



MGIC

Evaluating and Calculating Variable Income

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Employment and Other Income Worksheet



Employment and Other Income Worksheet MGIC

User Tips:

- Add borrower information in blue-shaded fields
- Click the "O" button to expand income source section
- Populate YTD Monthly Earnings for variable income sources:
 - Select "A" for Annualized YTD Monthly Earnings
 - Select "Y" for YTD Monthly Earnings (default)
 - Select the Reset Workbook button on top to clear all information

Income analysis may vary by investor. FOLLOW INVESTOR GUIDELINES.

File Name: Prepared by: Date:

[Before you can use the worksheet, you must make it a Trusted Document. Click here for instructions.](#)

Borrower Name: Employer Name:

Base Pay

Select to include as qualifying income:

	Rate of Pay	Pay Frequency (select from drop down)	Hours Worked Weekly	Monthly Earnings
<input type="checkbox"/>	\$ 75.00	Hourly (H)	24.00	\$ 7,800.00

Date Paid

	Date From:	Through:	Total Earnings:	# of Months:	Monthly Earnings:	% Change:
<input checked="" type="checkbox"/>	1/1/2024	2/29/2024	\$ 15,630.00	2.00	\$ 7,815.00	-22.54%
<input type="checkbox"/>	1/1/2023	12/31/2023	\$ 121,067.00	12.00	\$ 10,088.92	+5.71%
<input type="checkbox"/>	1/1/2022	12/31/2022	\$ 114,523.00	12.00	\$ 9,543.58	-

Qualifying Base Pay:

Overtime

Bonus

Commission

Other Income

Total Qualifying Income from: Jonas Grumby \$ 7,815.00

- Base, OT, Bonus, Commission & other income
- Non-taxable income
- SSI non-taxable gross up
- YTD or Annualized option

Get the worksheets at: MGIC.COM/SEB



Variable Income - Agenda

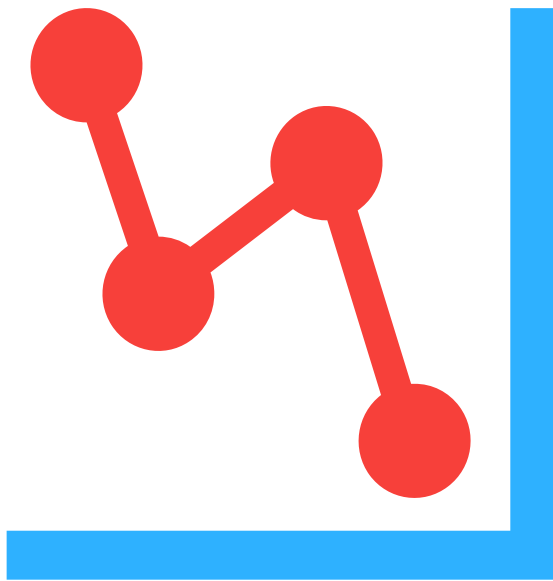
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- Defining variable income
- Variable income guidelines
- Analyzing overall risk
- Calculation of income
 - Secondary or part-time income
 - Case study examples
 - 1099 Borrowers



Variable Income

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Fluctuating earnings

Amount is NOT predetermined,
does NOT occur with regular
frequency and a definite
amount is NOT documentable



Examples of Variable Income

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Hourly – no
set hours per
week

Part-time
employment

Shift or on-
call

Overtime

Bonus

Commission

Validate before you calculate

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- Verification complete?
- Any discrepancies?
- Any red flags?
- Any questions?
- Supporting documentation needed?



Variable Income Guidelines

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- 24-month history is recommended – in no event should employment history be less than 12 months
- Calculation of income will be determined based on whether earning trend is consistent, increasing or decreasing
- Additional analysis should be done when the income fluctuates more than 10% from year to year



Fannie Mae

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What is required for variable income? [Share](#)

Variable Income

All income that is calculated by an averaging method must be reviewed to assess the borrower's history of receipt, the frequency of payment, and the trending of the amount of income being received. Examples of income of this type include income from hourly workers with fluctuating hours, or income that includes commissions, bonuses, or overtime.

History of Receipt: Two or more years of receipt of a particular type of variable income is recommended; however, variable income that has been received for 12 to 24 months may be considered as acceptable income, as long as the borrower's loan application demonstrates that there are positive factors that reasonably offset the shorter income history.

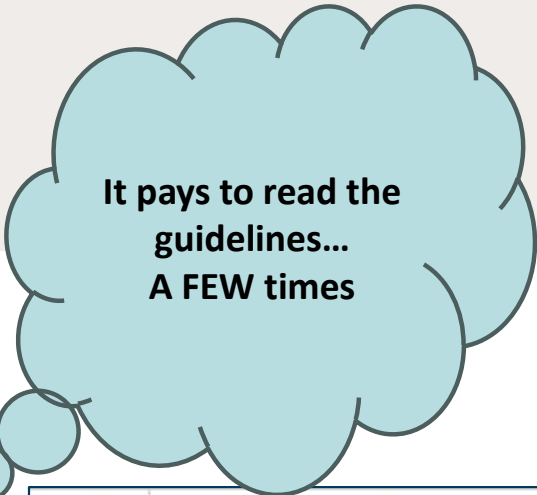
Frequency of Payment: The lender must determine the frequency of the payment (weekly, biweekly, monthly, quarterly, or annually) to arrive at an accurate calculation of the monthly income to be used in the trending analysis (see below). Examples:

- If a borrower is paid an annual bonus on March 31st of each year, the amount of the March bonus should be divided by 12 to obtain an accurate calculation of the current monthly bonus amount. Note that dividing the bonus received on March 31st by three months produces a much higher, inaccurate monthly average.
- If a borrower is paid overtime on a biweekly basis, the most recent paystub must be analyzed to determine that both the current overtime earnings for the period and the year-to-date overtime earnings are consistent and, if not, why. There are legitimate reasons why these amounts may be inconsistent yet still eligible for use as qualifying income. For example, borrowers may have overtime income that is cyclical (transportation employees who operate snow plows in winter, package delivery service workers who work longer hours through the holidays). The lender must investigate the difference between current period overtime and year-to-date earnings and document the analysis before using the income amount in the trending analysis.

It pays to read the
guidelines...
A FEW times



Freddie Mac



(b) Fluctuating employment earnings

These requirements apply to fluctuating hourly employment earnings and additional fluctuating employment earnings (e.g., commission, bonus, overtime and tip income).

Refer to Sections 5303.2(b) for information about fluctuating hourly earnings and Section 5303.3 for information about other types of additional employed fluctuating income (e.g., bonus, overtime).

Subject	Requirements and guidance
Income analysis and calculation	<p>The degree of fluctuation and the length of receipt of the income must be considered when calculating income used to qualify for the Mortgage. The Seller must evaluate the income trend and use the amount that is most likely to continue for the next three years.</p> <p>Consistent and increasing income trends</p> <p>If the income is consistent or the trend is increasing, the Seller must average the most recent year(s) and YTD income over the applicable number of months documented. However, if the increase between the prior year(s) and YTD earnings exceeds 10%, additional analysis is required and additional documentation may be necessary to determine income stability in order to use the higher amount when calculating the qualifying income. The analysis and documentation must support the amount of income used to qualify the Borrower. Acceptable factors include, but are not limited to, promotion and income increasing consistently year over year.</p> <p>Declining trend</p> <p>The Seller must use the year-to-date income and must not include the previous higher level unless there is documentation of a one-time occurrence (e.g., injury) that prevented the Borrower from working or earning full income for a period of time and evidence that the Borrower is back to the income amount that was previously earned.</p> <p>If the decline between the prior year(s) and/or YTD earnings exceeds 10%, the Seller must conduct further analysis and additional documentation may be necessary to determine whether the income is currently stable. This analysis must include the reason for the declining trend, and support that the current income has stabilized.</p> <p>If a Borrower is currently on temporary leave, follow the guidance in Section 5303.5.</p> <p>Refer to Section 5303.2(b) for fluctuating hourly employment earnings.</p>

Fluctuating hourly employment earnings	<p>For the purpose of determining stable monthly income, fluctuating hourly employment earnings are considered to be wages that are based on an hourly rate of pay and where the number of hours fluctuate each pay period. The required minimum 12-month history must be derived from either the Borrower's current hourly employment or a combination of current and prior hourly employment. Fluctuating hourly employment earnings are typically representative of non-exempt earnings.</p> <p>Fluctuating hourly earnings do not include additional employed income (e.g., commission, bonus, overtime, tips). Refer to Section 5303.3 for requirements and guidance pertaining to additional employed income.</p>
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Calculate by Income Trend

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- When should I average?
- Can I use the YTD income in my calculation?
- Why isn't it always the same in every file?





What is Trending?

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Ask yourself which direction is the income going?

- ✓ Same?
- ✓ Up?
- ✓ Down?





Remember The 4 Cs

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Credit

- Borrower's willingness to repay a loan

Capacity

- Borrower's ability to repay based on the amount & stability of income

Capital

- Borrower's investment in the property from savings & other sources

Collateral

- Property's value & marketability to provide adequate security for the loan based on an appraisal





Assessing the Overall Risk


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Loan File #1




 **Credit** – includes one credit card account with six-month history


 **Capital** – the LTV is high and the down payment and closing costs are coming from gift funds

 **Collateral** – the appraisal identified deferred maintenance

Loan File #2



 **Credit** – reflects good depth with a stellar payment history

 **Capital** – the LTV is lower and assets to complete the transaction are coming from borrower's own funds

 **Collateral** – the property value is well supported by the appraisal



Word Bank:

- higher
- averaged
- lower
- disregarded

1. If the trend in the amount of income is stable or increasing, the income amount should be averaged.
2. If the trend is declining but has since stabilized and there's no reason to believe the borrower will not continue to be employed at the current level, the lower amount of income must be used.
3. If the trend is declining the income may not be stable. Additional analysis must be conducted to determine if any income should be used but in no instance may it be averaged over the period when the decline occurred



Clarifying Questions

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- How are you paid? Hourly, salary, on call
- How often are you paid? Weekly, bi-weekly, semi-monthly
- Have you had any recent promotions or raises?
- Do you receive regular OT, bonus, commissions, shift diff?
- Have you been off work for any period of time in the past 24 months (besides vacations)



Hourly – no set hours per week

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Indicators

- Hours < 40 fluctuating week to week
- YTD doesn't support stated hours
- Prior year does not support

What can you do?

- Obtain multiple consecutive paystubs
- Check for seasonality, if so provide supporting documents
- Was borrower off work for any period? Provide dates



Secondary or Part-Time Income



Part II – Verification of Present Employment

9. Applicant's Date of Employment: 02/15/2018

10. Present Position: Cabinet Maker

11. Probability of Continued Employment: Good

12A. Current Gross Base Pay (Enter Amount and Check Period): \$ 20.00

13. For Military Personnel Only: Pay Grade, Type, Monthly Amount, Base Pay

14. If Overtime or Bonus is Applicable, Is its Continuance Likely? Overtime: Yes/No, Bonus: Yes/No

15. If paid hourly – average hours per week: 20

16. Date of applicant's next pay increase

17. Projected amount of next pay increase

18. Date of applicant's last pay increase

12B. Gross Earnings

Type	Year To Date	Past Year 2022	Past Year 2021
Base Pay	Thru 1/15/23 \$ 925.00	\$ 14,340.00	\$ 15,630.00
Overtime	\$	\$	\$
Commissions	\$	\$	\$
Bonus	\$	\$	\$
Total	\$ 925.00	\$ 14,340.00	\$ 15,630.00

20. Remarks (If employee was off work for...)

Borrower Name: _____ Employer Name: Secondary Employment

Base Pay

Select to include as qualifying income:

	Rate of Pay	Monthly Earnings
<input type="checkbox"/>	\$ 20.00	\$ 1,733.33

	Date From:	Through:	Total Earnings:	# of Months:	Monthly Earnings:	% Change:
<input type="checkbox"/>	YTD 2024	1/1/2024	1/15/2024	\$ 925.00	0.48	\$ 1,927.08 +61.26%
<input type="checkbox"/>	Year 2023	1/1/2023	12/31/2023	\$ 14,340.00	12.00	\$ 1,195.00 -8.25%
<input type="checkbox"/>	Year 2022	1/1/2022	12/31/2022	\$ 15,630.00	12.00	\$ 1,302.50 -

Qualifying Base Pay: \$ -

Employment and Other Income Worksheet

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User Tips:

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- Click the "O" button to expand income source section
- Populate YTD Monthly Earnings for variable income sources:
 - Select "A" for Annualized YTD Monthly Earnings
 - Select "Y" for YTD Monthly Earnings (default)
 - Select the Reset Workbook button on top to clear all information

Use the varies drop down!

Income analysis may vary by investor. FOLLOW INVESTOR GUIDELINES.

File Name: Prepared by: Date:

Borrower Name:		Employer Name: Secondary Employment	
X Base Pay			
Select to include as qualifying income:			
<input type="checkbox"/>		Rate of Pay	Pay Frequency (select from drop down)
<input type="checkbox"/>		\$ 20.00	Varies
<input type="checkbox"/>			Hours Worked Weekly
<input type="checkbox"/>			Monthly Earnings
<input type="checkbox"/>			
		Date Paid	
		Date From:	Through:
		Total Earnings:	# of Months:
		Monthly Earnings:	Change:
<input type="checkbox"/>	YTD 2024	1/1/2024	1/15/2024
		\$ 925.00	12.00
<input type="checkbox"/>	Year 2023	1/1/2023	12/31/2023
		\$ 14,340.00	12.00
<input type="checkbox"/>	Year 2022	1/1/2022	12/31/2022
		\$ 15,630.00	12.00
Qualifying Base Pay:		\$ -	

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Borrower Name: _____ Employer Name: Secondary Employment

X Base Pay

Select to include as qualifying income:

Rate of Pay: \$ 20.00 Pay Frequency: Varies

	Date From:	Date Paid Through:	Total Earnings:	# of Months:	Monthly Earnings:	% Change:
YTD 2024	1/1/2024	1/15/2024	\$ 925.00	0.48	\$ 1,927.08	+61.26%
Year 2023	1/1/2023	12/31/2023	\$ 14,340.00	12.00	\$ 1,195.00	-8.25%
Year 2022	1/1/2022	12/31/2022	\$ 15,630.00	12.00	\$ 1,302.50	-

Qualifying Base Pay: \$ 1,262.05

Borrower Name: _____ Employer Name: Secondary Employment

X Base Pay

Select to include as qualifying income:

Rate of Pay: \$ 20.00 Pay Frequency: Varies

	Date From:	Date Paid Through:	Total Earnings:	# of Months:	Monthly Earnings:	% Change:
YTD 2024	1/1/2024	1/15/2024	\$ 925.00	0.48	\$ 1,927.08	+61.26%
Year 2023	1/1/2023	12/31/2023	\$ 14,340.00	12.00	\$ 1,195.00	-8.25%
Year 2022	1/1/2022	12/31/2022	\$ 15,630.00	12.00	\$ 1,302.50	-

Qualifying Base Pay: \$ 1,248.75

Borrower Name: _____ Employer Name: Secondary Employment

X Base Pay

Select to include as qualifying income:

Rate of Pay: \$ 20.00 Pay Frequency: Varies

	Date From:	Date Paid Through:	Total Earnings:	# of Months:	Monthly Earnings:	% Change:
YTD 2024	1/1/2024	1/15/2024	\$ 925.00	0.48	\$ 1,927.08	+61.26%
Year 2023	1/1/2023	12/31/2023	\$ 14,340.00	12.00	\$ 1,195.00	-8.25%
Year 2022	1/1/2022	12/31/2022	\$ 15,630.00	12.00	\$ 1,302.50	-

Qualifying Base Pay: \$ 1,195.00

Can Secondary Seasonal Income Be Used?

Borrower has worked as a ski instructor during the winter months for the past 3 years. At the time of application, he is currently not working at this job. Can we use this income?

Answers:

A: No, he would need to currently be working

B: Yes, with verification of earnings for the previous 2 years along with confirmation that he is hired for the upcoming season

Seasonal Income Reminders:

1. Must have a history of seasonal employment / same employer
2. Return to work acknowledgement from employer
3. Seasonal OT, or commissions
 - a) Look for trends
 - b) Provide historical support
 - c) Provide employer confirmation



Case #1: Varied Hours

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Borrower is employed in healthcare and has been at their current employment with Any Hospital for 4.5 years.

Paystubs show the borrower does not work set hours and is paid weekend/night shift differential.

- How would you calculate the qualifying income?
- What other questions might you have?





Lumping all Income Together



Borrower Name:		Employer Name: ANY HOSPITAL / LAB TECH					
X	Base Pay						
Select to include as qualifying income:		Rate of Pay		Pay Frequency	Hours Worked	Monthly	
<input type="checkbox"/>		\$ 29.00		Hourly (H)			
		Date Paid		Date From: Through:		Total Earnings:	# of
<input checked="" type="checkbox"/>	YTD 2024	1/1/2024	1/15/2024	\$	3,632.00		
<input checked="" type="checkbox"/>	Year 2023	1/1/2023	12/31/2023	\$	83,632.00		
<input checked="" type="checkbox"/>	Year 2022	1/1/2022	12/31/2022	\$	85,450.00	12.00	
		Qualifying Base Pay:		\$	7,056.41		



Employment and Other Income Worksheet

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Base Pay

Select to include as qualifying income:

Rate of Pay: \$ 29.00
 Pay Frequency (select from drop down): Varies
 Hours Worked Weekly:
 Monthly Earnings: \$ -

	Date From:	Through:	Total Earnings:	# of Months:	Monthly Earnings:	% Change:
YTD 2024	1/1/2024	1/15/2024	\$ 2,983.00	0.48	\$ 6,214.58	+23.78%
Year 2023	1/1/2023	12/31/2023	\$ 60,250.00	12.00	\$ 5,020.83	+7.97%
Year 2022	1/1/2022	12/31/2022	\$ 55,800.00	12.00	\$ 4,650.00	-

Qualifying Base Pay: \$ 4,835.42

Overtime

Select to include as qualifying income:

	Date From:	Through:	Total Earnings:	# of Months:	Monthly Earnings:	% Change:
YTD 2024	1/1/2024	1/15/2024	\$ 150.00	0.48	\$ 312.50	-30.67%
Year 2023	1/1/2023	12/31/2023	\$ 5,409.00	12.00	\$ 450.75	-34.11%
Year 2022	1/1/2022	12/31/2022	\$ 8,209.00	12.00	\$ 684.08	-

Qualifying Overtime: \$ -

Bonus

Commission

Other Income

Type: Shift Differential - night/weekend

Select to include as qualifying income:

	Date From:	Through:	Total Earnings:	# of Months:	Monthly Earnings:	% Change:
YTD 2024	1/1/2024	1/15/2024	\$ 750.00	0.48	\$ 1,562.50	+4.17%
Year 2023	1/1/2023	12/31/2023	\$ 18,000.00	12.00	\$ 1,500.00	+6.01%
Year 2022	1/1/2022	12/31/2022	\$ 16,980.00	12.00	\$ 1,415.00	-

Qualifying Other Income: \$ 1,459.56

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Case #2: Commissions

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Borrower has been employed in the same position with the same employer for 15+ years. He receives a monthly base income of \$5,500 that is supported by a VOE.

Commission earnings need to be included from his job as an Account Executive for the largest liquor vendor for restaurants in the city.

What concerns would you have based on the following?

What Income will you use (if any) for commissions?



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To Whom it May Concern,

Effective April 17, 2023 Joe Consumer and More4You Liquors renegotiated terms of his compensation based on a recent economic downturn in business. Post 2020 More4You Liquors has experienced a slight reduction in customer base due to closure of several businesses impacted by the pandemic closures. Our earnings as a whole have stabilized after adjusting to the reduction in gross sales.

The resulting changes to Mr. Consumers base were an increase to his base compensation to \$66,000 annual and a flat rate commission per month providing he meets a minimum of 20 cases sold per month. The new commission rate per month is 1400.00

Meeting this criteria is attainable as evidenced in the earnings received since April 17, 2023. Mr. Consumer has an active 250 count customer base and his monthly commission goal represents 8% of his customer base. Mr. Consumer is also eligible for additional commissions on cases sold exceeding his minimum. Joe has achieved that amount each month since April 2023.

The year do date income reflects his flat rate commission was achieved and we usually experience average income during the first quarter of the year due to the post-holiday down time.

I have attached the most recent fully executed contract as well as commission activity statement for the past year and year to date.

Sincerely,

Marilyn Moneybags, Chief HR Officer

Explanation on decline

Reiteration of pay structure

YTD supports comments

Documentation supports calculations

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		Date Paid		Total Earnings:	# of Months:	Monthly Earnings:	% Change:
		Date From:	Through:				
<input checked="" type="checkbox"/>	YTD 2024	1/1/2024	2/10/2024	\$ 1,876.00	1.34	\$ 1,400.00	-49.48%
<input type="checkbox"/>	Year 2023	1/1/2023	12/31/2023	\$ 33,251.00	12.00	\$ 2,770.92	-3.27%
<input type="checkbox"/>	Year 2022	1/1/2022	12/31/2022	\$ 34,375.00	12.00	\$ 2,864.58	-
Qualifying Commission:				\$ 1,400.00			

		Date Paid		Total Earnings:	# of Months:	Monthly Earnings:	% Change:
		Date From:	Through:				
<input checked="" type="checkbox"/>	YTD 2024	1/1/2024	2/10/2024	\$ 1,876.00	1.34	\$ 1,400.00	-49.48%
<input checked="" type="checkbox"/>	Year 2023	1/1/2023	12/31/2023	\$ 33,251.00	12.00	\$ 2,770.92	-3.27%
<input checked="" type="checkbox"/>	Year 2022	1/1/2022	12/31/2022	\$ 34,375.00	12.00	\$ 2,864.58	-
Qualifying Commission:				\$ 2,742.78			

Is it okay to change declining income?

Could we use this income without an explanation?



Case #3: Bonus Income

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Borrower started their current job as a Marketing Specialist 5/20/2020.

Borrower is paid base plus bonus and needs both sources to qualify.

VOE in file shows the following earnings

Would you use bonus income?
If so, how would you calculate it?

Base Plus Bonus



Part II – Verification of Present Employment

9. Applicant's Date of Employment 05/20/2020		10. Present Position Marketing Specialist		11. Probability of Continued Employment Good	
12A. Current Gross Base Pay (Enter Amount and Check Period)				13. For Military Personnel Only	
<input type="checkbox"/> Annual <input type="checkbox"/> Hourly <input type="checkbox"/> Monthly <input type="checkbox"/> Other (Specify) _____ <input type="checkbox"/> Weekly				Pay Grade _____	
\$ 1,575.00				Type	Monthly Amount
12B. Gross Earnings				Base Pay	\$ _____
Type	Year To Date	Past Year 2022	Past Year 2021	Rations	\$ _____
Base Pay	Thru 1/15/23 \$ 3,402.00	\$ 82,216.00	\$ 80,095.00	Flight or Hazard	\$ _____
Overtime	\$ _____	\$ _____	\$ _____	Clothing	\$ _____
Commissions	\$ _____	\$ _____	\$ _____	Quarters	\$ _____
Bonus	\$ 10,000.00	\$ 9,500.00	\$ 8,000.00	Pro Pay	\$ _____
Total	\$ 13,402.00	\$ 91,716.00	\$ 88,095.00	Overseas or Combat	\$ _____
				Variable Housing Allowance	\$ _____
14. If Overtime or Bonus is Applicable, Is Its Continuance Likely? Overtime <input type="checkbox"/> Yes <input type="checkbox"/> No Bonus <input type="checkbox"/> Yes <input type="checkbox"/> No					
15. If paid hourly – average hours per week _____					
16. Date of applicant's next pay increase _____					
17. Projected amount of next pay increase _____					
18. Date of applicant's last pay increase _____					
19. Amount of last pay increase _____					
20. Remarks (If employee was off work for any length of time, please indicate time period and reason) Bonus paid annually.					

Employment and Other Income Analysis Worksheet **MGIC**

Income analysis may vary by investor. FOLLOW INVESTOR GUIDELINES.

File Name: Prepared by: Date:

Borrower Name: Employer Name:

Base Pay

Select to include as qualifying income:

Rate of Pay: \$ 1,575.00
 Pay Frequency: Weekly (52)
 Hours Worked Weekly: 40
 Monthly Earnings: \$ 6,825.00

	Date From:	Through:	Total Earnings:	# of Months:	Monthly Earnings:	% Change:
<input type="checkbox"/> YTD 2023	1/1/2023	1/15/2023	\$ 3,402.00	0.48	\$ 7,087.50	+3.45%
<input type="checkbox"/> Year 2022	1/1/2022	12/31/2022	\$ 82,216.00	12.00	\$ 6,851.33	+2.65%
<input type="checkbox"/> Year 2021	1/1/2021	12/31/2021	\$ 80,095.00	12.00	\$ 6,674.58	-

Qualifying Base Pay:

Overtime

Bonus

Select to include as qualifying income:

	Date From:	Through:	Total Earnings:	# of Months:	Monthly Earnings:	% Change:
<input type="checkbox"/> YTD 2023	1/1/2023	1/15/2023	\$ 10,000.00	0.48	\$ 20,833.33	+2531.57%
<input type="checkbox"/> Year 2022	1/1/2022	12/31/2022	\$ 9,500.00	12.00	\$ 791.67	+18.75%
<input type="checkbox"/> Year 2021	1/1/2021	12/31/2021	\$ 8,000.00	12.00	\$ 666.67	-

Qualifying Bonus:



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X Bonus

Select to include as qualifying income:

		Date From:	Through:	# of Months:	Monthly Earnings:	% Change:
<input checked="" type="checkbox"/>	YTD 2023	1/1/2023	1/15/2023	0.48	\$ 20,833.33	+2531.57%
<input checked="" type="checkbox"/>	Year 2022	1/1/2022	12/31/2022	12.00	\$ 791.67	+18.75%
<input checked="" type="checkbox"/>	Year 2021	1/1/2021	12/31/2021	12.00	\$ 666.67	-

Qualifying Bonus: \$ 1,123.37

X Bonus

Select to include as qualifying income:

		Date From:	Date Paid Through:	Total Earnings:	# of Months:	Monthly Earnings:	% Change:
<input checked="" type="checkbox"/>	YTD 2024	1/1/2024	1/15/2024	\$ 10,000.00	12.00	\$ 833.33	+5.26%
<input checked="" type="checkbox"/>	Year 2023	1/1/2023	12/31/2023	\$ 9,500.00	12.00	\$ 791.67	+18.75%
<input type="checkbox"/>	Year 2022	1/1/2022	12/31/2022	\$ 8,000.00	12.00	\$ 666.67	-

Qualifying Bonus: \$ 812.50



How Would You Calculate Variable Income With a Gap?

Borrower was on leave due to COVID-19 in 2022 for two months. Their earnings are 100% commission income.

2022 = \$60,000

2021 = \$50,000

Answers:

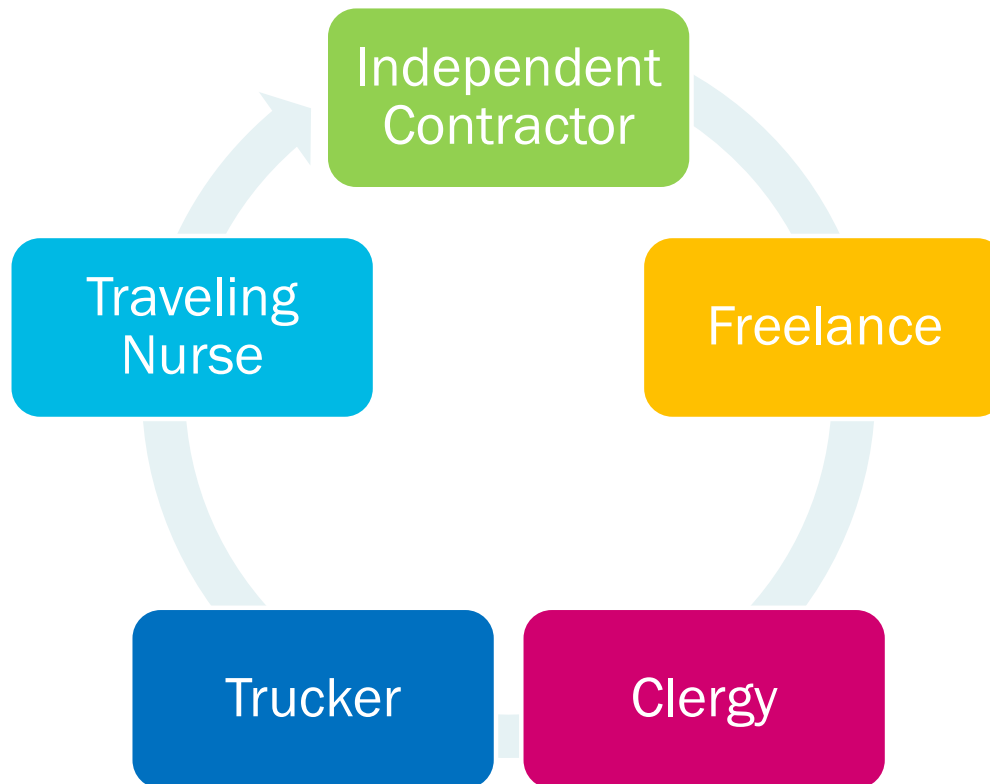
A: $\$110,000/22 = \$5,000.00$

B: $\$110,000/24 = \$4,583.33$



1099 Income Borrowers

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Income Reported on 1099



<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-0115		Miscellaneous Information
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Rents	Form 1099-MISC (Rev. January 2022)	
		\$	2 Royalties	Copy C For Payer
		\$	3 Other income	
PAYER'S TIN	RECIPIENT'S TIN	\$	4 Federal income tax withheld	For Privacy Act and Paperwork Reduction Act Notice, see the current General Instructions for Certain Information Returns.
RECIPIENT'S name		\$	5 Fishing boat proceeds	
Street address (including apt. no.)		\$	6 Medical and health care payments	
City or town, state or province, country, and ZIP or foreign postal code		\$	7 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale <input type="checkbox"/>	
		\$	8 Substitute payments in lieu of dividends or interest	
		\$	9 Crop insurance proceeds	
		\$	10 Gross proceeds paid to an attorney	
		\$	11 Fish purchased for resale	
		\$	12 Section 409A deferrals	
		\$	13 FATCA filing requirement <input type="checkbox"/>	
		\$	14 Excess golden parachute payments	
		\$	15 Nonqualified deferred compensation	
Account number (see instructions)	2nd TIN not <input type="checkbox"/>	\$	16 State tax withheld	17 State Payer's state no.
		\$	17 State Payer's state no.	
		\$	18 State income	

Form **1099-MISC** (Rev. 1-2022) www.irs.gov/Form1099MISC Department of the Treasury - Internal Revenue Service

Challenge:

- Borrower receives income via Form 1099 but is not considered an employee or self-employed
- Documentation path is undetermined

Determine how the borrower reports income

- Schedule 1 of 1040s as other income
- On Schedule C



Reported on Schedule 1



SCHEDULE 1 (Form 1040) Additional Income and Adjustments to Income

OMB No. 1545-0074
2022
 Attachment Sequence No. 01

Department of the Treasury
 Internal Revenue Service
 Attach to Form 1040, 1040-SR, or 1040-NR.
 Go to www.irs.gov/Form1040 for instructions and the latest information.

Name(s) shown on Form 1040, 1040-SR, or 1040-NR _____ Your social security number _____

Part I Additional Income

1 Taxable refunds, credits, or offsets of state and local income taxes	1	
2a Alimony received	2a	
b Date of original divorce or separation agreement (see instructions):		
3 Business income or (loss). Attach Schedule C	3	
4 Other gains or (losses). Attach Form 4797	4	
5 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5	
6 Farm income or (loss). Attach Schedule F	6	
7 Unemployment compensation	7	
8 Other income:		
a Net operating loss	8a	
b Gambling	8b	
c Cancellation of debt	8c	
d Foreign earned income exclusion from Form 2555	8d	
e Income from Form 8853	8e	
f Income from Form 8889	8f	
g Alaska Permanent Fund dividends	8g	
h Jury duty pay	8h	
i Prizes and awards	8i	
j Activity not engaged in for profit income	8j	
k Stock options	8k	
l Income from the rental of personal property if you engaged in the rental for profit but were not in the business of renting such property	8l	
m Olympic and Paralympic medals and USOC prize money (see instructions)	8m	
n Section 951(a) inclusion (see instructions)	8n	
o Section 951A(a) inclusion (see instructions)	8o	
p Section 461(i) excess business loss adjustment	8p	
q Taxable distributions from an ABL account (see instructions)	8q	
r Scholarship and fellowship grants not reported on Form W-2	8r	
s Nontaxable amount of Medicaid waiver payments included on Form 1040, line 1a or 1d	8s	
t Pension or annuity from a nonqualified deferred compensation plan or a nongovernmental section 457 plan	8t	
u Wages earned while incarcerated	8u	
z Other income. List type and amount: <u>Traveling Nurse</u>	8z	90,000.00
9 Total other income. Add lines 8a through 8z	9	
10 Combine lines 1 through 7 and 9. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8	10	

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 71479F Schedule 1 (Form 1040) 2022

VOID CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.

Form 1099-MISC (Rev. January 2022)
 For calendar year 20 21

Miscellaneous Information

Copy 1 For State Tax Department

1 Rents	2 Royalties	3 Other income	4 Federal income tax withheld
\$	\$	\$ 75,000.00	\$
5 Fishing boat proceeds	6 Medical and health care payments		
\$	\$		

PAYER'S TIN _____ RECIPIENT'S TIN _____

CORRECTED (if checked)

RECIPIENT'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.

Form 1099-MISC (Rev. January 2022)
 For calendar year 20 22

Miscellaneous Information

Copy B For Recipient

1 Rents	2 Royalties	3 Other income	4 Federal income tax withheld
\$	\$	\$ 90,000.00	\$
5 Fishing boat proceeds	6 Medical and health care payments	7 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale <input type="checkbox"/>	8 Substitute payments in lieu of dividends or interest
\$	\$	\$	\$
9 Crop insurance proceeds	10 Gross proceeds paid to an attorney	11 Fish purchased for resale	12 Section 409A deferrals
\$	\$	\$	\$
13 FATCA filing requirement <input type="checkbox"/>	14 Excess golden parachute payments	15 Nonqualified deferred compensation	
\$	\$	\$	
16 State tax withheld	17 State/Payer's state no.	18 State income	
\$		\$	

Form 1099-MISC (Rev. 1-2022) (keep for your records) www.irs.gov/Form1099MISC Department of the Treasury - Internal Revenue Service

This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.



Reported on Schedule

FHLMC on Schedule C

Can treat as non-SEB if:

1. Gross receipts or sales are equal to 1099
2. Total expenses are $\leq 5\%$ of gross receipts or sales after deducting no-cash expenses
3. Cost of goods sold \$0 AND
4. 12 -month history of 1099 income and reported expenses are present

SCHEDULE C (Form 1040) Profit or Loss From Business (Sole Proprietorship)

OMB No. 1545-0074
2022 Attachment Sequence No. 09

Department of the Treasury Internal Revenue Service
Go to www.irs.gov/ScheduleC for instructions and the latest information.
Attach to Form 1040, 1040-SR, 1040-NR, or 1041; partnerships must generally file Form 1065.

Name of proprietor: **SAMPLE Contractor** Social security number (SSN): _____
 A Principal business or profession, including product or service (see instructions): _____ B Enter code from instructions: _____
 C Business name, if no separate business name, leave blank: _____ D Employer ID number (EIN) (see instr.): _____
 E Business address (including suite or room no.), city, town or post office, state, and ZIP code: _____
 F Accounting method: (1) Cash (2) Accrual (3) Other (specify) _____
 G Did you "materially participate" in the operation of this business during 2022? If "No," see instructions for limit on losses: Yes No
 H If you started or acquired this business during 2022, check here: Yes No
 I Did you make any payments in 2022 that would require you to file Form(s) 1099? See instructions: Yes No
 If "Yes," did you or will you file required Form(s) 1099? Yes No

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked.	1	\$90,000.00
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	
4	Cost of goods sold (from line 42)	4	
5	Gross profit. Subtract line 4 from line 3	5	
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	
7	Gross income. Add lines 5 and 6	7	\$90,000.00

Part II Expenses. Enter expenses for business use of your home only on line 30.

8	Advertising	8	\$4,000.00	18	Office expense (see instructions)	18	\$750.00
9	Car and truck expenses (see instructions)	9		19	Pension and profit-sharing plans	19	
10	Commissions and fees	10		20	Rent or lease (see instructions):	20	
11	Contract labor (see instructions)	11		a	Vehicles, machinery, and equipment	20a	
12	Depreciation	12		b	Other business property	20b	
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13		21	Repairs and maintenance	21	
14	Employee benefit programs (other than on line 19)	14		22	Supplies (not included in Part III)	22	
15	Insurance (other than health)	15		23	Taxes and licenses	23	
16	Interest (see instructions):	16		24	Travel and meals:	24	
a	Mortgage (paid to banks, etc.)	16a		a	Travel	24a	
b	Other	16b		b	Deductible meals (see instructions)	24b	
17	Legal and professional services	17	\$500.00	25	Utilities	25	
18	Total expenses before expenses for business use of home. Add lines 8 through 27a	18		26	Wages (less employment credits)	26	
19	Tentative profit or (loss). Subtract line 28 from line 7	19		27a	Other expenses (from line 48)	27a	
20	Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions.	20		27b	Reserved for future use	27b	
21	Simplified method filers only: Enter the total square footage of (a) your home: _____ and (b) the part of your home used for business: _____. Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30	21		28		28	\$5,250.00
22	Net profit or (loss). Subtract line 30 from line 29	22		29		29	
31	If a profit, enter on both Schedule 1 (Form 1040), line 3, and on Schedule SE, line 2. If you checked the box on line 1, see the line 31 instructions.) Estates and trusts, enter on Form 1041, line 3. If a loss, you must go to line 32.	31	\$84,750.00	32a	All investment is at risk.	32a	<input type="checkbox"/>
32	If you have a loss, check the box that describes your investment in this activity. See instructions. If you checked 32a, enter the loss on both Schedule 1 (Form 1040), line 3, and on Schedule SE, line 2. If you checked the box on line 1, see the line 31 instructions.) Estates and trusts, enter on Form 1041, line 3. If you checked 32b, you must attach Form 6198. Your loss may be limited.	32		32b	Some investment is not at risk.	32b	<input type="checkbox"/>

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11334P Schedule C (Form 1040) 2022

CORRECTED (if checked)

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.
SAMPLE BORROWER

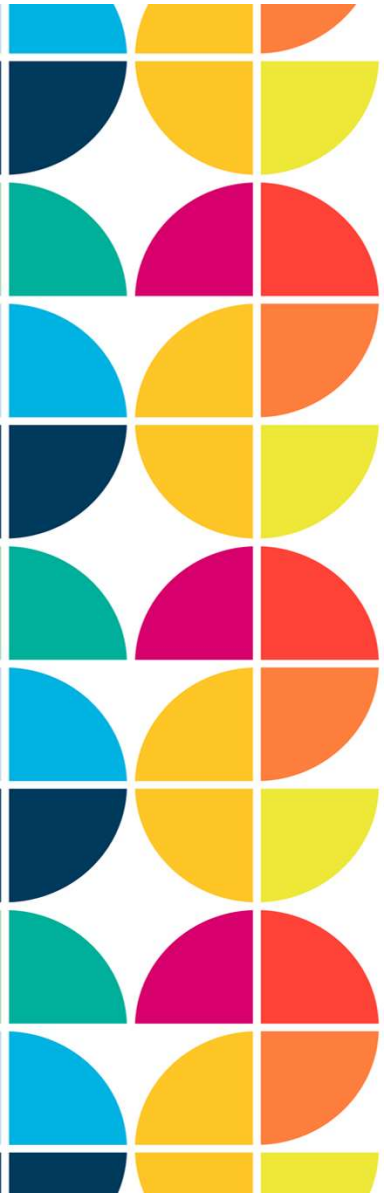
1 Rents
 2 Royalties
 3 Other income
 4 Federal income tax withheld

Form 1099-MISC (Rev. January 2022)
 For calendar year 2022

5 Fishing boat proceeds
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 7 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale
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 16 State tax withheld
 17 State/Payer's state no.
 18 State income

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MGIC

Thank You



Freddie Mac - FAQ Question

MGIC

The written VOE documents fluctuating hourly earnings and a raise received this calendar year.

The written VOE also shows an entry for “average hours per week.”

May this field be used as a verification of the average number of hours worked during the prior and current year to calculate income using the current rate of pay?

Yes? or No? Put your response in the chat panel!