

Kentucky Housing Corporation

Compliance Income Calculator

Job Aide

10-31-2024

Compliance Income Calculator



Table of Contents

Section 1: Compliance Income Calculator	3
Background	3
Secondary Market Funding	3
Mortgage Revenue Bond Funding.....	3
Section 2: Navigating to and Accessing the Income Calculator	4
Section 3: Income Documentation Needed to Complete Calculator	4
Secondary Market Loans.....	4
Mortgage Revenue Bond Loans	5
Section 4: Completing the Compliance Income Calculator	5
KHC Income Screen	5
Compliance Income Calculator	6
Base Pay and Future Raises.....	7
Commission, OT, Bonus, Profit Sharing	8
Second Jobs.....	9
Child Support and Alimony	11
Nontaxable Income	11
Self Employed/Partnerships.....	12
Income From Assets.....	12
Other Income and Adjustments.....	12

Section 1: Compliance Income Calculator

Background

Kentucky Housing Corporation's (KHC) Compliance Income Calculator is utilized to determine if a borrower(s) qualify for financing program through KHC.

Compliance income is different from qualifying income. Qualifying Income is the income from the applicant(s) that meets agency guidelines, it is stable (likelihood of continuing for at least three years) and used to calculate housing and debt ratios. This income is included in the Automated Underwriting System (AUS) findings. It is sometimes referred to as effective income.

The Compliance Income Calculator is found within each loan in KHC's LOS system, PowerLender (PL). *All pages of the income calculator must be printed and submitted with each loan file, including the income limit summary page.*

KHC has two funding sources, Secondary Market Funding and Mortgage Revenue Bond (MRB) Funding.

Secondary Market Funding

- The [Secondary Market Compliance Income Limits](#) are based on the county that the property is located. These limits are usually updated once a year.
- Compliance/Maximum income is based on the income of all applicants.
- Examples of income types that should be counted in compliance income include but are not limited to the following: Base pay, overtime, bonuses, commission, child support/alimony, profit sharing, tip income, non-taxable income (SSI, Disability), car allowances, housing allowance, flat rate per diem, and schedule C or E income.
- Non-borrowing occupant's income is not considered for Secondary Market Loans.

Mortgage Revenue Bond Funding

- The [MRB Compliance Income Limits](#) are based on the household size and the county or census tract the property is located in.
- Compliance/Maximum income is based on the income of all applicants and all non-borrowing occupants taking title to the property.
- Examples of income types that should be counted in compliance income include but are not limited to the following: Base pay, overtime, bonuses, commission, child support/alimony, profit sharing, tip income, non-taxable income (SSI, Disability), car allowances, housing allowance, liquid assets, flat rate per diem, and schedule C or E income.
- All borrowers and all non-borrowing occupants taking title must meet all MRB eligibility requirements.

Targeted Areas

- Borrower(s) and Non-Borrowing Occupants taking title to property may be a first-time homebuyer or a repeat homebuyer.
- Borrower(s) and Non-Borrowing Occupants taking title to property may not have any other properties in their names at the time of closing on subject property.

Non-Targeted Areas

- Borrower(s) and Non-Borrowing Occupants taking title to property must be first-time homebuyers

Section 2: Navigating to and Accessing the Income Calculator

To access the Compliance Income Calculator Users should have a profile created within PL with the role of Loan Officer, Processor or Underwriter.

- A. Login to PL at <https://kyhousing.powerlender.com/index.php>.
- B. Access applicable loan through the Lender Pipeline.
 - a. Loan Officers and Processors will access the Compliance Income Calculator in the Application and Disclosure Stage.
 - b. Underwriters will access the Compliance Income Calculator in the Underwriting Stage.

Section 3: Income Documentation Needed to Complete Calculator

Secondary Market Loans

When completing the Compliance Income Calculator for Secondary Market loans only the borrower(s) will be considered.

Borrower(s) will provide the following income documentation:

Type of Income	What documentation is needed?
W2 Employee	Verification of Employment with employment start date. Most recent paystub reflecting 30 days earnings and gross year-to-date income.
Self Employed/1099	Previous year tax return Year-to-date Profit & Loss (if taxes have not been filed)
Pension	Pension Award Letter
SSI/SSN	Award Letter
Military	Leave and Earnings Statement
Military Disability	Certificate of Eligibility
Child Support	Divorce Decree, Child Support Enforcement Documentation Child Support Certification Form if not receiving ordered Child Support
Alimony or Support	Divorce Decree
Foster Care	This income is not considered.

Mortgage Revenue Bond Loans

When completing the Compliance Income Calculator for MRB loans the borrower(s) and non-borrowing spouse/occupant(s) taking title will be considered.

Non-Borrowing Spouse/Occupant(s) taking title to the property must complete a [Non-Borrowing Occupant Certification Form](#). Borrower(s) and Non-Borrowing Occupants taking title will provide the following income documentation:

Type of Income	What documentation is needed?
W2 Employee	Verification of Employment with employment start date. Most recent paystub reflecting 30 days earnings and gross year-to-date income.
Self Employed/1099	Previous year tax return Year-to-date Profit & Loss (if taxes have not been filed)
Pension	Pension Award Letter
SSI/SSN	Award Letter
Military	Leave and Earnings Statement
Military Disability	Certificate of Eligibility
Child Support	Divorce Decree, Child Support Enforcement Documentation Child Support Certification Form if not receiving ordered Child Support
Alimony or Support	Divorce Decree
Foster Care	This income is not considered.
Income from Liquid Assets	Bank Statements per agency guidelines

Section 4: Completing the Compliance Income Calculator

KHC Income Screen

Select KHC Income in the applicable PL stage.

KHC INCOME

Compliance Income (only)

Borrower 1 Borrower 2 Borrower 3 Borrower NBS

Subtotal All Income

\$ 61,920.00 \$ 36,000.00 \$ Total Compliance Income from Income Calculator \$ 97,920.00

Program Income Limit

FHA30 128,800.00
REGULAR DAP 128,800.00

Qualifying Income

Credit Documents: FHA 92900A, VA 02-0286 (Loan Summary), or Conv. 1008

Monthly Total Income	Borrower 1	Borrower 2	Borrower 3	Borrower 4	Monthly Qualifying Income	Annual Qualifying Income	Program Income Limit
2,561.96	1,800.00				4,361.96	57,071.52	

A. Select the appropriate borrower to open the Income Calculator.

- B. **Borrower 1, 2, 3:** Complete the Calculator for each borrower.
- C. **Borrower NBS:** If the file is an MRB and there is a non-borrowing spouse/occupant on the title, their income must be considered. Complete the Calculator for the Borrower NBS.
- D. **Total Compliance Income from Income Calculator:** The calculated Total Compliance Income from the Income Calculator should be at or below the Program Income Limit.

Compliance Income Calculator

The screenshot shows a software interface for the 'Compliance Income Calculator'. It contains four labeled input fields:

- A** County: A dropdown menu showing 'Adair'.
- B** Fund Type: A dropdown menu showing 'Secondary Market'.
- C** Household Size: An empty text input field.
- D** How many live in home: A dropdown menu.

- A. **County:** Make sure that the correct county is selected and that the county matches the appraisal and if necessary, USPS verification.
- B. **Fund Type:** This will default from the reservation. Make sure the Reservation Confirmation form and the Calculator reflects the same funding type.
- C. **Household Size:** This should reflect the correct number of persons in the household. This number will impact the compliance income limits. To insure you are using the correct limits for the program, this number needs to be correct.
- D. **How many live in the home:** This should reflect the correct number of persons in the household. This number will impact the compliance income limits. To insure you are using the correct limits for the program, this number needs to be correct.

Base Pay and Future Raises

Base Pay and Future Raises

Using most recent paycheck stub, enter the following information

A	<input type="text"/>	Base Pay Amount	
B	<input type="text"/>	Pay Factor	<small>Instructions for setting the Start Date: If applicant started employment prior to D1/D1 of current year, then the start date is 1/1 current If applicant started employment after 1/1 of current year, actual employment start date to be used.</small>
C	<input type="text"/>	Hour per Week (If hourly)	<small>Instructions for setting the End Date: Period ending is pay period ending date, not check date.</small>
D	<input type="text"/>	Compliance Income Total	
E	<input type="text"/>	Year-to-Date Amount	
F	<input type="text"/>	Start Date	
G	<input type="text"/>	Period Ending (from paycheck stub)	
H	<input type="text"/>	Compliance Income Total	

Comments **I**

- A. **Base Pay Amount:** Use either the paystub or the VOE and enter the amount paid per period. If the paystub and VOE do not match use the higher amount. Either enter the hourly rate if applicable or the weekly/biweekly or monthly rate if the borrower is salaried. If the VOE indicates a raise within the next 12 months this should be added to the base pay amount. See **Other Income and Adjustments** for additional ways this can be added to income.

Do not use the qualifying income. The KHC Compliance Income Calculator is a worst-case scenario to determine the maximum amount of income a borrower can earn over the next 12 months. Qualifying income and compliance income are two different things, and these generally do not match unless the borrower is qualified only with non-taxable income.

- B. **Pay Factor:** This is based on the paystub or VOE information. Either enter hourly, weekly, bi-weekly, semi-monthly, or monthly.
- C. **Hour Per Week:** This should be the highest number of regular hours (not including overtime) the borrower can work in a week. If the VOE or paystub reflect 40 hours, then use 40 hours. If they are paid overtime after 40 hours, then this number should reflect only 40 hours. If they work less than 40 hours per week use the highest number of hours from the sources available.
- D. **Compliance Income Total: (based pay section only)** The first total is based using the rate of pay times the pay factor.
- E. **Year-to Date Amount:** Use the most current source of income, from either the VOE or the paystub. This should include all regular hours/pay. This should also include Holiday, Sick, PTO and vacation pay.

If the borrower started employment with the current employer after the first day of the current year, then include all earnings. Do not breakout overtime/bonus or special pays.

- F. **Start Date:** This is either the first day of the current year (e.g. 1/1/24) or the date the borrower started the current employment if after the first of the current year. Do not put the date the borrower started employment if the borrower was employed prior to the current year.
- G. **Period Ending Date:** This refers to the pay period ending date, not the pay date. Check the source used for the year-to-date amount and for the period ending date. Many times, VOEs will reflect the pay date and not the period ending. Compare the VOE's date with the paystubs to determine which date was used. If the pay date is reflected, use the paystub as a guide to determine the actual period ending date if the VOE has more current information.
- H. **Compliance Income Total: (Base income section)** The second total is based on the current year to date pay.

The calculator will use the higher of the first compliance income total and the second total when determining the total compliance income from the base pay.

- I. **Comments:** Enter any comments that will assist someone else understanding how you have entered the income.

Commission, OT, Bonus, Profit Sharing

This section is used to average all pay that is not considered as base pay. This is generally a variable amount per pay period/quarterly or annually.

Per diem if not paid as a reimbursement should be counted in this section. If it is paid as a flat rate, it must be counted towards compliance income. If it is a true reimbursement for expenses, document the file to show why it was not used in compliance income.

The greater compliance income total will be used to calculate income.

Commission, Overtime, Bonus, Profit Sharing and Tip Income

- A. Select Commission, OT, Bonus, Profit Sharing to open screen.

Commissions Income Calc B1

A Last Year's Total Amount

B Last Year's Start Date

C Year-To_date Amount

D Start Date

E Period Ending (from Paycheck stub)

Average for last year & YTD =

F

Total Compliance Income for Borrower 1

GRAND TOTAL Current Annual Household Income \$

- A. **Last Year's Total Amount:** Include all pay that is not considered as base pay. This will include overtime, bonus, profit sharing, restricted stock units and paid out PTO. Paid out PTO is not considered base pay.
- B. **Last Year's Start Date:** Use either the date the borrower started employment with the current employer or 1/1 of the previous year if the borrower was employed prior to the start of the previous year.

Do not include income from previous employment. This section is to average all other pays from the current employment only.

- C. **Year-to-Date Amount:** Include all pay for the borrower that is not considered part of the base pay included in section one of the calculator.
- D. **Start Date:** Use January 1 of the current year, provided the borrower started employment prior to this date.
- E. **Period Ending:** This refers to the pay period ending date, not the pay date. Check the source used for the year-to-date amount and for the period ending date. Refer to the base income section for additional information.
- F. **Comments:** Enter any comments that will assist someone else understanding how you have entered the income.

Second Jobs

This section is used if the borrower has a second W-2 job.

Second Jobs

Using most recent paycheck stub, enter the following information

<input type="text"/>	Base Pay Amount	<input type="text"/>	A
<input type="text"/>	Pay Factor	<input type="text"/>	B
<input type="text"/>	Hour per Week (If hourly)	<input type="text"/>	C
<input type="text"/>	Compliance Income Total	<input type="text"/>	D
<input type="text"/>	Year-to-Date Amount	<input type="text"/>	E
<input type="text"/>	Start Date	<input type="text"/>	F
<input type="text"/>	Period Ending (from paycheck stub)	<input type="text"/>	G
<input type="text"/>	Compliance Income Total	<input type="text"/>	H

Comments **I**

The greater compliance income total will be used to calculate income.

- A. **Base Pay Amount:** Use either the paystub or the VOE and enter the amount paid per period for the second job. If the paystub and VOE do not match use the higher amount. Either enter the hourly rate if applicable or the weekly/biweekly or monthly rate if the borrower is salaried. If the VOE indicates a raise within the next 12 months this should be added to the base pay amount. See **Other Income and Adjustments** for additional ways this can be added to income.

Do not use the qualifying income. The KHC Compliance Income Calculator is a worst-case scenario to determine the maximum amount of income a borrower can earn over the next 12 months. Qualifying income and compliance income are two different things, and these will generally not match unless the borrower is qualified only with non-taxable income.

- B. **Pay Factor:** This is based on the paystub or VOE information. Either enter hourly, weekly, bi-weekly, semi-monthly, or monthly.
- C. **Hour Per Week:** This should be the highest number of regular hours (not including overtime) the borrower can work in a week. If the VOE or paystub reflect 40 hours, then use 40 hours. If they are paid overtime after 40 hours, then this number should reflect only 40 hours. If they work less than 40 hours per week use the highest number of hours from the sources available.
- D. **Compliance Income Total: (based pay section only)** The first total is based using the rate of pay times the pay factor.
- E. **Year-to Date Amount:** Use the most current source of income, from either the VOE or the paystub. This should include all regular hours/pay. This should also include Holiday, Sick, PTO and vacation pay.

If the borrower started employment with the current employer after the first day of the current year, then include all earnings. Do not breakout overtime/bonus or special pays.

- F. **Start Date:** This is either the first day of the current year (e.g. 1/1/24) or the date the borrower started the current employment if after the first of the current year. Do not put the date the borrower started employment if the borrower was employed prior to the current year.
- G. **Period Ending Date:** This refers to the pay period ending date, not the pay date. Check the source used for the year-to-date amount and for the period ending date. Many times, VOEs will reflect the pay date and not the period ending. Compare the VOE's date with the paystubs to determine which date was used. If the pay date is reflected, use the paystub as a guide to determine the actual period ending date if the VOE has more current information.
- H. **Compliance Income Total:** The second total is based on the current year to date pay.

The calculator will use the higher of the first compliance income total and the second total when determining the total compliance income from the base pay.

If the borrower works overtime the total income for the year to date should include all extra pay and overtime. If this causes a problem adding overtime to the total compliance income, see **Other Income and Adjustments** below.

- I. **Comments:** Enter any comments that will assist someone else understanding how you have entered the income.

Child Support and Alimony

If the borrower receives Child Support, Alimony or Maintenance, it must be counted in compliance income, even if it is not used for qualification. Document the amount the borrower is to receive each month from a divorce decree, child support enforcement documentation, etc. If the income is used to qualify the borrower and is grossed up for qualifying, only the base amount needs to be used for compliance.

<input checked="" type="checkbox"/> Child Support and Alimony	<input type="text"/>
---	----------------------

- A. Enter the monthly amount received.
- B. If borrower is not receiving the court ordered child support, have them sign the [Child Support Certification Form](#) to certify they are not receiving the child support.

Nontaxable Income

Amounts received for Social Security, SSI, retirement, or annuities must be considered in the compliance income even if not used for qualification purposes. The income needs to be documented (award letter, pension letter, etc.). The income amounts prior to taxes, Medicare or other deductions should be used.

Income should not be grossed up for compliance purposes. Foster Income is not considered in compliance income.

If a borrower receives a housing allowance as part of their compensation, this needs to be counted in the compliance income, even if it is not used for qualifying. This should not be grossed up. Only the base amount should be used. Additional military non-taxable pays should be added in this section.

Nontaxable Income (i.e. SS, SSI, retirement funds, annuities)

- A. Enter the monthly amount received.

Self Employed/Partnerships

The Previous year completed tax returns should be provided to document this income. The net annual income in the case of a Schedule C should be used for compliance income purposes. The annual amount should be divided by 12 before entering it in the calculator.

If the borrower has not yet filed taxes on the income, a year-to-date P&L can be considered and adjusted to show an annual income. This would apply to Door Dash, Lyft and Uber types of jobs that pay are paid by 1099, and filed on a Schedule C.

Self Employed / Partnerships

- A. Enter the calculated monthly amount.

Income From Assets

If the file is an MRB, remaining verified liquid funds must be considered in compliance income. Retirement funds are not considered.

Income From Assets (MCC/MRB only) Enter Dollar Amt of Reserves (Annual) Total income from Assets (annual)

- A. Enter the total amount of remaining liquid assets in the calculator and the calculator will consider 1% for qualifying annually.

Other Income and Adjustments

This section is for other income that is not previously addressed in the calculator.

Other Income and Adjustments
 Monthly Amount
 Total (monthly amount x 12)

- A. **Unexplained deposits over \$500:** If a deposit shows over \$500 is reflected on the bank statement that has not been explained by the borrower, it may be added to income. The amount is entered as a monthly amount and will be calculated as an annual income ($\$500 \times 12 = \6600). If this does not cause the borrower to be over income for the program, you can proceed

without explanation. If the annualized amount causes the borrower to be over income for the program, it can be removed if is explained and determined not to be from a source of income.

- B. **Future Raise:** If the borrower's VOE shows an increase in their rate of pay and using the raise for a full 12 months put the borrower over income for the loan program, it can be prorated. For example, if the borrower will get a \$3000 annual raise but will only have that amount for six of the next 12 months, then only the portion that will be received over the next 12 months may be considered. $\$3000 / 12 \text{ months} = \250 per month . This portion can be added to **Other Income and Adjustments**. Be sure to note why the addition was made to the calculator.

- C. **Overtime from Second Job:** If the borrower receives overtime from a second job the income may be averaged over the previous year and year to date and added to **Other Income and Adjustments**, if adding the year-to-date overtime puts the borrower over income in the second job section.