

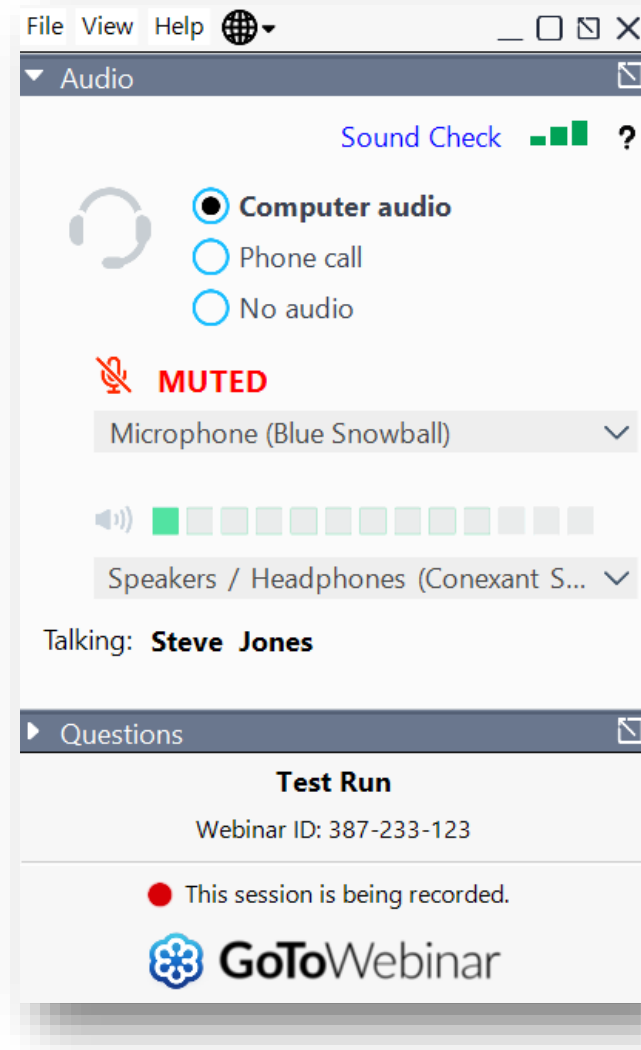
Reviewing Miscellaneous Employment Income Sources

March 2023

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Submit comments and/or questions



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Reviewing Miscellaneous Employment Income Sources

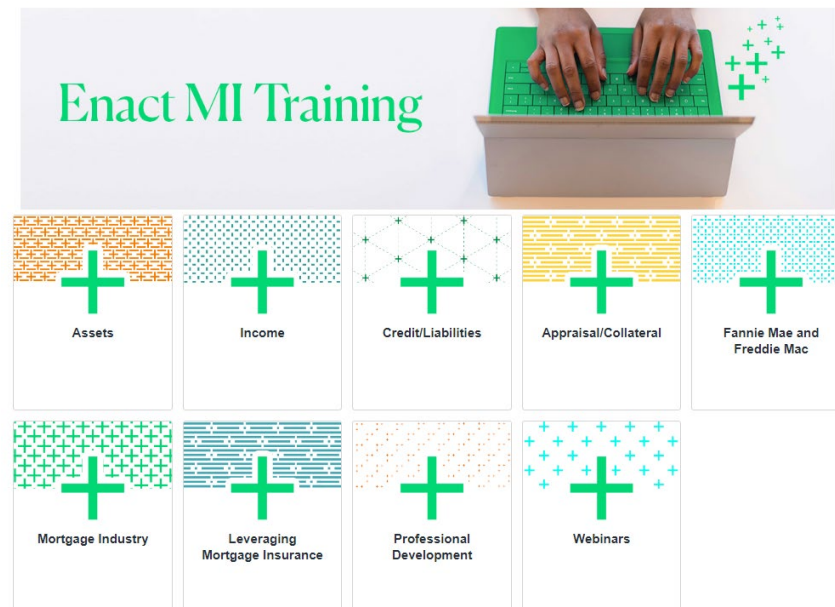
March 2023

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Recommended Prerequisites

- Understanding Desktop Underwriter- The Basics
- Understanding Loan Product Advisor- The Basics
- Calculating Income – The Basics, Base Income



<https://training.enactmi.com/>

Objective

Understand the Different Types of Income and How to Document Them

- Commission
- Bonus and Overtime
- Tip Income
- Temporary Leave
- Secondary Income
- Seasonal & Unemployment
- Auto Allowance

Ability-to-Repay (ATR) Rule

Key concepts of the rule:

- *The creditor must make a reasonable and good faith determination that the consumer has the ability to repay the loan.*
 - Mortgage borrowers must provide ample financial documentation; lenders must verify the documents.
 - In order to be approved for a particular home loan, the borrower must have sufficient income and assets to repay the loan in accordance with ATR rule.

The Uniform Residential Loan Application URLA- Form 1003/65

To be completed by the Lender:
Lender Loan No./Universal Loan Identifier _____ Agency Case No. _____

Uniform Residential Loan Application

Verify and complete the information on this application. If you are applying for this loan with others, each additional Borrower must provide information as directed by your Lender.

Section 1: Borrower Information.

This section asks about your personal information and your income from employment and other sources, such as retirement, that you want considered to qualify for this loan.

1a. Personal Information

Name (First, Middle, Last, Suffix) _____ Alternate Names - List any names by which you are known or any names under which credit was previously received (First, Middle, Last, Suffix) _____		Social Security Number _____ <small>(or Individual Taxpayer Identification Number)</small> Date of Birth (mm/dd/yyyy) _____ <input type="radio"/> U.S. Citizen <input type="radio"/> Permanent Resident Alien <input type="radio"/> Non-Permanent Resident Alien
<input type="radio"/> I am applying for individual credit . <input type="radio"/> I am applying for joint credit . Total Number of Borrowers: _____ Each Borrower intends to apply for joint credit. Your initials: _____		List Name(s) of Other Borrower(s) Applying for this Loan (First, Middle, Last, Suffix) _____
Marital Status <input type="radio"/> Married <input type="radio"/> Separated <input type="radio"/> Unmarried* <small>*Single, Divorced, Widowed, Civil Union, Domestic Partnership, Registered Reciprocal Beneficiary Relationship</small>	Dependents (not listed by another Borrower) Number _____ Ages _____	Contact Information Home Phone (____) _____ Call Phone (____) _____ Work Phone (____) _____ Ext. _____ Email _____

Current Address

Street _____ Unit # _____
 City _____ State _____ Zip _____ Country _____
 How Long at Current Address? ____ Years ____ Months Own Rent (\$ _____/month) No primary housing expense

If at Current Address for LESS than 2 years, list Former Address Does not apply

Street _____ Unit # _____
 City _____ State _____ Zip _____ Country _____
 How Long at Former Address? ____ Years ____ Months Own Rent (\$ _____/month) No primary housing expense

Mailing Address - if different from Current Address Does not apply

Street _____ Unit # _____
 City _____ State _____ Zip _____ Country _____

Military Service - Did you (or your deceased spouse) ever serve, or are you currently serving, in the United States Armed Forces? **ON/O YES**
 If YES, check all that apply: Currently serving on active duty with projected expiration date of service/tour ____ / ____ (mm/yyyy)
 Currently retired, discharged, or separated from service
 Only period of service was as a non-activated member of the Reserve or National Guard
 Surviving spouse

1b. Current Employment/Self Employment and Income

Does not apply

Employer or Business Name _____ Phone (____) _____ Address _____ City _____ State _____ Zip _____	Gross Monthly Income Base \$ _____/month Overtime \$ _____/month Bonus \$ _____/month Commission \$ _____/month Military Entitlements \$ _____/month Other \$ _____/month TOTAL \$ _____/month
Position or Title _____ Start Date ____ / ____ (mm/yyyy) How long in this line of work? ____ Years ____ Months	Check if this statement applies: <input type="checkbox"/> I am employed by a family member, property seller, real estate agent, or other party to the transaction.

Check if you are the Business Owner or Self-Employed I have an ownership share of less than 25%. **Monthly Income (or Loss)** \$ _____
 I have an ownership share of 25% or more. \$ _____

Uniform Residential Loan Application
 Freddie Mac Form 65 - Fannie Mae Form 1003
 Revised 08/2016 - NOT FOR CURRENT USE

Verifying Employment History

Two year history is required on the 1003 for all applicants

- Spell out the full, complete business name and address.
- Correctly identify type of employment:
 - Does the borrower receive a W2 or 1099?
 - If the borrower owns 25% or more of the business, they are self-employed.
 - Note- A borrower may be self-employed and get a W2 from that business.
- Years on job and employed in line of work will be compared to job title and credit report.
- Title/Type of Business should convey enough information to:
 - Convey what duties the borrower performs.

<input checked="" type="checkbox"/> Check if you are the Business Owner or Self-Employed	<input type="radio"/> I have an ownership share of less than 25%.	<input type="radio"/> I have an ownership share of 25% or more.	Monthly Income (or Loss) \$ _____	Other \$ _____ /month
			TOTAL	\$ _____ /month

Is the Borrower Self Employed?



Fannie Mae Resources



Selling Guide

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SINGLE FAMILY Originating & Underwriting Pricing & Execution Servicing Delivering Learning Center Apps & Technology News & Events

COVID-19 UPDATE: [Find out how Fannie Mae is responding.](#)

Selling Guide

Published July 07, 2021

Search the Guide... e.g. How do I calculate my borrower's income who is on temporary leave?

For best results, pose your search like a question.

Guide Resources

For a comprehensive list of resources such as forms, announcements, lender letters, notices and more.

[Visit Selling and Servicing Guide Communications and Forms](#)

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[Download Now](#)

<https://selling-guide.fanniemae.com/>

Fannie Mae Selling Guide

B3-3.1-02, Standards for Employment Documentation (12/16/2020)

Introduction

This topic contains information on the standards for documentation of employment income, including:

[General Documentation Requirements](#)

[Employment Documentation Provided by the Borrower](#)

[Employment Documentation Provided by the Borrower's Employer](#)

[Employment Documentation Provided by a Third-Party Employment Verification Vendor](#)

<https://selling-guide.fanniemae.com/>

Fannie Mae - Variable Income

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.

<https://selling-guide.fanniemae.com/>

Fannie Mae - Income Trending

Income Trending: After the monthly year-to-date income amount is calculated, it must be compared to prior years' earnings using the borrower's W-2's or signed federal income tax returns (or a standard Verification of Employment completed by the employer or third-party employment verification vendor).

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

<https://selling-guide.fanniemae.com/>

Fannie Mae Release Notes DU Version 11.0



Desktop Underwriter/Desktop Originator Release Notes DU Version 11.0

Feb. 10, 2021

During the weekend of March 13, 2021, Fannie Mae will implement Desktop Underwriter® (DU®) Version 11.0, which will include the changes described below.

The changes in this release will apply to new loan casefiles submitted to DU on or after the weekend of March 13, 2021. Loan casefiles created in DU Version 10.3 and resubmitted after the weekend of March 13 will continue to be underwritten through DU Version 10.3.

The changes in this release include the following:

- DU Risk Assessment Update
- Updates to Align with the Selling Guide
- Retirement of DU Version 10.2

Self-Employment/ Variable Income

DU will no longer view self-employment as representing increased risk but will now evaluate the composition of borrower income.

DU will view borrowers whose total annual income is made up of a higher percentage of variable income (i.e., bonus, overtime, commission, and miscellaneous) as representing increased risk.

udent risk management, we regularly review and adjust the DU risk assessment
nce data. DU Version 11.0 will include an updated risk assessment that will fine-
homeownership sustainability. This update will continue to help lenders

in the overall percentage of loan casefiles receiving an Approve/Eligible
y vary depending on their overall mix of business.

form a comprehensive risk assessment. The risk factors specified below will be

ther risk factors listed in Selling Guide section [B3-2-03, Risk Factors Evaluated by DU](#)

DU will continue to view loan casefiles as having lower associated risk when the borrower's debt-to-income ratio (DTI ratio) is low. DU will also evaluate the composition of the borrower's debt, specifically looking at how revolving debts and student loan debts make up the borrower's total monthly expenses.

Borrowers whose revolving debt makes up a smaller percentage of their monthly expense will represent less risk, and borrowers with student loan debt will represent less risk than those with only revolving debt.

Self-Employment/ Variable Income

DU will no longer view self-employment as representing increased risk but will now evaluate the composition of borrower income.

DU will view borrowers whose total annual income is made up of a higher percentage of variable income (i.e., bonus, overtime, commission, and miscellaneous) as representing increased risk.

<https://singlefamily.fanniemae.com/media/25111/display>



Freddie Mac Resources



Selling Guide Income Topic 5300 Revised

The screenshot shows the Freddie Mac Seller/Service Guide website. The top navigation bar includes the Freddie Mac Single-Family logo, 'Seller/Service Guide', and menu items: 'Guide Home', 'Seller/Service Relationship', 'Selling' (underlined), and 'Servicing'. There is also a search bar 'Search the Guide' and a 'View All' dropdown. Below the navigation is a blue banner with a search box 'Search The Single-Family Seller Service Guide' and a search input field containing 'What can we help...'. To the right of the search box are links for 'Guide Sections Impacted by COVID-19 Bulletins' and 'Glossary'. The main content area is white with a blue header '5305.2' and navigation arrows '< Prev' and 'Next >'. The main heading is 'Specific requirements for other income types' in bold black text, with the sub-heading 'Effective 12/01/2021'. Below this is a breadcrumb trail: 'Guide Home > Selling > Series 5000 : Origination and Underwriting > Topic 5300 : Stable Monthly Income and Asset Qualification Sources > Chapter 5305 : Other Income'. To the left is a 'Browse Guide' section with a 'Filter By:' label and three dropdown menus: 'Series 5000: Origination...', 'Topic 5300: Stable Mon...', and 'Select a Chapter'. To the right of these is a search box 'Search Section Titles' with search and close icons. Below the filters is a list of items with horizontal lines to their right:

- Selling: This segment includes requirements applicable to originating, underwriting, and selling eligible Mortgages (Series 4000 through 6000). —
- Series 5000: Origination and Underwriting —
- Topic 5300: Stable Monthly Income and Asset Qualification Sources —
- Chapter 5301: General Requirements for All Stable Monthly Income and Asset Qualification Sources —

<https://guide.freddiemac.com/app/guide/topic/5300>
https://guide.freddiemac.com/app/guide/content/a_id/1000659

Income Continuance Requirements

Income continuance charts were added to Topic 5301.1

- **Income and earnings types typically without documentable continuance**
- **Income types with documentable continuance**
- **Other income types that may or may not have documentable continuance**

Employed Income Types

Primary

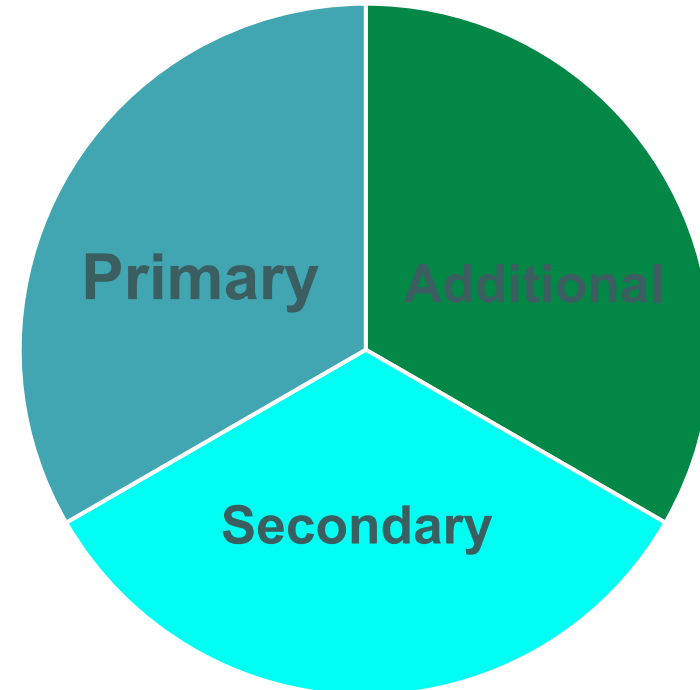
- Borrower's primary source of employed income

Secondary

- Second job, part-time job or multiple jobs

Additional

- Commissions
- Bonus
- Overtime
- Tips
- Auto allowance
- Mortgage differential
- Military entitlements
- Military Reserves & National Guard
- Unemployment with seasonal employment



Freddie Mac - Calculation of Fluctuating Employment Earnings

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.

Consistent and increasing income trends

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.

<https://guide.freddiemac.com/app/guide/section/5303.4>

Freddie Mac - Calculation of Fluctuating Employment Earnings

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.

Declining trend

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.

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.

<https://guide.freddiemac.com/app/guide/section/5303.4>

Loan Product Advisor Documentation Matrix

Loan Product Advisor[®] Documentation Matrix

Freddie Mac
SINGLE-FAMILY | Learning

Use the following information as a reference for documenting your Loan Product Advisor[®] (LPASM) loans. For complete documentation information and specific program eligibility requirements, refer to the [Freddie Mac Single-Family Seller/Service Guide \(Guide\)](#). We recommend bookmarking the Guide link (<https://guide.freddiemac.com/app/guide/>) for easy access.*

What Has Changed in this Reference?

This reference is updated to coincide with new and significant changes to documentation requirements announced in Guide Bulletins. Recent changes include:

<https://sf.freddiemac.com/content/assets/resources/pdf/update/docmatrix.pdf>



Documenting Other Employment Income Types



Fannie Mae Commission Income

A minimum history of 2 years of commission income is recommended; however, commission income that has been received for 12 to 24 months may be considered as acceptable income, as long as there are positive factors to reasonably offset the shorter income history.

Documentation

One of the following must be obtained to document commission income:

- a completed *Request for Verification of Employment* (Form 1005 or Form 1005(S))* , or
- the borrower's recent paystub and IRS W-2 forms covering the most recent two-year period.

And

A verbal VOE is required from each employer.

B3-3.1-04, Commission Income (12/04/2018)

<https://selling-guide.fanniemae.com/>

Freddie Mac - Commission Income

History of receipt: Two years, consecutive¹

Continuance: Must be likely to continue for at least the next three years

Calculation: Refer to [Section 5303.4\(b\)](#) for calculation guidance and requirements

Documentation Requirements with Streamline Accept and Standard All of the following:

YTD paystub(s) documenting all YTD earnings, W-2 forms for the most recent two calendar years and a 10-day PCV (refer to [Section 5302.2\(d\)](#))

Or all of the following:

Written verification of employment (VOE) documenting all YTD earnings and the earnings for the most recent two calendar years and a 10-day PCV

Freddie Mac Selling Guide 5303.3 Specific requirements for additional employed income

Fannie Mae Bonus and Overtime

A minimum history of two years of employment income is recommended. However, income that has been received for a shorter period of time may be considered as acceptable income, as long as the borrower's employment profile demonstrates that there are positive factors to reasonably offset the shorter income history.

Borrowers relying on overtime or bonus income for qualifying purposes must have a history of no less than 12 months to be considered stable.

Obtain the following documents:

- a completed Form 1005 or Form 1005(S), or
- the borrower's recent paystub and IRS W-2 forms covering the most recent two-year period.

<https://selling-guide.fanniemae.com/>

Freddie Mac - Bonus Income and OT

History of receipt: Two years, consecutive¹

Continuance: Must be likely to continue for at least the next three years

Calculation: Refer to [Section 5303.4\(b\)](#) for calculation guidance and requirements

Documentation Requirements with Streamline Accept and Standard All of the following:

YTD paystub(s) documenting all YTD earnings, W-2 forms for the most recent two calendar years and a 10-day PCV

Or all of the following:

Written VOE documenting all YTD earnings and the earnings for the most recent two calendar years and a 10-day PCV

Tip Income - Fannie Mae

Tip income may be used to qualify the borrower if the lender verifies that the borrower has received it for the last two years.

Documentation - Obtain the following documents:

A completed *Request for Verification of Employment* (Form 1005 or Form 1005(S))* , or

- the borrower's recent paystub, and
- IRS W-2 forms covering the most recent two-year period or the most recent two years tax returns with IRS Form 4137, Social Security and Medicare Tax on Unreported Tip Income, to verify tips not reported by the employer.

B3-3.1-09, Other Sources of Income (12/14/2022)

<https://www.fanniemae.com/content/guide/selling/b3/3.1/09.html#Tip.20Income>

Freddie Mac - Tip Income

Tip income reported by employer

History of receipt: Two years, consecutive¹

Continuance: Must be likely to continue for at least the next three years

Calculation: Refer to [Section 5303.4\(b\)](#) for calculation guidance and requirements

Documentation Requirements with Streamline Accept and Standard All of the following:

All of the following:

YTD paystub(s) documenting all YTD earnings, W-2 forms for the most recent two calendar years and a 10-day PCV

Or all of the following:

Written VOE documenting all YTD earnings and the earnings for the most recent two calendar years and a 10-day PCV

Freddie Mac Selling Guide 5303.3 Specific requirements for additional employed income

Temporary Leave - Fannie Mae

Temporary leave from work is generally short in duration and for reasons of maternity or parental leave, short-term medical disability, or other temporary leave types that are acceptable by law or the borrower's employer. Borrowers on temporary leave may or may not be paid during their absence from work.

If a lender is made aware that a borrower will be on temporary leave at the time of closing of the mortgage loan and that borrower's income is needed to qualify for the loan, the lender must determine allowable income and confirm employment as described on the next slides-

B3-3.1-09, Other Sources of Income (12/14/2022)

<https://www.fanniemae.com/content/guide/selling/b3/3.1/09.html#Tip.20Income>

Temporary Leave - Fannie Mae

✓	Temporary Leave -- Employment Requirements
	The borrower's employment and income history must meet standard eligibility requirements as described in Section B3-3.1, Employment and Other Sources of Income.
	The borrower must provide written confirmation of his or her intent to return to work.
	<p>The lender must document the borrower's agreed-upon date of return by obtaining, either from the borrower or directly from the employer (or a designee of the employer when the employer is using the services of a third party to administer employee leave), documentation evidencing such date that has been produced by the employer or by a designee of the employer.</p> <p>Examples of the documentation may include, but are not limited to, previous correspondence from the employer or designee that specifies the duration of leave or expected return date or a computer printout from an employer or designee's system of record. (This documentation does not have to comply with the Allowable Age of Credit Documents policy.)</p>
	The lender must receive no evidence or information from the borrower's employer indicating that the borrower does not have the right to return to work after the leave period.
	The lender must obtain a verbal verification of employment in accordance with B3-3.1-07, Verbal Verification of Employment . If the employer confirms the borrower is currently on temporary leave, the lender must consider the borrower employed.
	The lender must verify the borrower's income in accordance with Section B3-3.1, Employment and Other Sources of Income. The lender must obtain

<https://www.fanniemae.com/content/guide/selling/b3/3.1/09.html#Tip.20Income>

Temporary Leave - Fannie Mae

Requirements for Calculating Income Used for Qualifying

If the borrower **will** return to work as of the first mortgage payment date, the lender can consider the borrower's regular employment income in qualifying.

If the borrower will **not** return to work as of the first mortgage payment date, the lender must use the lesser of the borrower's temporary leave income (if any) or regular employment income. If the borrower's temporary leave income is less than his or her regular employment income, the lender may supplement the temporary leave income with available liquid financial reserves (see [B3-4.1-01, Minimum Reserve Requirements](#)). Following are instructions on how to calculate the "supplemental income":

Supplemental income amount = available liquid reserves divided by the number of months of supplemental income

- *Available liquid reserves*: subtract any funds needed to complete the transaction (down payment, closing costs, other required debt payoff, escrows, and minimum required reserves) from the total verified liquid asset amount.
- *Number of months of supplemental income*: the number of months from the first mortgage payment date to the date the borrower will begin receiving his or her regular employment income, rounded up to the next whole number.

After determining the supplemental income, the lender must calculate the total qualifying income.

Total qualifying income = supplemental income plus the temporary leave income

The total qualifying income that results may not exceed the borrower's regular employment income.

<https://www.fanniemae.com/content/guide/selling/b3/3.1/09.html#Tip.20Income>

Freddie Mac - Temporary Leave

Temporary leave from an employer may encompass various circumstances (e.g., family and medical, short-term disability, maternity, other temporary leaves with or without pay). Temporary leave is generally short in duration. The period of time that a Borrower is on temporary leave may be determined by various factors such as applicable law, employer policies and short-term insurance policy and/or benefit terms. Leave ceases being considered temporary when the Borrower does not intend to return to the current employer or does not have a commitment from the current employer to return to employment. Refer to [Chapter 5305](#) regarding long-term disability income if the Seller has knowledge the Borrower has applied for, is receiving or will be receiving long-term disability benefits or long-term insurance benefits.

https://guide.freddiemac.com/app/guide/content/a_id/1000655

Fannie Mae- Secondary Income

Verification of a minimum history of two years secondary employment income is recommended. However, income that has been received for a shorter period of time (but, no less than 12 months) may be considered as acceptable income, as long as there are positive factors to reasonably offset the shorter income history.

A borrower may have a history that includes different employers, which is acceptable as long as income has been consistently received. In no instance may the borrower have any gap in employment greater than one month in the most recent 12-month period, unless the secondary employment is considered seasonal income

Freddie Mac- Secondary Income

In most instances, the Borrower should have at least a two-year history of secondary employment for the employment to be considered stable. Under certain circumstances, when a Borrower has less than a two-year secondary employment history but has at least a 12-month history, the Seller may be able to justify and determine the employment is stable. Examples that may support less than a two-year history of secondary employment include, but are not limited to, the following:

- The Borrower previously held a job with base non-fluctuating earnings working 40 hours per week for multiple years; however, due to reasons such as position elimination, work force reduction, or illness, the Borrower is no longer employed at this job and is now working at multiple part-time jobs that are similar in hours and pay, when combined, to the previous full-time job. Since the Borrower's full-time employment ended 18 months ago, the length of employment at each part-time job is in the range of 13 to 15 months. In this scenario, the Seller may be able to justify an employment history of less than two years for the secondary and additional jobs provided the earnings are consistent and the Borrower has exhibited the ability to repay obligations.
- The Borrower is employed in the educational system as a teacher. During the previous summer the Borrower taught summer school within the same educational system and is now starting summer school teaching for the current year. Although the two-year history is not yet fully developed, given the job type and current employment situation, the Seller may be able to justify including the summer school income provided an accurate qualifying amount can be established and documented based on the previous and current earnings. Additional documentation to determine the stable monthly income may be appropriate (e.g., how many classes, how much, is it similar to prior year).

<https://guide.freddiemac.com/app/guide/section/5303.2>

Selling Guide Chapter 5303.2

Seasonal Employment and Unemployment

Seasonal employment and unemployment compensation

The Borrower must have a two-year consecutive history of receiving income from seasonal employment and the seasonal employment income must be likely to continue for at least the next three years in order to consider the income for qualifying. Unemployment compensation associated with seasonal employment may be considered qualifying income if the Borrower has a two-year history of receipt and the unemployment compensation is likely to continue for at least the next three years. The Seller must not use seasonal employment income or unemployment compensation to qualify the Borrower unless the income is reported on the Borrower's individual federal income tax returns for the most recent two-year period

Seasonal Income and Unemployment - Fannie Mae

Verify the borrower has at least a two-year history of seasonal employment and income.

*Unemployment compensation cannot be used to qualify the borrower unless it is clearly associated with seasonal employment that is reported on the borrower's signed federal income tax returns. Verify that the seasonal income is likely to continue.

Documentation

Document that the borrower has received the payments consistently for at least two years by obtaining copies of signed federal income tax returns.

**Unemployment compensation may be used in qualifying a borrower for a high LTV refinance loan whether it is seasonal or non-seasonal.*

B3-3.1-05, Secondary Employment Income (Second Job and Multiple Jobs) and Seasonal Income (12/15/2021)

B3-3.1-09, Other Sources of Income (12/14/2022)

<https://www.fanniemae.com/content/guide/selling/b3/3.1/09.html#Tip.20Income>

Freddie Mac – Seasonal Employment

Seasonal employment may be primary employment (e.g., highway construction and road work in colder regions) or secondary employment (e.g., educators teaching summer school). The Borrower's earnings may be comprised of base non-fluctuating earnings, fluctuating hourly earnings and/or additional employed income.

Additional Requirements

When unemployment income associated with the seasonal employment is being used as stable monthly income:

A documented two-year history of seasonal employment and income receipt is required, and

The requirements for unemployment income associated with seasonal employment in [Section 5303.3](#) must be met

<https://guide.freddiemac.com/app/guide/section/5303.2>

Freddie Mac – Unemployment associated with Seasonal Income

History of receipt: Two years, consecutive¹

Continuance: Must be likely to continue for at least the next three years

Calculation: Refer to [Section 5303.4\(b\)](#) for calculation guidance and requirements

Documentation Requirements with Streamline Accept and Standard All of the following:

Proof of receipt of unemployment compensation for the most recent two-year period (e.g., IRS Form 1099-G(s) and/or equivalent documentation)

Tax Return Review for Unemployment

SCHEDULE 1
(Form 1040)

Department of the Treasury
Internal Revenue Service

Additional Income and Adjustments to Income
Attach to Form 1040, 1040-SR, or 1040-NR.
Go to www.irs.gov/Form1040 for instructions and the latest information.

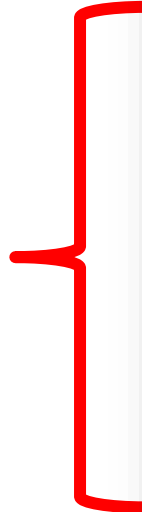
OMB No. 1545-0074
2022
Attachment Sequence No. 01

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(f) excess business loss adjustment	8p	
q	Taxable distributions from an ABLA 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: _____	8z	
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



***Note that some lines on Schedule 1 have changed on the 2021 tax form**

Auto Allowance - Fannie Mae

For an automobile allowance to be considered as acceptable stable income, the borrower must have received payments for at least two years. The lender must add the full amount of the allowance to the borrower's monthly income, and the full amount of the lease or financing expenditure to the borrower's monthly debt obligations.

B3-3.1-09, Other Sources of Income (12/14/2022)

<https://selling-guide.fanniemae.com/>

Freddie Mac – Auto Allowance

History of receipt: Two years, consecutive¹

Continuance: Must be likely to continue for at least the next three years

Calculation: The Seller may add the full amount of the allowance to the Borrower's qualifying income, and when calculating the Borrower's debt payment-to-income ratio, the Seller must include the full amount of the monthly automobile financing expense in the calculation of the Borrower's monthly debt payment (refer to [Section 5401.2](#)). The Seller may not subtract the automobile allowance from the monthly automobile financing expense.

Documentation Requirements with Streamline Accept and Standard All of the following:

All of the following:

YTD paystub(s) documenting all YTD earnings, W-2 forms for the most recent two calendar years and a 10-day PCV

Or all of the following:

Written VOE documenting all YTD earnings and the earnings for the most recent two calendar years and a 10-day PCV

Freddie Mac ¹

Income history and stability – requirements and guidance

Many additional employed income types are fluctuating income. The stability of fluctuating income is determined based primarily upon historical earnings so it is imperative that a sufficient income history has been established. For this reason, most income types that fluctuate have a history requirement of two years. In certain instances, a shorter history may still be considered stable if the Seller provides a written analysis and sufficient supporting documentation justifying the determination of stability. When making this determination, the Seller must take into consideration factors such as income and/or employment characteristics and the overall layering of risk factors, including the Borrower's demonstrated ability to repay obligations. In no event may the history be less than 12 months.

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Underwriting Guidelines

Effective Date 1-13-2023

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Peak Portfolio Underwriting Guidelines*

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Income Calculation Tools by Enact MI

We get it, mental math is hard. That's why Enact provides a collection of downloadable calculators and reference guides to help you analyze a self-employed borrower's average monthly income and expenses.

Please note that these tools offer suggested guidance, they don't replace instructions or applicable guidelines from the GSEs.

Due to various internet browser versions, please download and save PDF before entering data. Please note, calculators are updated periodically.



XLSX

Income Calculation Worksheet

Use this form to calculate income.

UPDATED



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Fannie Mae Form 1084 Calculator (2022-2021)

Calculate and analyze cash flow to help you complete Fannie Mae form 1084.

UPDATED



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Fannie Mae Form 1084 Calculator XLS (2022-2021)

Calculate and analyze cash flow to help you complete Fannie Mae form 1084.

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