay for Wage Earners

**Determine how often is the Borrower/Occupant Paid:**

- **Weekly?**
- **Bi-Weekly?**
- **Bi-Monthly?**
- **Monthly?**

# Calculating Base Pay for Wage Earners

**Determine how the Borrower/Spouse/Title Holder is Paid:**

- **Hourly? How Many hours per pay period?**
- **Salary?**
- **Overtime?**
- **Bonus?**

# Calculating Base Pay for Wage Earners

$$\begin{array}{c} \text{Hourly Rate} \\ \times \\ \text{Hours Per Pay Period} \\ \times \\ \text{\# of Pay Periods} \\ = \\ \text{Annual Base Pay} \end{array}$$

# Calculating Overtime, Bonus, etc. for Wage Earners

- **January 1 to June 30:** add the current base pay to any additional income (overtime, bonus, shift differential, commission, etc.) from last year and YTD and project the additional income for the remainder of the year. For new employment, we will average the current base pay and other income by the number of pay-periods they have worked.
- **July 1:\*** add the current base pay to any additional income (overtime, bonus, shift differential, etc.) from the current year only and project the additional income for the remainder of the year.\*
- All income in excess of Base Pay is considered “Other”

**Total Income (Previous Year + YTD or YTD only) – Base Pay = Other Income**

\* For Full Time Wage Earners on the Same Job

# Calculating Compliance Income for Wage Earners

**Annual Base Pay**

**+**

**Other Income**

**=**

**Total Compliance Income**

# Calculating Income for Self-Employed Borrowers

- Income will be averaged from the previous 2 years Federal Tax Returns + depreciation/depletion +YTD Profit and Loss.
- If 2 years are not available then use previous year & YTD, or YTD if it is a new business.
- The Profit and Loss may be self-prepared but needs to be signed by the borrower.
- Losses are NOT deducted from Family Income. Any loss is reflected as “0” .

# Calculating Self-Employed Income

Previous 2 years Federal Tax Returns  
(Or last year and YTD or just YTD)

+

Depreciation/Depletion

+

YTD Profit and Loss

/

by # of months

=

**Compliance Income**



# Totaling Family Compliance Income

After you have calculated Compliance Income for each Owner Occupant, add together. Don't forget to add other sources of income, like interest, dividends, alimony, child support, etc.

Borrower 1	Compliance Income \$_____
	+
Borrower 2	Compliance Income \$_____
	+
Owner Occupant	Compliance Income \$_____
	+
All other sources of Income	Compliance Income \$_____
	=
<b>Total Compliance Income</b>	<b>\$_____</b>

# Example Income Calculation

- Assume today is March 15, 2024
- Borrower has been employed with the same employer for 3 years
- Current income is \$22.50 per hour; paid weekly
- Received \$2.00 per hour raise on November 3, 2023 (end of pay period 44)
- Current pay stub dated March 8, 2024 (end of pay period 10) reflects YTD income of \$11,240
- W2 from 2023 reflects total income of \$51,040.

# How to Calculate Compliance Income from the Example

Previous Year Rate \$20.50 x 40 per pay period x 44 pay periods (last year at old rate) = \$36,080

New Rate for the remaining pay periods from last year \$22.50 x 40 = \$900 x 8 = \$7200

\$36,080 + \$7,200 = \$43,280 (base income for 2023) – W2 total income \$51,040 = \$7,760 (total other income for 2023)

2024 Base Income \$22.50 x 40 hours = \$900 per pay period x 52 weeks = \$46,800 **Total Annual Base**

2024 YTD Income as of pay period 10 = \$11,240. However, \$900 x 10 pay periods would be \$9,000 so \$11,240 - \$9,000 = \$2,240 2024 other income

Past year Other \$7,760 + YTD Other \$2,240 = \$10,000 total other income / 62 pay periods = \$161.29 x 52 weeks = \$8,837 total projected other income

\$46,800 Base + \$8,387 other income = \$55,187 = Total Compliance Income

## Form 08 - UNDERWRITER CERTIFICATION

(Required on MCC and \$15,000 DPA Loans)

Lender: XYZ Mortgage Underwriter Name: Liz Taylor

Borrower(s) Name: Amanda Jones

Co-Borrower Name(s): \_\_\_\_\_

This is to certify that family income limits meet NCHFA County/Household limits:

COUNTY LIMIT (see NCHFA website): \$35,000

NUMBER OF OCCUPANTS: 1 (total # of people EXPECTED to live in the house)

<b>Family</b> Income includes:	<b>Borrower</b>	<b>Co-borrower</b>	<b>Spouse</b>	<b>Occupying Title Holder</b>
Base pay	\$ <u>46,800</u>	\$ _____	\$ _____	\$ _____
Overtime (is there any?)	\$ _____	\$ _____	\$ _____	\$ _____
Bonus Income (is there any?)	\$ _____	\$ _____	\$ _____	\$ _____
Interest Income (if any)	\$ _____	\$ _____	\$ _____	\$ _____
Pension /Social Security (if any)	\$ _____	\$ _____	\$ _____	\$ _____
Other (see guide for income that we use for compliance)	\$ <u>8,387</u>	\$ _____	\$ _____	\$ _____
<b>Add all columns down</b>	\$ <u>54,187</u>	+ \$ <u>0</u>	+ \$ <u>0</u>	+ \$ <u>0</u> =
	\$ <u>54,187</u> = <b>TOTAL FAMILY INCOME</b>			

**Yes  or No .** Income for all occupying borrowers/co-borrowers and occupying title holders has been verified and all VOE's, pay stubs, tax transcripts/returns are in the submission package.

Has any borrower or occupying co-borrower owned a primary residence in past three (3) years?

No (Yes or No)

If Yes, they may not be eligible for loan. Please make sure they meet guidelines.

If No, proceed processing loan.

Acreage of subject property per appraisal is 1.25. **Must be 5 acres or less.**

Is Borrower or Co-borrower or occupying Title Holder, self-employed? No (Yes or No)

If so, current P & L in submission & Business Use Worksheet? N/A

**This is to certify that I have reviewed and approved this loan based on industry guidelines and NCHFA guidelines:**

All sections  
of this form  
must be  
completed  
by the  
underwriter

# Best Practice Reminders

- **Double Check** that all information **matches** and is **accurate BEFORE** submitting your loan to the Agency for review.
- Make sure to include the **Business Use Worksheet** for a self-employed borrower and that the **YTD Profit and Loss Statement is signed** by the borrower.
- Follow the Submission Package Checklist (Page 2 of the Form 08) as a reminder of all required documentation and forms, as well as who is required to sign our forms.

# Thank You! We look forward to helping you!

## Contacts:

Margie Rivera, OLS/Lender Support:

Kathy Rufiange, Training & Outreach:

Bill Hobbs, Lender Liaison:

Donna Pruitt, Loan Production Coordinator:

Justin Cuevas, Underwriter:

Amanda Glasgow, Underwriter:

Tara Hillman, Underwriter:

Rajeshree Patel-Howard, Underwriter:

Amber Smith, Underwriter:

Nicole Wivell, Underwriter:

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