For Arch MI and Arch MI for Credit Unions

Income Fundamentals 202

Calculating Employment Income

a BACK TO BASICS course

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Objectives

Calculating Income

- Base Pay:
  - Understanding the Steps.
  - Applying the Steps.
- Variable Pay:
  - What to Consider.
  - When to Average.

Paystub Income Calculation

– Base Pay

Breakdown for Calculating Income

A	B	C	D
Monthly Base Pay	Average Monthly Base Pay	Base vs. Average Variance	Qualifying Monthly Base Pay
What the borrower is SUPPOSED to make per month.	What the borrower is ACTUALLY making per month.	What is the DIFFERENCE between the BASE and the AVERAGE?	What should you use to QUALIFY the borrower per month?
Use Pay Rate and Pay Frequency.	**Use Year-to-Date (YTD) Earnings and Pay Stub Decimal Calendar.**	**Calculate the Variance between Base Pay and Average Pay.**	**Obtain necessary explanations and determine Qualifying Income.**

Part A — Monthly Pay Base

Step One

- Determine Pay Rate and Pay Frequency.

Step Two

- Calculate the Monthly BASE Pay.

Monthly Base Pay

What the borrower is SUPPOSED to make per month.

Monthly Base Pay Example

CO	FILE	DEPT	CLOCK	VCHR NO	060
WFC	100145	001003		0000210001	1

Arch Car Service
5265 Mortgage Way
Bayview, VA 12345

EARNINGS STATEMENT

Period Ending: 07/03/20XX
Pay Date: 07/03/20XX

00000000001
BRUNO STARS
65 GEARY STREET
NORTH BEACH, VA 54321

Taxable Marital Status: Married
Exemptions/Allowances:
Federal 2
State 2

Social Security Number: XXX-XX-2222

Earnings	rate	hrs	this period	year to date
Bonus				18,572.00
Regular	2,350.00	80.00	2,350.00	30,000.00
Gross Pay			2,350.00	48,572.00

Other Benefits Information	this period	total to date
G.T.L.	7.79	31.15

Pay Rate = $2,350

Pay Frequency = Biweekly

Monthly Base Pay Example

Base Pay Rate:	$2,350.00
Base Pay Frequency:	Biweekly
$2,350 x 26 = $61,100/12	
Monthly Base Pay:	**$5,091.67**

Part B — Average Monthly Pay Base

Step Three

- Determine YTD Base Earnings and Pay Date Decimal Factor.

Step Four

- Calculate the Average Base Pay.

Average Monthly Base Pay

What the borrower ACTUALLY makes per month.

Year-to-Date Pay

What is the Pay Date Decimal Factor and why is Year-to-Date Pay important?

It is vital to use an accurate Qualifying Income calculation to determine that the income is “on track.”

Accuracy Is Important

CO	FILE	DEPT	CLOCK	VCHR NO	060
WFC	100142	001002		0000210002	2

Arch News Network
2155 Ft. Worth Way
Dallas, TX 75201

EARNINGS STATEMENT

Period Ending: 09/15/20xx
Pay Date: 09/15/20xx

00000000002
ANDERSON HOOPER
1564 MORTGAGE WAY
IRVING, TX **75014**

Taxable Marital Status: Married
Exemptions/Allowances:
Federal 3
State 3

Semimonthly

8.5

CO	FILE	DEPT	CLOCK	VCHR NO	060
WFC	100142	001002		0000210002	2

Arch News
2155 Ft. Worth Way
Dallas, TX 75201

EARNINGS STATEMENT

Period Ending: 09/17/20xx
Pay Date: 09/17/20xx

00000000002
CHRIS LALLACE
1564 MORTGAGE WAY
IRVING, TX **75014**

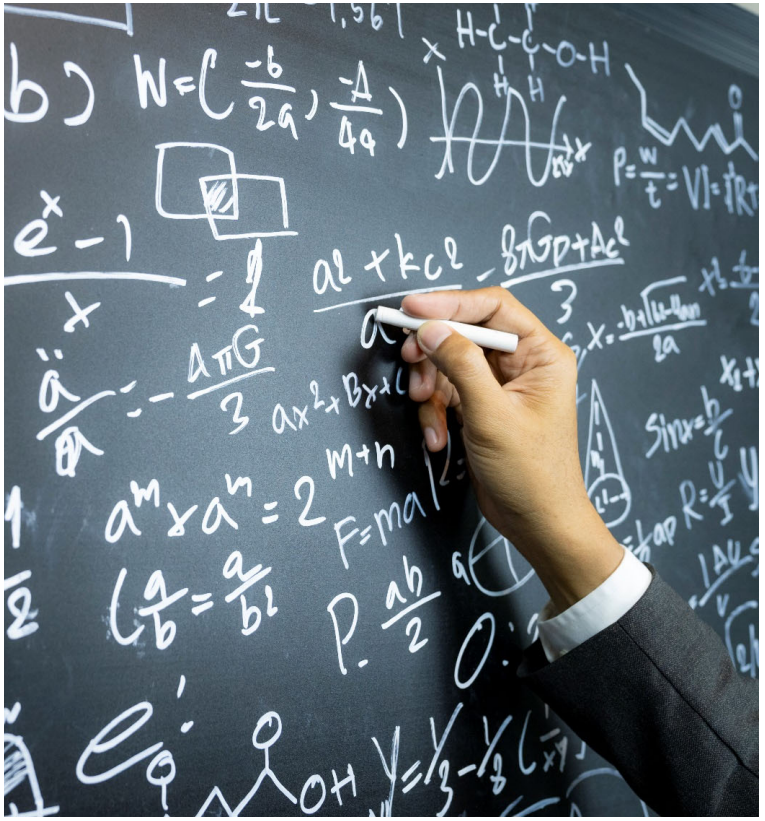
Taxable Marital Status: Married
Exemptions/Allowances:
Federal 3
State 3

Biweekly

8.5 X

The Formula:
Calculating the Pay Stub Decimal Factor

1. Period Ending Date from paystub.	**8/21/23.**
2. How many full months have passed?	**7 – this is your full number.**
3. How many days are in the month?	**August has 31 days.**
4. Divide the day by number of days.	**21/31 = .68.**
5. Add decimal to the full number.	**7.68 is the factor.**



Pay Stub Decimal Calendar

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Pay Stub Decimal Calendar

Hourly, Weekly, Biweekly

	Jan	Feb (28)	Feb (29)	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1	0.03	1.04	1.03	2.03	3.03	4.03	5.03	6.03	7.03	8.03	9.03	10.03	11.03
2	0.06	1.07	1.07	2.06	3.07	4.06	5.07	6.06	7.06	8.07	9.06	10.07	11.06
3	0.10	1.11	1.10	2.10	3.10	4.10	5.10	6.10	7.10	8.10	9.10	10.10	11.10
4	0.13	1.14	1.14	2.13	3.13	4.13	5.13	6.13	7.13	8.13	9.13	10.13	11.13
5	0.16	1.18	1.17	2.16	3.17	4.16	5.17	6.16	7.16	8.17	9.16	10.17	11.16
6	0.19	1.21	1.21	2.19	3.20	4.19	5.20	6.19	7.19	8.20	9.19	10.20	11.19
7	0.23	1.25	1.24	2.23	3.23	4.23	5.23	6.23	7.23	8.23	9.23	10.23	11.23
8	0.26	1.29	1.28	2.26	3.27	4.26	5.27	6.26	7.26	8.27	9.26	10.27	11.26
9	0.29	1.32	1.31	2.29	3.30	4.29	5.30	6.29	7.29	8.30	9.29	10.30	11.29
10	0.32	1.36	1.34	2.32	3.33	4.32	5.33	6.32	7.32	8.33	9.32	10.33	11.32
11	0.35	1.39	1.38	2.35	3.37	4.35	5.37	6.35	7.35	8.37	9.35	10.37	11.35
12	0.39	1.43	1.41	2.39	3.40	4.39	5.40	6.39	7.39	8.40	9.39	10.40	11.39
13	0.42	1.46	1.45	2.42	3.43	4.42	5.43	6.42	7.42	8.43	9.42	10.43	11.42
14	0.45	1.50	1.48	2.45	3.47	4.45	5.47	6.45	7.45	8.47	9.45	10.47	11.45
15	0.48	1.54	1.52	2.48	3.50	4.48	5.50	6.48	7.48	8.50	9.48	10.50	11.48
16	0.52	1.57	1.55	2.52	3.53	4.52	5.53	6.52	7.52	8.53	9.52	10.53	11.52
17	0.55	1.61	1.59	2.55	3.57	4.55	5.57	6.55	7.55	8.57	9.55	10.57	11.55
18	0.58	1.64	1.62	2.58	3.60	4.58	5.60	6.58	7.58	8.60	9.58		
19	0.61	1.68	1.66	2.61	3.63	4.61	5.63	6.61	7.61	8.63	9.61		
20	0.65	1.71	1.69	2.65	3.67	4.65	5.67	6.65	7.65	8.67	9.65		
21	0.68	1.75	1.72	2.68	3.70	4.68	5.70	6.68	7.68	8.70	9.68		
22	0.71	1.79	1.76	2.71	3.73	4.71	5.73	6.71	7.71	8.73	9.71		
23	0.74	1.82	1.79	2.74	3.77	4.74	5.77	6.74	7.74	8.77	9.74		
24	0.77	1.86	1.83	2.77	3.80	4.77	5.80	6.77	7.77	8.80	9.77		
25	0.81	1.89	1.86	2.81	3.83	4.81	5.83	6.81	7.81	8.83	9.81		
26	0.84	1.93	1.90	2.84	3.87	4.84	5.87	6.84	7.84	8.87	9.84		
27	0.87	1.96	1.93	2.87	3.90	4.87	5.90	6.87	7.87	8.90	9.87		
28	0.90	2.0	1.97	2.90	3.93	4.90	5.93	6.90	7.90	8.93	9.90		
29	0.94		2.0	2.94	3.97	4.94	5.97	6.94	7.94	8.97	9.94	10.97	11.94
30	0.97			2.97	4.0	4.97	6.0	6.97	7.97	9.0	9.97	11.0	11.97
31	1.0			3.0		5.0		7.0	8.0		10.0		12.0

Semi-Monthly

	Jan	Feb (28)	Feb (29)	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Day													
1–15	0.5	1.5	1.5	2.5	3.5	4.5	5.5	6.5	7.5	8.5	9.5	10.5	11.5
16–31	1.0	2.0	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0	11.0	12.0

Monthly

	Jan	Feb (28)	Feb (29)	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Day													
1–31	1.0	2.0	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0	11.0	12.0

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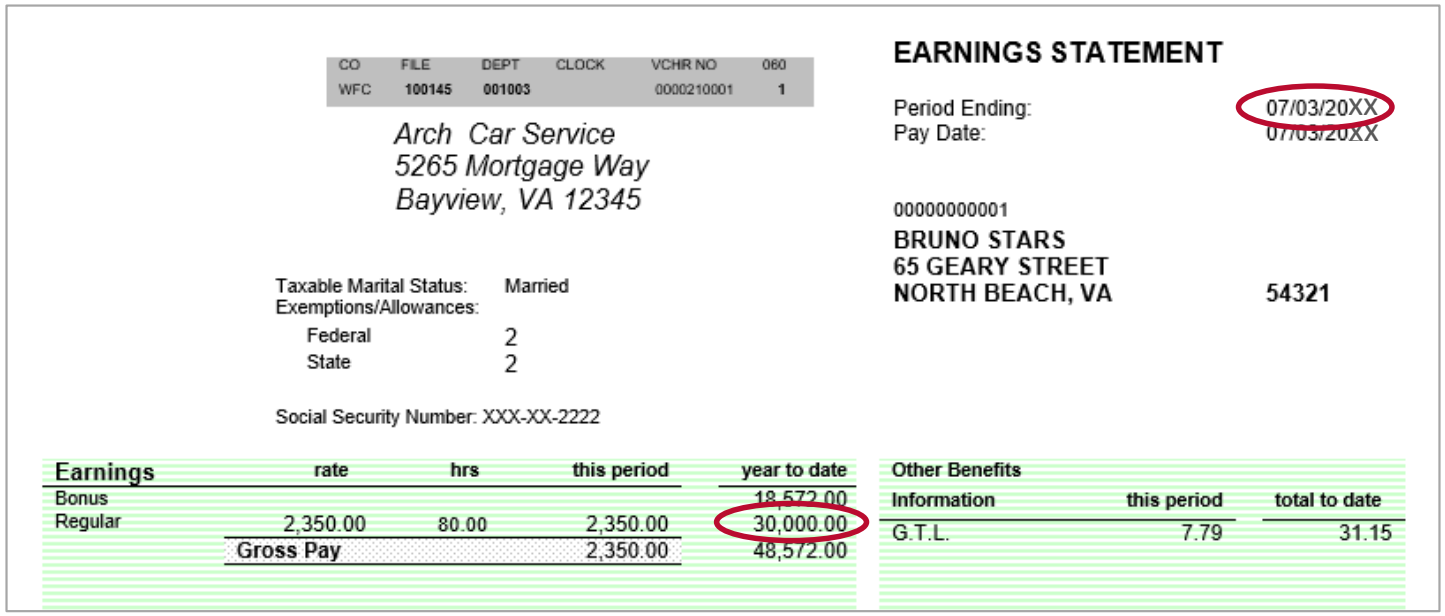
Good News!

Arch MI has a **Pay Stub Decimal Calendar** for your reference:

https://mortgage.archgroup.com/wp-content/uploads/sites/4/MCUS-B1747A-Pay-Stub-Decimal-Calendar.pdf

Average Monthly Base Pay Example



CO	FILE	DEPT	CLOCK	VCHR NO	060
WFC	100145	001003		0000210001	1

Arch Car Service
5265 Mortgage Way
Bayview, VA 12345

EARNINGS STATEMENT

Period Ending: 07/03/20XX
Pay Date: 07/03/20XX

00000000001
BRUNO STARS
65 GEARY STREET
NORTH BEACH, VA **54321**

Taxable Marital Status: Married
Exemptions/Allowances:
Federal 2
State 2

Social Security Number: XXX-XX-2222

Earnings	rate	hrs	this period	year to date
Bonus				18,572.00
Regular	2,350.00	80.00	2,350.00	30,000.00
Gross Pay			2,350.00	48,572.00

Other Benefits Information	this period	total to date
G.T.L.	7.79	31.15

Year-to-Date Base Earnings = $30,000

Pay Date Decimal Factor = 6.10

Average Monthly Base Pay — Pay Date Decimal Calendar

Arch MI academy

Pay Stub Decimal Calendar

Hourly, Weekly, Biweekly

	Jan	Feb (28)	Feb (29)	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1	0.03	1.04	1.03	2.03	3.03	4.03	5.03	6.03	7.03	8.03	9.03	10.03	11.03
2	0.06	1.07	1.07	2.06	3.07	4.06	5.07	6.06	7.06	8.07	9.06	10.07	11.06
3	0.10	1.11	1.10	2.10	3.10	4.10	5.10	6.10	7.10	8.10	9.10	10.10	11.10
4	0.13	1.14	1.14	2.13	3.13	4.13	5.13	6.13	7.13	8.13	9.13	10.13	11.13
5	0.16	1.18	1.17	2.16	3.17	4.16	5.17	6.16	7.16	8.17	9.16	10.17	11.16
6	0.19	1.21	1.21	2.19	3.20	4.19	5.20	6.19	7.19	8.20	9.19	10.20	11.19
7	0.23	1.25	1.24	2.23	3.23	4.23	5.23	6.23	7.23	8.23	9.23	10.23	11.23
8	0.26	1.29	1.28	2.26	3.27	4.26	5.27	6.26	7.26	8.27	9.26	10.27	11.26
9	0.29	1.32	1.31	2.29	3.30	4.29	5.30	6.29	7.29	8.30	9.29	10.30	11.29
10	0.32	1.36	1.34	2.32	3.33	4.32	5.33	6.32	7.32	8.33	9.32	10.33	11.32
11	0.35	1.39	1.38	2.35	3.37	4.35	5.37	6.35	7.35	8.37	9.35	10.37	11.35
12	0.39	1.43	1.41	2.39	3.40	4.39	5.40	6.39	7.39	8.40	9.39	10.40	11.39
13	0.42	1.46	1.45	2.42	3.43	4.42	5.43	6.42	7.42	8.43	9.42	10.43	11.42
14	0.45	1.50	1.48	2.45	3.47	4.45	5.47	6.45	7.45	8.47	9.45	10.47	11.45
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16	0.52	1.57	1.55	2.52	3.53	4.52	5.53	6.52	7.52	8.53	9.52	10.53	11.52
17	0.55	1.61	1.59	2.55	3.57	4.55	5.57	6.55	7.55	8.57	9.55	10.57	11.55
18	0.58	1.64	1.62	2.58	3.60	4.58	5.60	6.58	7.58	8.60	9.58	10.60	11.58
19	0.61	1.68	1.66	2.61	3.63	4.61	5.63	6.61	7.61	8.63	9.61	10.63	11.61
20	0.65	1.71	1.69	2.65	3.67	4.65	5.67	6.65	7.65	8.67	9.65	10.67	11.65
21	0.68	1.75	1.72	2.68	3.70	4.68	5.70	6.68	7.68	8.70	9.68	10.70	11.68
22	0.71	1.79	1.76	2.71	3.73	4.71	5.73	6.71	7.71	8.73	9.71	10.73	11.71
23	0.74	1.82	1.79	2.74	3.77	4.74	5.77	6.74	7.74	8.77	9.74	10.77	11.74
24	0.77	1.86	1.83	2.77	3.80	4.77	5.80	6.77	7.77	8.80	9.77	10.80	11.77
25	0.81	1.89	1.86	2.81	3.83	4.81	5.83	6.81	7.81	8.83	9.81	10.83	11.81
26	0.84	1.93	1.90	2.84	3.87	4.84	5.87	6.84	7.84	8.87	9.84	10.87	11.84
27	0.87	1.96	1.93	2.87	3.90	4.87	5.90	6.87	7.87	8.90	9.87	10.90	11.87
28	0.90	2.0	1.97	2.90	3.93	4.90	5.93	6.90	7.90	8.93	9.90	10.93	11.90
29	0.94		2.0	2.94	3.97	4.94	5.97	6.94	7.94	8.97	9.94	10.97	11.94
30	0.97			2.97	4.0	4.97	6.0	6.97	7.97	9.0	9.97	11.0	11.97
31	1.0			3.0		5.0		7.0	8.0		10.0		12.0

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Average Monthly Base Pay Example

Base Pay Rate:	$2,350.00
Base Pay Frequency:	Biweekly
2,350 x 26 = 61,100/12	
Monthly Base Pay:	**$5,091.67**
Total YTD Base Earned:	$30,000
Pay Date Decimal Calendar Factor:	6.10
$30,000/6.10	
Average Monthly Base Pay:	**$4,918.03**

Knowledge Check One

What is the **pay stub decimal factor** for the paystub below?

A. 4.68

B. 6.54

C. 5.63

CO	FILE	DEPT	CLOCK	VCHR NO	060
WFC	100142	001002		0000210002	2

Arch Personal Shopping
2155 Ft. Worth Way
Dallas, TX 75201

EARNINGS STATEMENT

Period Ending: 06/19/2021
Pay Date: 06/25/2021

00000000002
BRADLEY STOOPER
1564 MORTGAGE WAY
IRVING, TX 75014

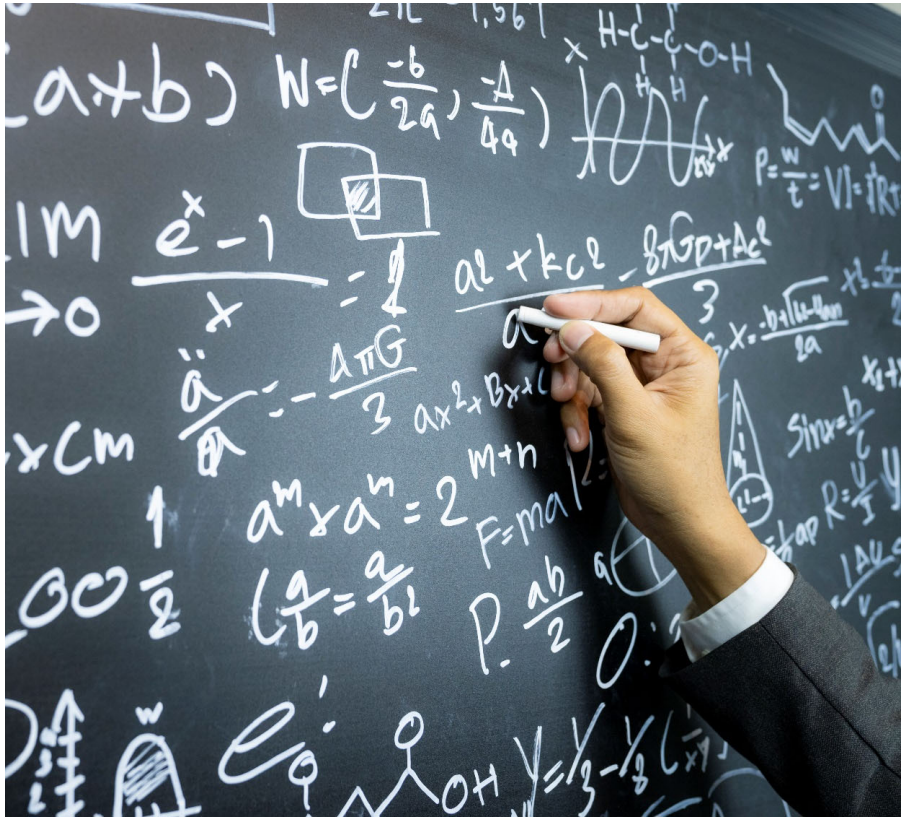
Taxable Marital Status: Married
Exemptions/Allowances:
Federal 3
State 3

Social Security Number: XXX-XX-2345

Check Your Understanding One

The correct answer is ***C. 5.63***.

1. *Using the **Period Ending Date** of 6/19.*
2. *Five (5) full months have passed.*
3. *There are 30 days in June.*
4. *19/30 = .63*
5. *5.63 months have passed.*



Part C — Base vs. Average Variance Steps

Step Five

- Subtract Average Monthly Pay FROM Base Monthly Pay to determine the Difference.

Step Six

- Divide the Difference by the Base Monthly Pay to determine the Quotient.

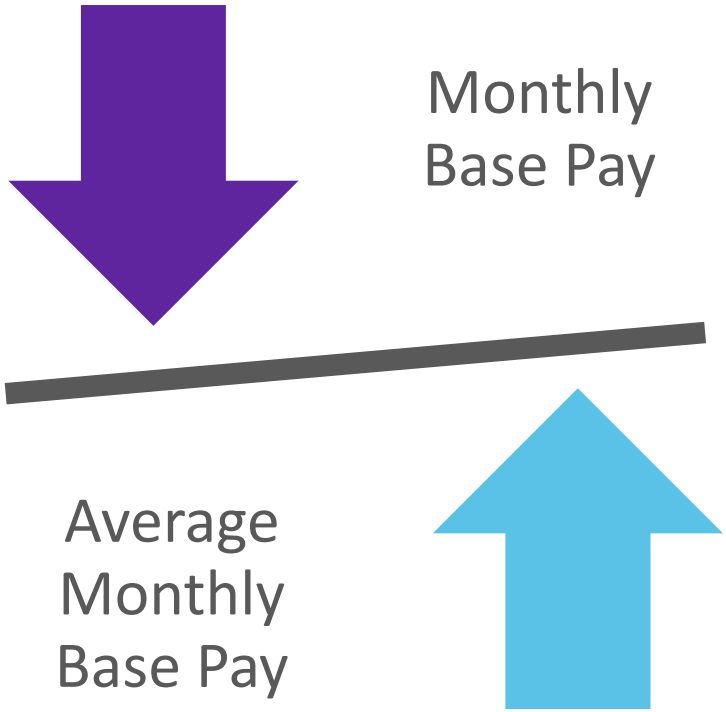
Step Seven

- Multiply the Quotient by 100 to determine the Variance percentage.

Base vs. Average (Variance)

DIFFERENCE between the BASE and the AVERAGE?

Part C — Base vs. Average Variance



Monthly Base Pay

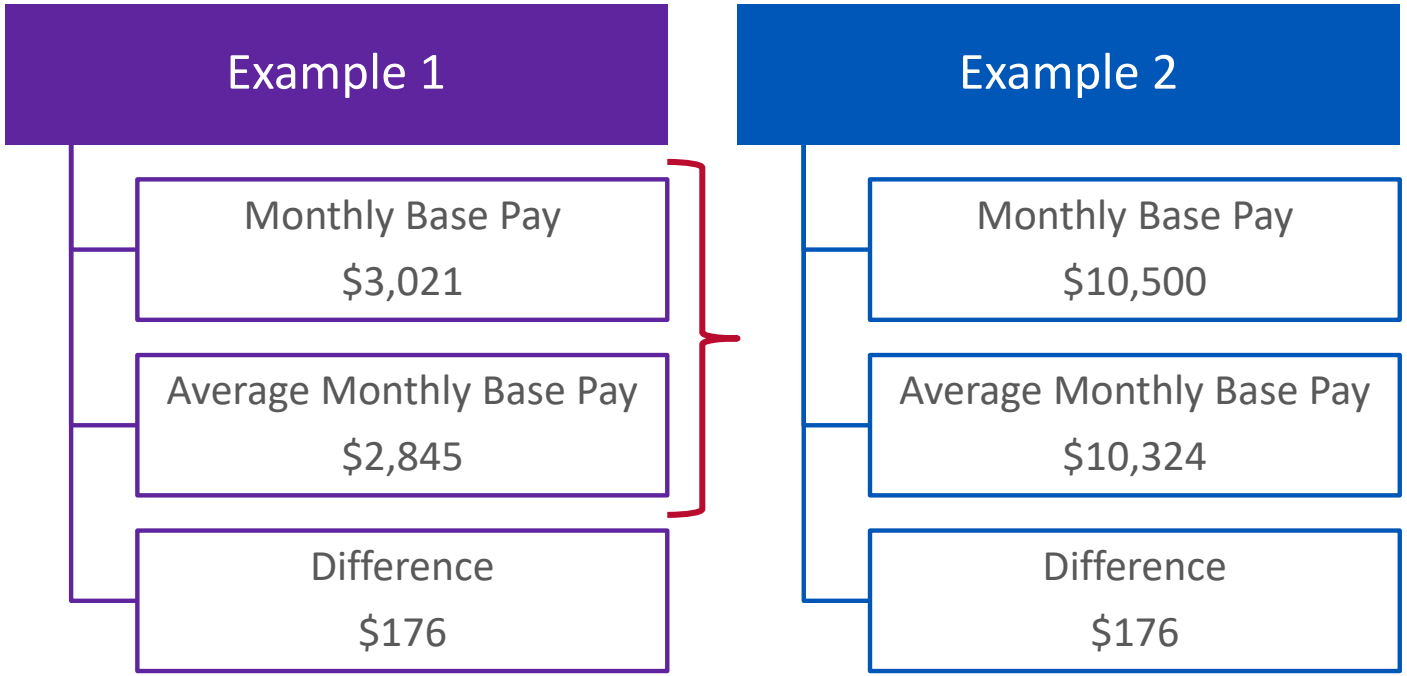
Average Monthly Base Pay

$5,091.67 - $4,918.03 = $173.64

Is there a **SIGNIFICANT** difference?

SIGNIFICANT is *subjective*!

Significant Difference



$176 per month is MORE SIGNIFICANT in Example 1 than Example 2 because it is a larger portion of the monthly income.

Variance

Variance:
The fact or quality of being different, divergent or inconsistent.

$$s^2 = \frac{\Sigma X^2 - \frac{(\Sigma X)^2}{N}}{N-1}$$

Calculating Variance

Step Six

- Divide the Difference by the Base Monthly Pay to determine the Quotient.

Monthly Base Pay
$3,021

Average Monthly Base Pay
$2,845

Difference
$176

176 / 3,021 = 0.0568

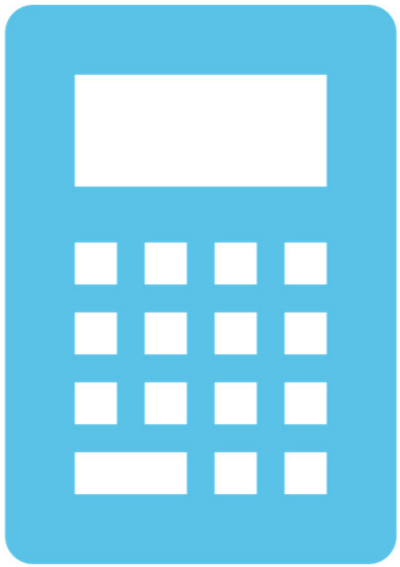
Calculating Variance

Step Seven

- Multiply the Quotient by 100 to determine the Variance percentage.

0.0568 x 100

5.68%



Part D — Qualifying Monthly Base Pay

Step Eight

- Determine whether the variance is reasonable or requires an *EXPLANATION.*

Step Nine

- If the **variance is <5%*, no** explanation is generally needed. Use the Monthly Base Pay.

Step Ten

- If the variance **is ≥5%*,** obtain explanation and support documentation.

Qualifying Monthly Base Pay

Amount used to QUALIFY the borrower.

*General guidance — your institution's tolerance may vary.

Variance Example — Side-by-Side Comparison

EXAMPLE 1	Monthly Base Pay	$3,021.00
	Average Monthly Pay	$2,845.00
	Difference	$3,021.00 - $2,845.00 = **$176.00**
	Quotient	$176.00/$3,021.00 = **0.0568**
	Variance Percentage	0.0568 x 100 = **5.68%**

EXAMPLE 2	Monthly Base Pay	$10,500.00
	Average Monthly Pay	$10,324.00
	Difference	$10,500.00 - $10,374.00 = **$176.00**
	Quotient	$176.00/$10,500.00 = **0.0167**
	Variance Percentage	0.0167 x 100 = **1.67%**

Variance Guidance

Rule of Thumb?

There is no Agency (GSE) direction, so, use your judgement. Follow your institution's guidance, if available.*

<5%	▪ **Generally,** okay without additional documentation*.
≥5%	▪ **Typically** requires explanation and support documentation*.

*General guidance — your institution's tolerance may vary. Check your program guidelines.

Variance Example — Using Guidance

EXAMPLE 1	Monthly Base Pay	$3,021.00
	Average Monthly Pay	$2,845.00
	Difference	$3,021.00 - $2,845.00 = **$176.00**
	Quotient	$176.00/$3,021.00 = **0.0568**
	Variance Percentage	0.0568 x 100 = **5.68%**

If your internal policy is a 5% tolerance, EXAMPLE 1 would require more information before proceeding.

EXAMPLE 2	Monthly Base Pay	$10,500.00
	Average Monthly Pay	$10,324.00
	Difference	$10,500.00 - $10,374.00 = **$176.00**
	Quotient	$176.00/$10,500.00 = **0.0167**
	Variance Percentage	0.0167 x 100 = **1.67%**

Acceptable Reasons for Large Variance

- Paid significantly in arrears.
- Unpaid time off.
- Large raise or promotion.

Qualifying Base Pay

Is there is a **significant variance?**

NO

Use Monthly Base Pay.

YES

Use Monthly Base Pay IF the explanation and documentation support stable income.

When determining qualifying base pay, it is IMPORTANT NOT to over-qualify or under-qualify the borrower.

If you **DO NOT** have **sufficient explanation or documentation to support stable income**:

DO NOT use the Monthly Base Pay.

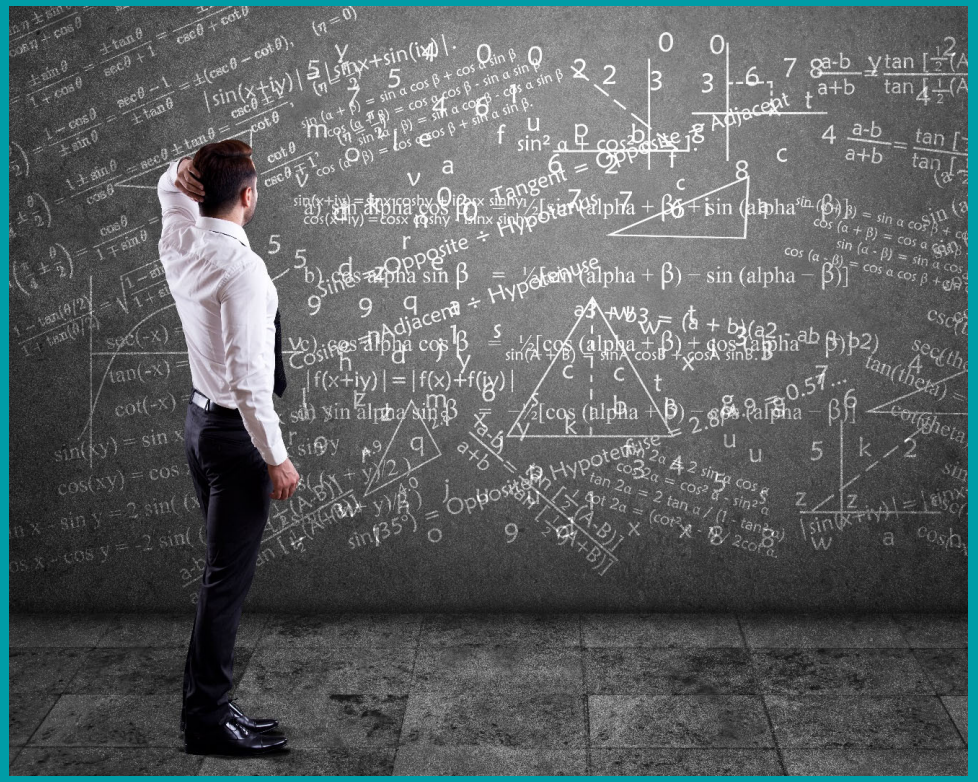
Recalculate income as indicated or exclude income from Qualifying.

Why Not Use YTD Average?

If the Average is lower, why not just use that?

Why obtain documentation and explanations for low YTD income?

It's important to understand the entire picture and know what the normal earnings are (outside of any exceptions).



YTD Average Example

Pulling the Steps Together — Arch MI Qualifying Income Calculator (AMIQuiC)

Arch MI

Arch MI academy

Arch MI Qualifying Income Calculator
Totals

05.18.23

Borrower Name:	Loan Number:
Bruno Stars	Enter the loan number.
Employer Name:	Date of Income Analysis:
Arch Car Service	7/15/2023

Monthly Base Income Total	$5,091.67
Monthly Bonus Income Total	$0.00
Monthly Overtime Income Total	$0.00
Monthly Commission Income Total	$0.00
AMIQuiC Qualifying IncomeTotal	$5,091.67

Click here to access the Base Income Calculator.

Click here to access the Bonus Income Calculator.

Click here to access the Overtime Income Calculator.

Click here to access the Commission Income Calculator.

Arch MI academy

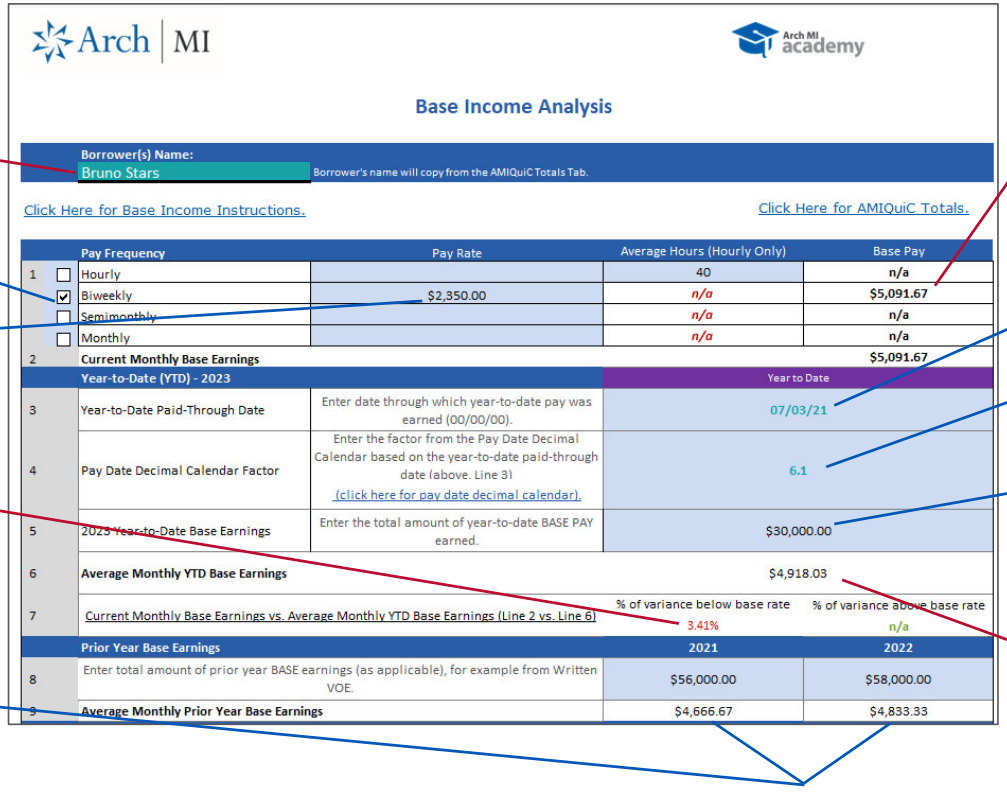
AMIQuiC Example

Name auto-populates from **Totals** (Main) tab.

Click checkbox next to **Pay Frequency** and enter **Pay Rate**.

Variance Percentage is auto-calculated.

If entering **Prior Year Earnings**, you can see the historical comparisons.



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Base Income Analysis

Borrower(s) Name: Bruno Stars — Borrower's name will copy from the AMIQuiC Totals Tab.

Click Here for Base Income Instructions. | Click Here for AMIQuiC Totals.

		Pay Frequency	Pay Rate	Average Hours (Hourly Only)	Base Pay
1	☐	Hourly		40	n/a
	☑	Biweekly	$2,350.00	n/a	$5,091.67
	☐	Semimonthly		n/a	n/a
	☐	Monthly		n/a	n/a
2		**Current Monthly Base Earnings**			$5,091.67

	Year-to-Date (YTD) - 2023		Year to Date
3	Year-to-Date Paid-Through Date	Enter date through which year-to-date pay was earned (00/00/00).	07/03/21
4	Pay Date Decimal Calendar Factor	Enter the factor from the Pay Date Decimal Calendar based on the year-to-date paid-through date (above. Line 3) (click here for pay date decimal calendar).	6.1
5	2023 Year-to-Date Base Earnings	Enter the total amount of year-to-date BASE PAY earned.	$30,000.00
6	**Average Monthly YTD Base Earnings**		$4,918.03

		% of variance below base rate	% of variance above base rate
7	Current Monthly Base Earnings vs. Average Monthly YTD Base Earnings (Line 2 vs. Line 6)	3.41%	n/a

	Prior Year Base Earnings	2021	2022
8	Enter total amount of prior year BASE earnings (as applicable), for example from Written VOE.	$56,000.00	$58,000.00
9	**Average Monthly Prior Year Base Earnings**	$4,666.67	$4,833.33

Base Pay is auto-calculated.

Enter **Period Ending Date** and **Pay Date Decimal Factor**, along with **YTD Base Earnings**.

Average Monthly Base Pay is auto-calculated.

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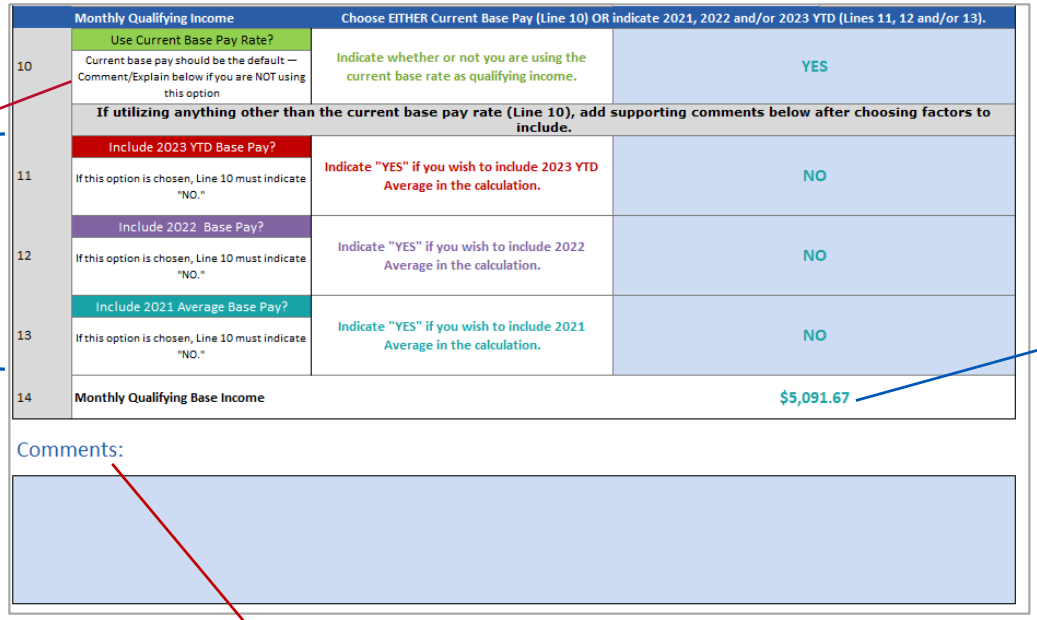
AMIQuiC Example

Choose **Qualifying Income** (Default is Current Base Pay).

An average of any combination of **YTD Average**, **Most Recent Year** and **Prior Year** can also be utilized.



	Monthly Qualifying Income	Choose EITHER Current Base Pay (Line 10) OR indicate 2021, 2022 and/or 2023 YTD (Lines 11, 12 and/or 13).	
10	Use Current Base Pay Rate? Current base pay should be the default — Comment/Explain below if you are NOT using this option	Indicate whether or not you are using the current base rate as qualifying income.	YES
	If utilizing anything other than the current base pay rate (Line 10), add supporting comments below after choosing factors to include.		
11	Include 2023 YTD Base Pay? If this option is chosen, Line 10 must indicate "NO."	Indicate "YES" if you wish to include 2023 YTD Average in the calculation.	NO
12	Include 2022 Base Pay? If this option is chosen, Line 10 must indicate "NO."	Indicate "YES" if you wish to include 2022 Average in the calculation.	NO
13	Include 2021 Average Base Pay? If this option is chosen, Line 10 must indicate "NO."	Indicate "YES" if you wish to include 2021 Average in the calculation.	NO
14	Monthly Qualifying Base Income		$5,091.67

Comments:

Monthly Qualifying Base Income is auto-calculated base on your selections.

Add Comments as needed to clarify your choice(s).

Knowledge Check Two

What is the **variance percentage?**

A. 1.25%

B. 1.67%

C. 2.10%

Monthly Base Pay
$10,500

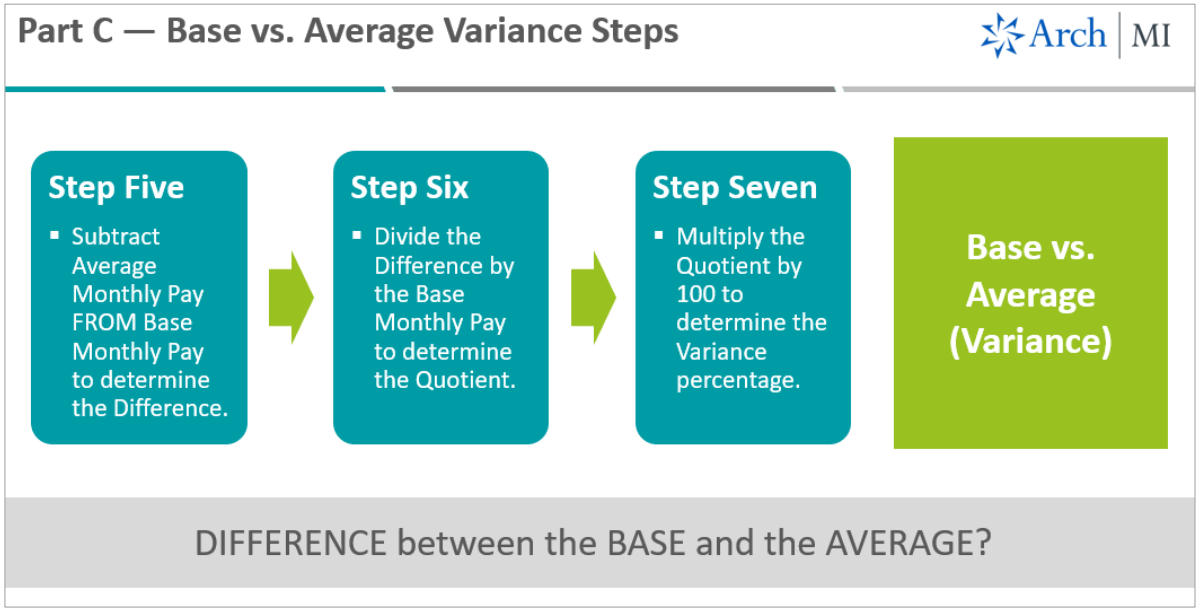
Average Monthly Base Pay
$10,324

Difference
$176

Check Your Understanding Two

The correct answer is *B. 1.67%*.

- *0.167 x 100 = 1.67%.*



Paystub Income Calculation
– Variable Pay

Variable Income

Income that typically fluctuates, such as:

- Overtime.
- Bonus.
- Commission.
- Tips.

Considerations

- History of receipt.
  - Generally, the income must be received for at least two years.
- Frequency of payment.
  - The income may be received monthly, quarterly, annually or with every pay period.
- Income trending.
  - Stable or increasing.
  - Declined, but stabilized.
  - Continually declining.

Income Trending

Trend of the Income is Stable or Increasing.	▪ Generally, the income amount can be averaged. ▪ Special consideration should be taken if there is an extreme increase in year-to-date earnings.
Trend of the Income was Declining, but Since Stabilized.	▪ Generally, the current, lower amount must be used, if there is no reason to believe the borrower will not continue to be employed at the current level.
Trend of the Income is Continually Declining.	▪ The income may not be stable. ▪ Additional analysis must be conducted to determine whether **any** variable income should be used. DO NOT average.

Income Trending Examples

Trend of the Income is Stable or Increasing.

2021	2022	2023 YTD
$22,000	$25,000	$24,650

Trend of the Income was Declining, but Since Stabilized.

2021	2022	2023 YTD
$20,000	$17,500	$17,985

Trend of the Income is Continually Declining.

2021	2022	2023 YTD
$25,000	$18,000	$13,000

Outliers

Outlier Examples

BONUS TRENDING

2020	2021	2022
$10,000	$12,500	$19,000

Variable Income and Trending Example — Bonus

	Annual	Average Monthly
Pay Frequency = Biweekly		
2021 Bonus	$10,000	$833.33
2022 Bonus	$12,500	$1,041.67
2023 Bonus thru 5/20/23 Pay Date Decimal Factor = **12.0**	$19,000	$1,583.33
Trending of the Income = Stable or Increasing		
How do you calculate this borrower's qualifying Bonus?		

Bonus Example

Bonus Income Analysis

Borrower(s) Name:
Outlier Example — Borrower's name will copy from the AMIQuiC Totals Tab.

Click Here for AMIQuiC Totals.

			Prior Year 2021	Most Recent Year 2022
	Prior Year Bonus Earned			
1	Total Bonus Earned	Enter the total amount of bonus earned.	$10,000.00	$12,500.00
		Prior Year vs. Most Recent Year	% of Decline 0.00%	% of Increase 25.00%
	Year-to-Date (YTD)		Year to Date - 2023	
2	Bonus Payout Months	Calculator assumes bonus payout is annual — if other than annual, enter the appropriate pro-rata number.	12.00	
3	2023 Year-to-Date Bonus	Enter the total amount of year-to-date bonus earned.	$19,000.00	
		Most Recent Year vs. Year-to-Date	% of Decline n/a	% of Increase 52.00%
	Monthly Qualifying Bonus Income			
4	Include 2021 (Prior Year) data?	Indicate "YES" if you wish to include 2021 data in the calculation.	YES	
5	Include 2022 (Most Recent Year) data?	Indicate "YES" if you wish to include 2022 data in the calculation.	YES	
6	Include 2023 (Year-to-Date) data?	Indicate "YES" if you wish to include 2023 YTD data in the calculation.	NO	
7	**Monthly Qualifying Bonus Income**		$937.50	

Comments:

Variable Income and Trending Example — Overtime

	Annual	Average Monthly
Pay Frequency = Biweekly		
2021 Overtime	$14,527.86	$1,210.65
2022 Overtime	$15,962.32	$1,330.19
2023 Overtime thru 5/20/23 Pay Date Decimal Factor = **4.65**	$6,489.72	$1,395.64
Trending of the Income = Stable or Increasing		
How do you calculate this borrower's qualifying Overtime?		

Overtime Example

Overtime Income Analysis

Borrower(s) Name:
Variable Income & Trending — Borrower's name will copy from the AMIQuiC Totals Tab.

Click Here for AMIQuiC Totals.

			Prior Year 2021	Most Recent Year 2022
	Prior Year Overtime Earned			
1	Total Overtime Earned	Enter the total amount of overtime earned.	$14,527.86	$15,962.32
		Prior Year vs. Most Recent Year	% of Decline 0.00%	% of Increase 9.87%
	Year-to-Date (YTD)		Year to Date	
2	Year-to-Date Paid-Through Date	Enter date through which year-to-date pay was earned (00/00/00).	05/20/23	
3	Pay Date Decimal Calendar Factor	Enter the factor from the Pay Date Decimal Calendar based on the year-to-date paid-through date (above, Line 3) (click here for the pay date decimal calendar).	4.65	
4	2022 Year-to-Date Overtime	Enter the total amount of year-to-date overtime earned.	$6,489.72	
		Most Recent Year vs. Year-to-Date	% of Decline 0.00%	% of Increase 4.92%
	Monthly Qualifying Overtime Income			
5	Use 2021 (Prior Year) data?	Indicate "YES" if you wish to include 2021 data in the calculation.	YES	
6	Use 2022 (Most Recent Year) data?	Indicate "YES" if you wish to include 2022 data in the calculation.	YES	
7	Use 2023 (Year-to-Date) data?	Indicate "YES" if you wish to include 2023 YTD data in the calculation.	YES	
8	**Monthly Qualifying Overtime Income**		$1,290.75	

Variable Income and Trending Example — Commission

	Annual	Average Monthly
Pay Frequency = Semimonthly		
2021 Commission	$120,000.00	$10,000.00
2022 Commission	$130,000.00	$10,833.33
2023 Commission thru 9/15/23 Pay Date Decimal Factor = **8.50**	$135,575.00	$15,950.00
Trending of the Income = Stable or Increasing		
How do you calculate this borrower's Commission?		

Using Outlier vs. Not Using Outlier

Should you include the outlier or not? It depends.

Click Here for AMIQuiC Totals.

			Prior Year 2021	Most Recent Year 2022
	Prior Year Overtime Earned			
1	Total Commission Earned	Enter the total amount of commission earned each year.	$120,000.00	$130,000.00
		Prior Year vs. Most Recent Year	% of Decline 0.00%	% of Increase 8.33%
	Year-to-Date (YTD)		Year to Date	
2	Year-to-Date Paid-Through Date	Enter date through which year-to-date pay was earned (00/00/00).	09/15/23	
3	Pay Date Decimal Calendar Factor	Enter the factor from the Pay Date Decimal Calendar based on the year-to-date paid-through date (above, Line 2) (click here for the pay date decimal calendar).	8.50	
4	2023 Year-to-Date Commission	Enter the total amount of year-to-date commission earned.	$135,573.00	
		Most Recent Year vs. Year-to-Date	% of Decline 0.00%	% of Increase 47.23%
	Monthly Qualifying Income			
5	Use 2021 (Prior Year) data?	Indicate "YES" if you wish to include 2021 data in the calculation.	YES	
6	Use 2022 (Most RecentYear) data?	Indicate "YES" if you wish to include 2022 data in the calculation.	YES	
7	Use 2023 (Year-to-Date) data?	Indicate "YES" if you wish to include 2023 Average data in the calculation.	YES	
8	**Monthly Qualifying Commission Income**		$11,863.78	

Comments:

Documentation in file shows that borrower's territory was expanded to twice it's size in 2023, which supports the use of 2023 commission

Click Here for AMIQuiC Totals.

			Prior Year 2021	Most Recent Year 2022
	Prior Year Overtime Earned			
1	Total Commission Earned	Enter the total amount of commission earned each year.	$120,000.00	$130,000.00
		Prior Year vs. Most Recent Year	% of Decline 0.00%	% of Increase 8.33%
	Year-to-Date (YTD)		Year to Date	
2	Year-to-Date Paid-Through Date	Enter date through which year-to-date pay was earned (00/00/00).	09/15/23	
3	Pay Date Decimal Calendar Factor	Enter the factor from the Pay Date Decimal Calendar based on the year-to-date paid-through date (above, Line 2) (click here for the pay date decimal calendar).	8.50	
4	2023 Year-to-Date Commission	Enter the total amount of year-to-date commission earned.	$135,573.00	
		Most Recent Year vs. Year-to-Date	% of Decline 0.00%	% of Increase 47.23%
	Monthly Qualifying Income			
5	Use 2021 (Prior Year) data?	Indicate "YES" if you wish to include 2021 data in the calculation.	YES	
6	Use 2022 (Most RecentYear) data?	Indicate "YES" if you wish to include 2022 data in the calculation.	YES	
7	Use 2023 (Year-to-Date) data?	Indicate "YES" if you wish to include 2023 Average data in the calculation.	NO	
8	**Monthly Qualifying Commission Income**		$10,416.67	

Comments:

1. Do you need maximum income to qualify?
2. Can you get an explanation and documentation to support stability?

Knowledge Check Three

Is this True or False?

- Considerations when calculating variable income include history of receipt, frequency of the payment and income trending.

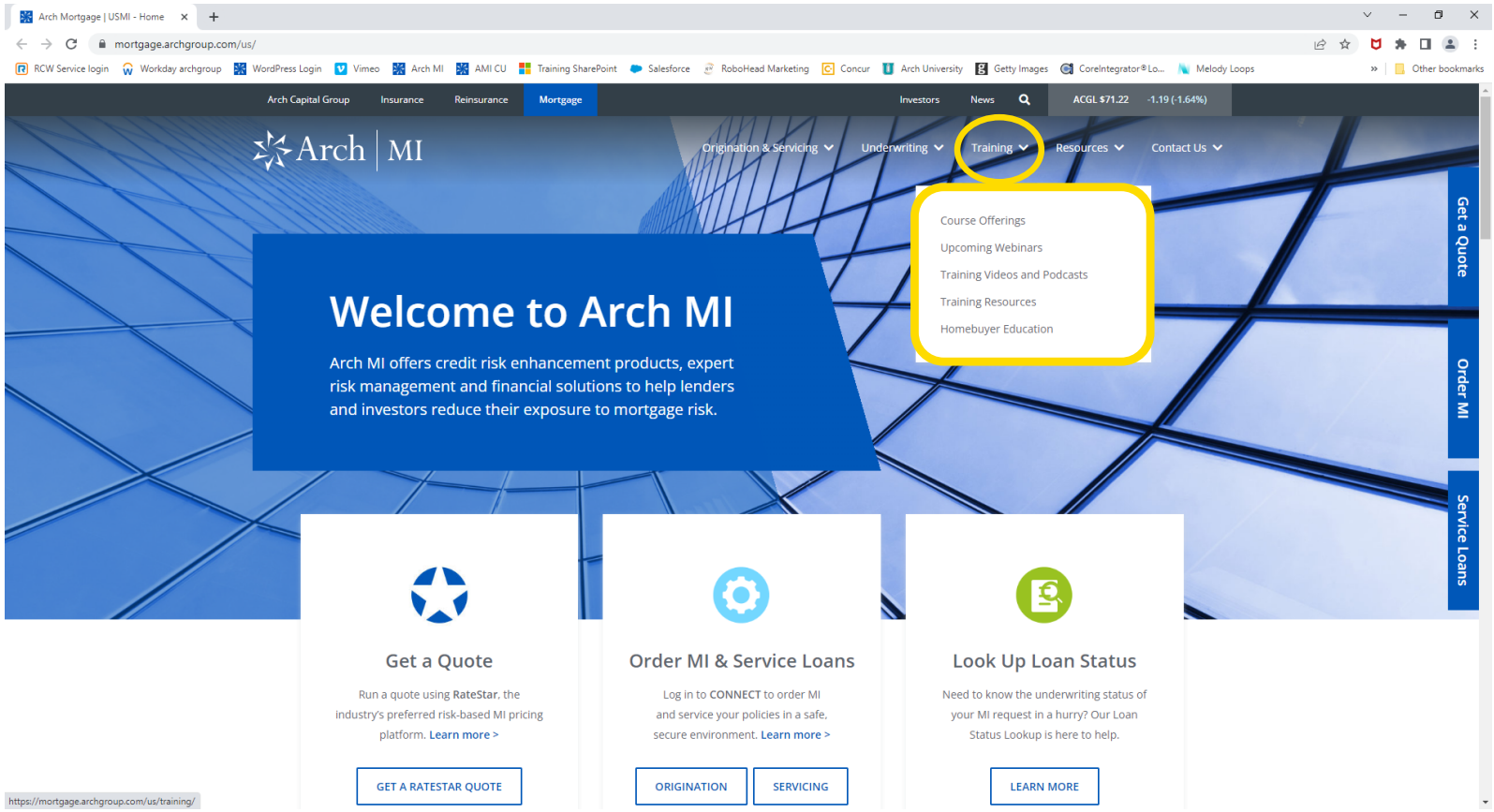
Check Your Understanding Three

The correct answer is *True*.

- *Considerations when calculating variable income include history of receipt, frequency of the payment and how the income has trended over the period of time you are reviewing.*

Tools and Resources

archmi.com | archmicu.com



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