

Calculating Income Part I: Income Documentation and Review

August 2021

Genworth Mortgage Insurance Corporation and Genworth Mortgage Insurance Corporation of North Carolina
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Genworth MI is now Enact

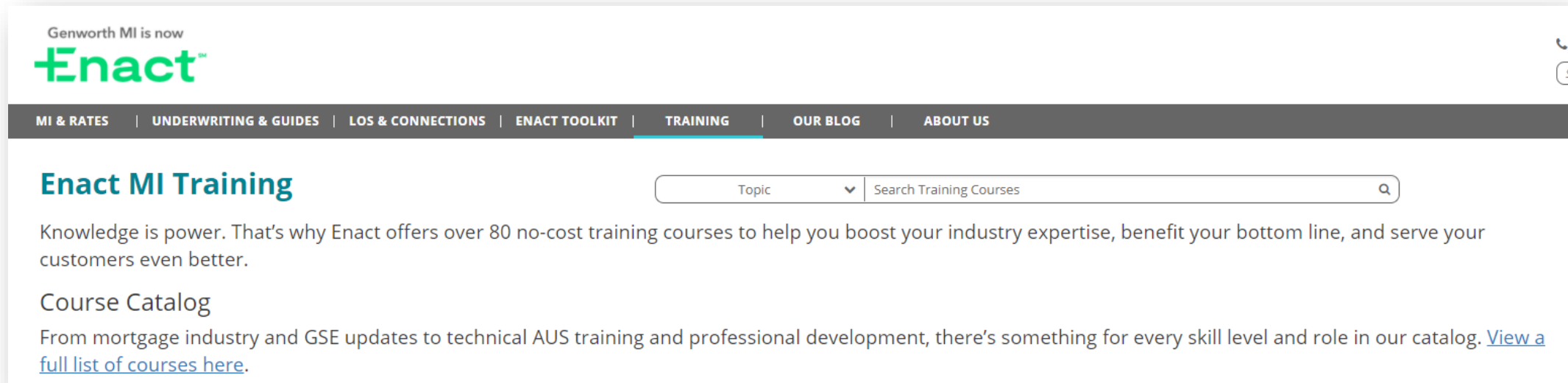
We're changing to remain focused on you.

As part of our evolution, we are now known as Enact. We're building on our trusted reputation for quality service and success with an increased focus on providing responsive solutions and insightful expertise for you.

Learn more at <https://pages.genworth.com/about-enact>

Recommended Prerequisites

- Understanding Desktop Underwriter®- The Basics
- Understanding Loan Product Advisor- The Basics



The screenshot shows the top portion of the Enact MI website. At the top left, it says "Genworth MI is now" above the Enact logo. A dark navigation bar contains links for "MI & RATES", "UNDERWRITING & GUIDES", "LOS & CONNECTIONS", "ENACT TOOLKIT", "TRAINING" (which is highlighted with a red underline), "OUR BLOG", and "ABOUT US". Below the navigation bar, the heading "Enact MI Training" is displayed in blue. To the right of the heading is a search bar with a dropdown menu labeled "Topic" and a search input field containing the text "Search Training Courses" and a magnifying glass icon. Below the heading, a paragraph of text reads: "Knowledge is power. That's why Enact offers over 80 no-cost training courses to help you boost your industry expertise, benefit your bottom line, and serve your customers even better." Underneath this is the section "Course Catalog" followed by another paragraph: "From mortgage industry and GSE updates to technical AUS training and professional development, there's something for every skill level and role in our catalog. [View a full list of courses here.](#)"

<https://new.mortgageinsurance.genworth.com/course-catalog>

Agenda

- General Income Requirements
- Documentation Requirements
- Fannie Mae
- Freddie Mac
- Enact Website
- Helpful tools



We Are Covering Conventional Guidelines Only In Today's Session

Fannie Mae COVID-19 Updates

Fannie Mae LL2021-03

Lenders

In response to COVID-19, we have introduced a number of temporary policies and flexibilities to help lenders seamlessly continue originating loans. These resources can help lenders navigate the requirements and options to help their borrowers purchase a home or refinance their mortgage. Resources include Lender Letters, scenarios, job aids, FAQs, and more.

The temporary appraisal flexibilities (LL-2021-04) expire May 31, 2021. After that date standard Selling Guide appraisal policies will apply. We'll continue to accept delivery of HomeStyle® Renovation loans for up to 12 months after the note date (also in LL-2021-04).

[Lender Letter-2021-03, Impact of COVID-19 on Originations](#)

[Lender Letter-2021-04, Impact of COVID-19 on Appraisals](#)

[Seller Policy Communications](#)

[COVID-19 Selling FAQs](#)

<https://www.fanniemae.com/here-help-single-family>

COVID-19 Resources

<https://sf.freddiemac.com/about/covid19>

Let's Take A Quiz

True or False: W-2 wages are always considered salary income and never self-employed income for Fannie Mae or Freddie Mac?

False: The definition of self-employment is if an applicant owns 25% or more of a business. If the borrower meets that definition they are considered self-employed and the income is classified as self-employed regardless of how they are paying themselves (W-2, K-1, 1099)

True or False: When calculating income we can always average total YTD pay and W-2s and enter the total into DU or Loan Product Advisor?

False. When compensation includes overtime, bonus, commission, tips or other types of income it must be broken out by type; W-2s do NOT break out income- additional documentation would be required

See Fannie Mae *Seller Guide* or The Freddie Mac *Seller/Servicer Guide* for more information

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 Mortgage Application URLA/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) _____		Social Security Number _____ <small>(or Individual Taxpayer Identification Number)</small>
Alternate Names - List any names by which you are known or any names under which credit was previously received (First, Middle, Last, Suffix) _____		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>	Dependants (not listed by another Borrower) Number _____ Ages _____	Contact Information Home Phone (____) ____-____ Cell Phone (____) ____-____ Work Phone (____) ____-____ Ext. _____ Email _____
Current Address Street _____ Unit # _____ City _____ State _____ Zip _____ Country _____ How Long at Current Address? ____ Years ____ Months <input type="radio"/> Own <input type="radio"/> Rent (\$_____/month) <input type="radio"/> No primary housing expense		
If at Current Address for LESS than 2 years, list Former Address <input type="checkbox"/> Does not apply Street _____ Unit # _____ City _____ State _____ Zip _____ Country _____ How Long at Former Address? ____ Years ____ Months <input type="radio"/> Own <input type="radio"/> Rent (\$_____/month) <input type="radio"/> No primary housing expense		
Mailing Address - if different from Current Address <input type="checkbox"/> 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? <input type="radio"/> NO <input type="radio"/> YES If YES, check all that apply: <input type="checkbox"/> Currently serving on active duty with projected expiration date of service/tour ____ / ____ / ____ (mm/yyyy) <input type="checkbox"/> Currently retired, discharged, or separated from service <input type="checkbox"/> Only period of service was as a non-activated member of the Reserve or National Guard <input type="checkbox"/> Surviving spouse		

1b. Current Employment/Self Employment and Income Does not apply

Employer or Business Name _____ Phone (____) ____-____		Gross Monthly Income Base \$_____/month Overtime \$_____/month Bonus \$_____/month Commission \$_____/month Military Entitlements \$_____/month Other \$_____/month TOTAL \$_____/month
Address _____ City _____ State _____ Zip _____		
Position or Title _____	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.	
Start Date ____ / ____ / ____ (mm/yyyy) How long in this line of work? ____ Years ____ Months	<input type="checkbox"/> Check if you are the Business Owner or Self-Employed <input type="radio"/> have an ownership share of less than 25%. Monthly Income (or Loss) \$_____ <input type="radio"/> have an ownership share of 25% or more. \$_____	

Uniform Residential Loan Application
 Fidelity 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 W-2 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 W-2 from that business.
- Years on job and employed in line of work will be compared to job title and credit report.
- Position/Title should convey what line of work the borrower is in.

1b. Current Employment/Self Employment and Income		<input type="checkbox"/> Does not apply
Employer or Business Name _____ Phone (____)____-____		Gross Monthly Income Base \$_____/month Overtime \$_____/month Bonus \$_____/month Commission \$_____/month Military Entitlements \$_____/month Other \$_____/month TOTAL \$_____/month
Address _____		
City _____ State _____ Zip _____		
Position or Title _____	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.	
Start Date ____/____/____ (mm/yyyy)		
How long in this line of work? ____ Years ____ Months		
<input 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) \$ _____

Verifying Previous Employment History

1d. Previous Employment/Self-Employment and Income ONLY IF your Current Employment is LESS than 2 years.		<input type="checkbox"/> Does not apply
Employer or Business Name _____ Address _____ City _____ State <input type="text" value="▼"/> Zip _____ Position or Title _____ Start Date ____ / ____ (mm/yyyy) End Date ____ / ____ (mm/yyyy)	<input type="checkbox"/> Check if you were the Business Owner or Self-Employed	Previous Gross Monthly Income \$ _____

Verifying Non-Employment Income

1e. Income from Other Sources

Does not apply

Include income from other sources below. Under Income Source, choose from the sources listed here:

- Alimony
- Automobile Allowance
- Boarder Income
- Capital Gains
- Child Support
- Disability
- Foster Care
- Housing or Parsonage
- Interest and Dividends
- Notes Receivable
- Public Assistance
- Mortgage Credit Certificate
- Mortgage Differential Payments
- Retirement (e.g., Pension, IRA)
- Royalty Payments
- Separate Maintenance
- Social Security
- Trust
- Unemployment Benefits
- VA Compensation
- Other

NOTE: *Reveal alimony, child support, separate maintenance, or other income ONLY IF you want it considered in determining your qualification for this loan.*

Income Source – use list above	Monthly Income
<input type="text"/>	\$
<input type="text"/>	\$

Income Requirements

Establish that income is:

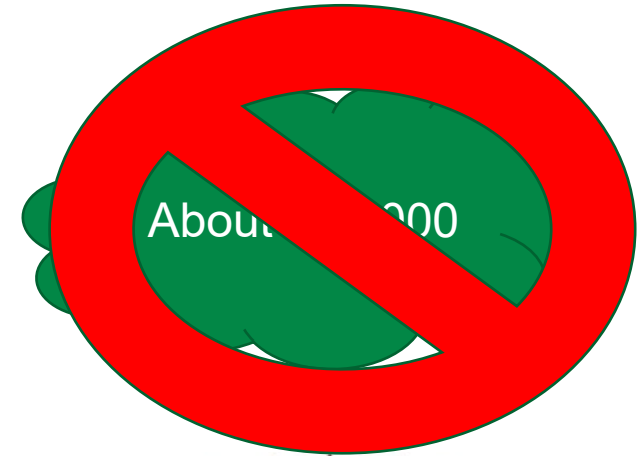
- Steady, Stable or increasing.
- Likely to continue into the future or for three years
- Must be able to document the income as per investor guidelines (Are they reporting it on their tax returns??)
- Income from other Non-Employed Sources such as Child Support, Interest Income or Retirement income might be considered qualifying income but have different qualifying guidelines
- Policies change, investors have overlays, always verify requirements for uncommon or seldom used income types

Employment and Income

What Not to Ask-

“How Much Do You Make?”

\$39,850!!



1b. Current Employment/Self Employment and Income		<input type="checkbox"/> Does not apply
Employer or Business Name _____	Phone (____) ____ - _____	Gross Monthly Income Base \$ _____ /month Overtime \$ _____ /month Bonus \$ _____ /month Commission \$ _____ /month Military Entitlements \$ _____ /month Other \$ _____ /month TOTAL \$ _____ /month
Address _____	City _____ State _____ Zip _____	
Position or Title _____	Check if this statement applies: <input checked="" type="checkbox"/> I am employed by a family member, property seller, real estate agent, or other party to the transaction.	
Start Date ____ / ____ (mm/yyyy)	How long in this line of work? ____ Years ____ Months	
<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%. Monthly Income (or Loss) \$ _____ <input type="radio"/> I have an ownership share of 25% or more.	

Verifying Employment Income

The Interview- Let's talk about how you get paid...

Do you Receive an Annual Salary?

Are you Paid by the Hour?

- If yes, what is your hourly rate?
- How many hours do you work per week?
 - Are your hours scheduled or per diem?
 - Do the amount of hours vary week-to-week?
 - Do you work year round or is your position seasonal?
- **Do you Receive any Commission Or Bonus Income?**
 - If yes, have you received it for the past two years? Has it declined? Do you expect to continue receiving it?

How Has COVID-19 Impacted Borrower's Income? Salary Reduction? Hours Reduced? Temporary Furlough in 2020? Absence Of Overtime, Bonus Or Commission Income?

Fannie Mae

Guidelines



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Home / **Originating & Underwriting**

Originating & Underwriting

Innovation starts here

Solutions that help meet tomorrow's mortgage needs today.

With industry leading mortgage technologies, we enable lenders to successfully originate and underwrite loans with speed and efficiency. Our products are designed to:

- Help grow your business and support your borrower's needs
- Deliver speedy and efficient underwriting recommendations intuitively aligned to your process and loan origination systems
- Provide comprehensive credit risk assessment with fewer touchpoints and corresponding financial and operational impacts

Lenders also can receive freedom from certain representations and warranties and help reduce manual processes and cycle times through [Day 1 Certainty](#)®.

- [Selling Guide](#)
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<https://singlefamily.fanniemae.com/originating-underwriting>

Fannie Mae *Selling* Guide General Income

Chapter B3-3: Income Assessment

B3-3.1-01, General Income Information (12/16/2020)

Introduction

This topic contains information on employment income, including:

[Stable and Predictable Income](#)

[Variable Income](#)

[Continuity of Income](#)

[Determining the Need for Federal Income Tax Returns](#)

[Verification of Income for Non-U.S. Citizen Borrowers](#)

[Using Nontaxable Income to Adjust the Borrower's Gross Income](#)

[Reduced Income Documentation Requirements for High LTV Refinance Loans](#)

Fannie Mae *Selling* Guide

Stable and Predictable Income

Fannie Mae's underwriting guidelines emphasize the continuity of a borrower's stable income. The stable and reliable flow of income is a key consideration in mortgage loan underwriting. Individuals who change jobs frequently, but who are nevertheless able to earn consistent and predictable income, are also considered to have a reliable flow of income for qualifying purposes.

To demonstrate the likelihood that a consistent level of income will continue to be received for borrowers with less predictable sources of income, the lender must obtain information about prior earnings. Examples of less predictable income sources include commissions, bonuses, substantial amounts of overtime pay, or employment that is subject to time limits, such as contract employees or tradesmen.

For additional information, see [B3-3.1-01, General Income Information](#)

Fannie Mae *Selling* Guide

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.

For additional information, see [B3-3.1-01, General Income Information](#)

Fannie Mae *Selling* Guide

Trends of Income

When evaluating variable income, 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.

For additional information, see [B3-3.1-01, General Income Information](#)

Fannie Mae *Selling* Guide

Continuity of Income

A key driver of successful homeownership is confidence that all income used in qualifying the borrower will continue to be received by the borrower for the foreseeable future. Unless the lender has knowledge to the contrary, if the income does not have a defined expiration date and the applicable history of receipt of the income is documented (per the specific income type), the lender may conclude that the income is stable, predictable, and likely to continue. The lender is not expected to request additional documentation from the borrower.

If the income source does have a defined expiration date or is dependent on the depletion of an asset account or other limited benefit, the lender must document the likelihood of continued receipt of the income for at least three years.

If the lender is notified that the borrower is transitioning to a lower pay structure, for example due to pending retirement, the lender must use the lower amount to qualify the borrower.

For additional information, see [B3-3.1-01, General Income Information](#)

Fannie Mae Selling Guide

Continuity of Income *continued*

The following table contains examples of income types with and without defined expiration dates. This information is provided to assist lenders in determining whether additional income documentation may be necessary to support a three-year continuance. Note that lenders remain responsible for making the final determination of whether the borrower's specific income source has a defined expiration date.

Expiration Date Not Defined	Defined Expiration Date*
<p>Lender does not need to document 3-year continuance</p> <ul style="list-style-type: none">• automobile allowance• base salary• bonus, overtime, commission, or tip income• capital gains income• corporate retirement or pension• disability income — long-term• foster-care income• interest and dividend income (unless other evidence that asset will be depleted)• military income• mortgage credit certificates• part-time job, second job, or seasonal income• rental income• self-employment income• Social Security, VA, or other government retirement or annuity	<p>Lender must document 3-year continuance</p> <ul style="list-style-type: none">• alimony, child support, or separate maintenance• distributions from a retirement account – for example, 401(k), IRA, SEP, Keogh• mortgage differential payments• notes receivable• public assistance• royalty payment income• Social Security (not including retirement or long-term disability)• trust income• VA benefits (not including retirement or long-term disability)

For additional information, see [B3-3.1-01, General Income Information](#)

Documentation Provided by the Borrower

Employment Documentation Provided by the Borrower

The following table provides requirements for documentation provided by the borrower.

✓	Requirements — Paystubs and W-2s
	<p>The paystub must be dated no earlier than 30 days prior to the initial loan application date and it must include all year-to-date earnings. Additionally, the paystub must include sufficient information to appropriately calculate income; otherwise, additional documentation must be obtained.</p> <p>Paystubs must comply with B1-1-03, Allowable Age of Credit Documents and Federal Income Tax Returns.</p>
	<p>IRS W-2 forms must cover the most recent one- or two-year period, based on the documentation requirements for the particular income type. The W-2 forms must clearly identify the borrower as the employee.</p> <p>"Most recent" W-2 is defined as the W-2 for the calendar year prior to the current calendar year. Alternative documentation, such as an IRS Wage and Income (W-2) Transcript, a written <i>Request for Verification of Employment</i> (Form 1005 or Form 1005(S)) (see below) or the final year-to-date paystub, may be used as long as adequate information is provided.</p>
	<p>Documents must be computer-generated or typed by the borrower's employer(s), although paystubs that the borrower downloads from the Internet are also acceptable. Documents must clearly identify the employer's name and source of information.</p>
	<p>The documents must clearly identify the borrower as the employee.</p>
	<p>The information must be complete and legible.</p>
	<p>The original source of the information must be a third party, such as the borrower's human resources department, personnel office, payroll department, company's payroll vendor, or supervisor.</p>

Documentation Fannie Mae Selling Guide

See **COVID 19 temporary guidelines**

Verbal Verification of Employment

B3-3.1-07, Verbal Verification of Employment (10/02/2018)

Lenders must obtain a verbal verification of employment (verbal VOE) for each borrower using employment or self-employment income to qualify. The verbal VOE must be obtained within 10 business days prior to the note date for employment income, and within 120 calendar days prior to the note date for self-employment income. The verbal VOE requirement is intended to help lenders mitigate risk by confirming, as late in the process as possible, that the borrower remains employed as originally disclosed on the loan application. A change in the borrower's employment status could have a significant impact on that borrower's capacity to repay the mortgage loan and must be fully reevaluated.

Alternatively, lenders may obtain the verbal VOE after closing, up to the time of loan delivery. If the verbal VOE cannot be obtained prior to delivery, the loan is ineligible for delivery to Fannie Mae.

Note: If the employer confirms the borrower is currently on temporary leave, the lender must consider the borrower "employed." See [B3-3.1-09, Other Sources of Income](#), for details on temporary leave.

Check For Investor Overlays For Timing Of Verbal VOE

Fannie Mae Selling Guide

B3-3.1-09, Other Sources of Income (12/16/2020)

Introduction

This topic provides information on documenting and qualifying a borrower's income from sources other than wages and salaries, including:

- [Documentation Requirements for Current Receipt of Income](#)
- [Alimony or Child Support](#)
- [Automobile Allowance](#)
- [Boarder Income](#)
- [Capital Gains Income](#)
- [Disability Income — Long-Term](#)
- [Employment Offers or Contracts](#)
- [Employment-Related Assets as Qualifying Income](#)
- [Foreign Income](#)
- [Foster-Care Income](#)
- [Housing or Parsonage Allowance](#)
- [Interest and Dividends Income](#)
- [Mortgage Credit Certificates](#)
- [Mortgage Differential Payments Income](#)
- [Non-Occupant Borrower Income](#)
- [Notes Receivable Income](#)
- [Public Assistance Income](#)
- [Retirement, Government Annuity, and Pension Income](#)
- [Royalty Payment Income](#)
- [Schedule K-1 Income](#)
- [Social Security Income](#)
- [Temporary Leave Income](#)
- [Tip Income](#)
- [Trust Income](#)
- [Unemployment Benefits Income](#)

Freddie Mac

Guidelines



General Requirements For Freddie Mac

The screenshot shows the Freddie Mac Single-Family website. The top navigation bar includes links for 'Freddie Mac Home', 'Single-Family Division', 'Multifamily Division', 'Capital Markets Division', and 'Renters, Buyers and Owners'. Below this, a secondary navigation bar features 'Home', 'Working with Us', 'Technology', 'Learning', 'News & Insights', 'About', 'Seller/Service Guide', and 'Search'. The main content area features a large heading: 'All critical communications are now available online.' Below this, a paragraph states: 'Policy updates, Bulletins, guidelines and other essential resources and information are all now online and consolidated here for fast access.' A blue button with the text 'Go to the Client Resource Center' and an external link icon is positioned below the text.

<https://sf.freddiemac.com/>

General Requirements For Freddie Mac

The screenshot shows the Freddie Mac Single-Family Seller/Service Guide website. The top navigation bar includes links for Guide Home, Seller/Service Relationship, Selling, and Servicing. The main heading is "THE SINGLE-FAMILY SELLER/SERVICER GUIDE" with a search bar below it. A search bar contains the placeholder text "What can we help you find?". Below the search bar are navigation tabs: BROWSE THE GUIDE, RECENT BULLETINS, FORMS & DOCUMENTS, and UPCOMING CHANGES. A sidebar on the left lists various topics from 5100 to 5900. Three callout boxes provide details for Series 5000, Series 1000, and Series 2000.

Freddie Mac
Single-Family

Guide Home Seller/Service Relationship Selling Servicing

THE SINGLE-FAMILY SELLER/SERVICER GUIDE

Search the Guide

What can we help you find?

BROWSE THE GUIDE RECENT BULLETINS FORMS & DOCUMENTS UPCOMING CHANGES

Series 5000 **Origination and Underwriting**
Series 5000 covers underwriting the Borrower and determining the adequacy of the property securing the Mortgage. →

Series 1000 **General Contract**
Series 1000 covers the c between the Seller/Serv

Series 2000 **Doing Business with Freddie Mac**
Series 2000 covers Seller/Service eligibility and →

Topic 5100 **Determining Borrower Eligibility**

Topic 5200 **Credit Assessment**

Topic 5300 **Stable Monthly Income and Asset Qualification Sources**

Topic 5400 **Evaluation of Monthly Obligations**

Topic 5500 **Assets**

Topic 5600 **Property Eligibility and Appraisal Requirements**

Topic 5700 **Property**

Topic 5800 **Uniform Closing Dataset**

Topic 5900 **Automated Income and Asset Assessment with Loan Product Advisor**

Employed Income Types

Primary

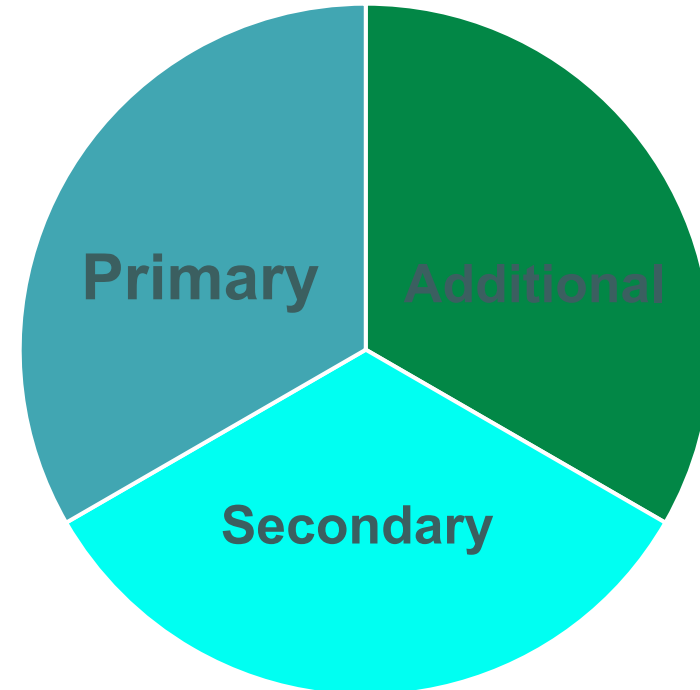
- Borrower's primary source of employed income

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



General Requirements For Freddie Mac

Stable monthly income is the Borrower's verified gross monthly income from all acceptable and verifiable sources that can reasonably be expected to continue for at least the next three years. For each income source used to qualify the Borrower, the Seller must determine that both the source and the amount of the income are stable, with a consistent level of earnings.

Regardless of the underwriting path, the income qualification sources used to qualify the Borrower (whether or not specifically addressed in Topic 5300) and the documentation in the Mortgage file must be evaluated for stable monthly income qualification requirements and must meet the requirements of Topic 5300. Income qualification sources that do not meet these requirements or are not calculated correctly may invalidate the Loan Product Advisor Risk Class on the Feedback Certificate.

The Seller must include a written analysis of the income qualification sources and amount in the Mortgage file. In addition, all documentation used to establish stable monthly income must be retained in the Mortgage file.

Income Continuance Requirements

In most instances, a two-year history of receiving a consistent level of income is required in order for the income to be considered stable and used for qualifying. While the source of income may vary, the Borrower must have a consistent level of income despite changes in the sources of income. If the Borrower has less than a two-year history of receiving income, the Seller must provide a written analysis to justify the determination that the income that is used to qualify the Borrower is stable.

For all income used to qualify the Borrower, the Seller must determine whether the income is reasonably expected to continue. This determination must focus on the Borrower's past employment/self-employment history, history of receipt of other income and the probability of continued consistent receipt of the income used to qualify the Borrower. At a minimum, the Seller must base the determination on the requirements of Topic 5300, and any other documentation contained in the Mortgage file.

The Seller may consider all income for qualifying the Borrower, provided the Seller does not have knowledge, information or documentation that contradicts a reasonable expectation of continuance or probability of consistent receipt over at least the next three years.

Employment Income

When a borrower has less than a two-year history of primary employment you may be able to determine the income is stable.

However, when the borrower's income is derived from fluctuating hourly earnings the employment history must be at least 12 months.

Examples that may support less than a two-year history of primary employment include, but are not limited to, the following:

For a Borrower returning to the workforce after a period of extended absence, for any reason, documentation is provided to support a stable employment history that directly preceded the extended absence

For a Borrower new to the workforce, documentation is provided that supports the Borrower's recent attendance at school or in a training program prior to their current employment

When the Borrower's employed income is derived from fluctuating hourly employment earnings, in no event may the employment history be less than 12 months.

Refer to Selling Guide 5303.2 for additional information and requirements.

Base Non-fluctuating Employment Earnings

Base non-fluctuating earnings may include both salaried and hourly earnings; however, the pay rate and number of hours worked must not fluctuate between pay periods. The income documentation must support base non-fluctuating earnings.

Position or Title	<input type="text"/>
Start Date	<input type="text"/> / <input type="text"/> / <input type="text"/> (mm/dd/yyyy)
How long in this line of work?	<input type="text"/> Years <input type="text"/> Months

Refer to [Section 5303.2\(b\)](#) for additional information about base non-fluctuating earnings types.

Fluctuating Hourly Employment Earnings

Effective for Mortgages with Settlement Dates on or After July 2, 2020

- Require that when the borrower's income is derived from fluctuating hourly employment earnings, under no circumstances may the employment history be less than 12 months.
- Clarifying that “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
- Alignment of income calculation requirements for all fluctuating employment income types (hourly base, overtime, bonus, commission and tips). The calculation is based on whether the income trend is determined to be consistent, increasing or declining.
- Adding requirements for additional analysis when income fluctuation between the prior year(s) and year-to-date exceeds 10%.

Additional Employed Income

Certain employment characteristics may require additional documentation and/or analysis.

Those employment characteristics include:

- Full-time and part-time employment
- Seasonal employment
- Union members
- Borrower employed by family member or interested party to the transaction
- Employed Income from a foreign source
- Employment contracts
- Temporary help services (W-2 income from contract and/or temporary staffing firms)
- Income reported on IRS Form 1099 for services performed

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



Documentation

Review and Requirements



Income Document Requirements

Documentation Requirements

- Manual Underwrite: Typically requires two-year history to be received and documented
- Automated underwriting (Loan Product Advisor® or Desktop Underwriter®):
 - Typically follow the findings report or feedback certificate
 - Often documentation is reduced from a manual underwrite
- Additional documentation is required to clarify a question, inconsistency of an income source if using to qualify
- Conservative income calculations are preferred
- When MI is needed, always verify MI guideline requirements as well

**Documentation Overlays May Exist; Always Check Investor Credit Policy
For Additional Requirements**

Verifying the Qualifying Income

A minimum history of two years of employment is recommended. However, in certain circumstances income that has been received for a shorter period of time may be acceptable. Each file is reviewed individually.

Base Pay (Salary and Hourly)

Obtain the following documents:

- A Completed Verification of Employment, (VOE) a/k/a Form 1005 or
- The Borrower's Recent Paystub & W-2 Forms (covering the most recent two-year period). A written VOE may be required to document the income types included on the W-2.
 - The paystub must be dated no earlier than 30 days prior to the initial loan application and it must include all y-t-d earnings.
 - They must be computer generated or typed by the employer.
- A Verbal Verification of Employment (VVOE)- Fannie Mae
 - PCV- Freddie Mac
- Fannie Mae & Freddie Mac require lenders to have each borrower complete and sign a separate IRS Form 4506-C or alternative at or before closing if any income is being used in the transaction.


Written Verification of Employment

VOE Reminders:

- Independently verify address to which you are sending
- Use only “Human Resources” or “Payroll” for “Attention to”
- Forms should be signed, dated with signature and printed name of employer
- If faxed, note the origin of the faxed document-Is it coming from the employer?
- Income and work history, job title consistent with application?
- Is bonus, or overtime likely to continue? Probability of Continued Employment?
- Review for different handwriting styles, cross outs, white out or cutting/pasting
- The VOE cannot be hand carried by the applicant NOR should it be mailed to a P.O. Box unless you have verified that that is the employer’s protocol
- VOE can be helpful in breaking out income such as commission, overtime or bonus
- The VOE may be critical explaining why the y-t-d appears inaccurate (medical leave, personal leave, recent pay increase...)
- Verify document does not expire prior to note date (Typically documents are valid for four months)

Written Verification of Employment

Pay close attention to-

 **Fannie Mae**

Request for Verification of Employment

Privacy Act Notice: This information is to be used by the agency collecting it or its assignees in determining whether you qualify as a prospective mortgagee under its program. It will not be disclosed outside the agency except as required and permitted by law. You do not have to provide this information, but if you do not your application for approval as a prospective mortgagee or borrower may be delayed or rejected. The information requested in this form is authorized by Title 38, USC, Chapter 37 (if VA); by 12 USC, Section 1701 et. seq. (if HUD/FHA); by 42 USC, Section 1462b (if HUD/CPD); and Title 42 USC, 1471 et. seq., or 7 USC, 1921 et. seq. (if USDA/FmHA).

Instructions: Lender — Complete items 1 through 7. Have applicant complete item 8. Forward directly to employer named in item 1.
Employer — Please complete either Part II or Part III as applicable. Complete Part IV and return directly to lender named in item 2.
The form is to be transmitted directly to the lender and is not to be transmitted through the applicant or any other party.

Part I — Request

1. To (Name and address of employer) _____ 2. From (Name and address of lender) _____

I certify that this verification has been sent directly to the employer and has not passed through the hands of the applicant or any other interested party.

3. Signature of Lender _____ 4. Title _____ 5. Date _____ 6. Lender's Number (Optional) _____

I have applied for a mortgage loan and stated that I am now or was formerly employed by you. My signature below authorizes verification of this information.

7. Name and Address of Applicant (include employee or badge number) _____ 8. Signature of Applicant _____

Part II — Verification of Present Employment

9. Applicant's Date of Employment _____ 10. Present Position _____ 11. Probability of Continued Employment _____

12A. Current Gross Base Pay (Enter Amount and Check Period)
 Annual Hourly Monthly Other (Specify) _____
\$ _____

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 _____

Type	Year To Date	Past Year	Past Year	Rations	\$
Base Pay	\$ _____	\$ _____	\$ _____	Fight or Hazard	\$ _____
Overtime	\$ _____	\$ _____	\$ _____	Clothing	\$ _____
Commissions	\$ _____	\$ _____	\$ _____	Quarters	\$ _____
Bonus	\$ _____	\$ _____	\$ _____	Pro Pay	\$ _____
Total	\$ 0.00	\$ 0.00	\$ 0.00	Overseas or Combat	\$ _____
				Variable Housing Allowance	\$ _____

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) _____

Part III — Verification of Previous Employment

21. Date Hired _____ 23. Salary/Wage at Termination Per (Year) (Month) (Week) _____

22. Date Terminated _____ Base _____ Overtime _____ Commissions _____ Bonus _____

24. Reason for Leaving _____ 25. Position Held _____

Part IV — Authorized Signature - Federal statutes provide severe penalties for any fraud, intentional misrepresentation, or criminal connivance or conspiracy purposed to influence the issuance of any guaranty or insurance by the VA Secretary, the U.S.D.A., FmHA/FHA Commissioner, or the HUD/CPD Assistant Secretary.

26. Signature of Employer _____ 27. Title (Please print or type) _____ 28. Date _____

29. Print or type name signed in item 26 _____ 30. Phone No. _____

Fannie Mae
Form 1005 July 96

Written VOE -1005

All of the information on Form 1005 must be legible.

- The following fields are optional;
- #11- Probability
- #14- OT & Bonus
- #16- Date of next pay increase
- #17- Projected amount of next pay increase
- #18- Date of last pay increase
- #19 Amount of last pay increase
- #24- Part III- Previous Employment- Reason for leaving

FannieMae

Request for Verification of Employment

Privacy Act Notice: This information is to be used by the agency collecting it or its assignees in determining whether you qualify as a prospective mortgage under its program. It will not be disclosed outside the agency except as required and permitted by law. You do not have to provide this information, but if you do not your application for approval as a prospective mortgage or borrower may be delayed or rejected. The information requested in this form is authorized by Title 38, USC, Chapter 37 (if VA); by 12 USC, Section 1701 et. sec. (if HUD/FHA); by 42 USC, Section 1462 (if HUD/CPD); and Title 42 USC, 1471 et. sec., or 7 USC, 1521 et. sec. (if USDA/FmHA).

Instructions: Lender — Complete items 1 through 7. Have applicant complete item 8. Forward directly to employer named in item 1.
Employer — Please complete either Part II or Part III as applicable. Complete Part IV and return directly to lender named in item 2.
The form is to be transmitted directly to the lender and is not to be transmitted through the applicant or any other party.

Part I — Request

1. To (Name and address of employer) _____ 2. From (Name and address of lender) _____

I certify that this verification has been sent directly to the employer and has not passed through the hands of the applicant or any other interested party.

3. Signature of Lender _____ 4. Title _____ 5. Date _____ 6. Lender's Number (Optional) _____

I have applied for a mortgage loan and stated that I am now or was formerly employed by you. My signature below authorizes verification of this information.

7. Name and Address of Applicant (include employee or badge number) _____ 8. Signature of Applicant _____

Part II — Verification of Present Employment

9. Applicant's Date of Employment _____ 10. Present Position _____ 11. Probability of Continued Employment _____

12A. Current Gross Base Pay (Enter Amount and Check Period)

Annual Hourly Monthly Other (Specify) _____

\$ _____

13. For Military Personnel Only

Pay Grade	Monthly Amount
Type	Monthly Amount
Base Pay	\$ _____
Rations	\$ _____
Flight or Hazard	\$ _____
Clothing	\$ _____
Quarters	\$ _____
Pro Pay	\$ _____
Overseas or Combat	\$ _____
Variable Housing Allowance	\$ _____

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 _____

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 _____

12B. Gross Earnings

Type	Year To Date	Past Year	Past Year
Base Pay	\$ _____	\$ _____	\$ _____
Overtime	\$ _____	\$ _____	\$ _____
Commissions	\$ _____	\$ _____	\$ _____
Bonus	\$ _____	\$ _____	\$ _____
Total	\$ 0.00	\$ 0.00	\$ 0.00

20. Remarks (if employee was off work for any length of time, please indicate time period and reason) _____

Part III — Verification of Previous Employment

21. Date Hired _____ 22. Date Terminated _____ 23. Salary/Wage at Termination Per (Year) (Month) (Week) _____

24. Reason for Leaving _____ 25. Position Held _____

Part IV — Authorized Signature - Federal statutes provide severe penalties for any fraud, intentional misrepresentation, or criminal connivance or conspiracy, supposed to influence the issuance of any guaranty or insurance by the VA Secretary, the U.S.D.A., FmHA/FHA Commissioner, or the HUD/CPD Assistant Secretary.

26. Signature of Employer _____ 27. Title (Please print or type) _____ 28. Date _____

29. Print or type name named in item 26 _____ 30. Phone No. _____

Fannie Mae Form 1005 July 96

Examining Pay Stubs

Pay Period Start Date	Pay Period End Date	Check Date	Voucher	Gross Amount	Net Amount
03/16/2021	03/31/2021	03/31/2021	3802034	1,543.72	1,316.29
Pay Type	Hours	Rate	Amount	Year To Date	
Clergy Salary	0.000	1,116.6700	1,116.67	6,700.02	
Clergy SEC	86.670	104.5500	104.55	627.30	
Clergy TAuto	0.000	37.5000	37.50	225.00	
Clergy Tax Cell	0.000	35.0000	35.00	210.00	
Housing	0.000	250.0000	250.00	1,500.00	
Gross Pay:			1,543.72	9,262.32	
Tax Type	State	Locality	Amount	Year To Date	
FIT			160.67	964.03	
Income Tax	Minnesota		66.76	400.56	
Tax Totals:			227.43	1,364.59	
Deduction	Amount	Year To Date	Employer Paid	Employer Year To Date	
Life / AD&D			4.03	24.18	
Long Term Dis.			3.23	19.38	
Deduction Totals:			0.00	0.00	43.58

Hunt Valley Chapel 14432 Spiritual Way Hunt Valley, MN 55243 (952) FINDWAY		Voucher: 3802034 Date: 03/31/2021
Pay to the order of:	ACCOUNT # DEPOSITED TO	AMOUNT \$1,316.29
Penny Public	C**8110	1,316.29
NON-NEGOTIABLE	NON-NEGOTIABLE	NON-NEGOTIABLE

Examining Pay Stubs

Reminders:

- The borrower's name and SSN# must be consistent with the application (Spelling, middle initial or a JR or III).
- Computer generated, if not additional documentation must be reviewed.
- If paid hourly, the number of hours must be noted on the paystub
- Dated within 30 days of application; If stale dated ask applicant for more recent stub.
- YTD income must be provided and should be consistent with monthly income.
- Note any commission, overtime, or bonus income.
- Review for possible liabilities that may need to be included in your debt ratio (child support or alimony or IRS garnishment or a new loan take out).
- If automatically deposited, cross reference the income to the bank statement
- We are calculating income but also validating the document, does employer match back to application? To the W-2?

Examining W-2s

a Employee's SSN XXX-XX-XXXX		b Employer ID No. (EIN) 12-1234567		OMB No. 1545-0008				
c Employer's name, address, and ZIP code LIGHT IT UP, LLC 350 BROAD STREET RED BANK NJ 07755		This information is being furnished to the IRS. If you are required to file a tax return, a negligence penalty or other sanction may be imposed on you if this income is taxable and you fail to report it.				Form W-2 Wage and Tax Statement 2020 Copy C For EMPLOYEE'S RECORDS (see Notice to Employee.)		
		1 Wgs, tips, other compn 63400.00	2 Fed inc tax withheld 8970.56	3 Social security wages 67600.00	4 SS tax withheld 4191.20		5 Medicare wages & tips 67600.00	6 Medicare tax withheld 980.20
		7 Social security tips	8 Allocated tips	9	10 Depdnt care benefits		11 Nonqualified plans	12a S 4200.00
d Control No.		13 Statutory employee.. <input type="checkbox"/>		12b				
e Employee's name, address, and ZIP code Suff. MARY HOMEOWNER 7 GALLOPING HILL ROAD COLTS NECK NJ 07708		Retirement plan . . <input checked="" type="checkbox"/>		12c				
		Third-party sick pay <input type="checkbox"/>		12d				
15 State	Employer's state ID No.	16 State wages, tips, etc	17 State income tax	18 Local wages, tips, etc	19 Local income tax	20 Locality name		
NJ	1234567	63400.00	4647.32					

Examining W-2s

W-2 Reminders:

- Name and SSN# match application and also the pay stub
- Applicant's address should also match the 1003 and bank statement mailing address
- Should be the most recent one or two (if required)
- Is the ytd income consistent with monthly income, if not obtain explanation
- Employer addresses match application
- Employer ID# must be valid (XX-XXXXXX) is the proper format
- FICA and Medicare withholding based on wages can be checked
- You generally should NOT have the Employer's Copy or the Social Security Administration Copy!
- Review the document at application, don't just shove in the loan file
- Obtain tax transcripts to support income if needed

Verbal VOE (VVOE) Requirement- Fannie Mae

Requirements for hourly, salary and commission income

- **The Lender must independently obtain a phone number and, if possible, the employer's address. Sources include:**
 - Telephone Book
 - The Internet
 - Directory Assistance
 - The Applicable Licensing Bureau
- **The Lender must contact the employer & confirm the borrower's current employment status within 10 business days prior to the note date.**
 - If the employer confirms the borrower is on temporary leave, the borrower is considered "employed". See additional guidelines for use and calculation of qualifying income.
- **Document the conversation & include the following:**
 - Name & Title of the person who confirmed the employment.
 - Name & Title of the person who completed the verification for the employer.
 - Date of the call
 - The source of the phone number

Pre-Closing Verification (PCV) Requirement- Freddie Mac

Requirements for hourly, salary and commission income

PCV types may include:

- Verbal (VOE)
- Written VOE
- Military Leave and Earning (LES)
- Third-Party Employment Verification Service
- An e-mail Exchange from the Employer's Work e-mail address (*see next slide*)

Pre-Closing Verification (PCV) Requirement-

Freddie Mac

Now permitted is an e-mail exchange from the independently obtained employer's work e-mail address that includes, at a minimum, all of the following:

- Borrower's name and current employment status
- Employer's name
- Name and title of the individual contacted at the employer, date of contact and the individual's work e-mail address

Additionally, the Mortgage file must include:

- Information about the third-party source used to obtain the employer's e-mail address, and
- Name, title and employer of the representative who contacted the Borrower's employer and obtained the e-mail verification

2020 Tax Format

1040	Department of the Treasury—Internal Revenue Service (99)	2020	OMB No. 1545-0074	IRS Use Only—Do not write or staple in this space.
U.S. Individual Income Tax Return				

Filing Status Single Married filing jointly Married filing separately (MFS) Head of household (HOH) Qualifying widow(er) (QW)
Check only one box. If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent ▶

Your first name and middle initial	Last name	Your social security number
If joint return, spouse's first name and middle initial	Last name	Spouse's social security number
Home address (number and street). If you have a P.O. box, see Instructions.		Apt. no.
City, town, or post office. If you have a foreign address, also complete spaces below.		State
Foreign country name		Foreign postal code
Foreign province/state/county		
Presidential Election Campaign Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. <input type="checkbox"/> You <input type="checkbox"/> Spouse		
At any time during 2020, did you receive, sell, send, exchange, or otherwise acquire any financial interest in any virtual currency? <input type="checkbox"/> Yes <input type="checkbox"/> No		

Standard Deduction Someone can claim: You as a dependent Your spouse as a dependent Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness You: Were born before January 2, 1956 Are blind **Spouse:** Was born before January 2, 1956 Is blind

Dependents	(1) First name	Last name	(2) Social security number	(3) Relationship to you	(4) If qualifies for (see instructions): Child tax credit	Credit for other dependents
					<input type="checkbox"/>	<input type="checkbox"/>
					<input type="checkbox"/>	<input type="checkbox"/>
					<input type="checkbox"/>	<input type="checkbox"/>
					<input type="checkbox"/>	<input type="checkbox"/>

Attach Sch. B if required.	1	Wages, salaries, tips, etc. Attach Form(s) W-2	1
Standard Deduction for— • Single or Married filing separately, \$12,400 • Married filing jointly or Qualifying widow(er), \$24,800 • Head of household, \$18,650 • If you checked any box under Standard Deduction, see instructions.	2a	Tax-exempt interest	2b
	3a	Qualified dividends	3b
	4a	IRA distributions	4b
	5a	Pensions and annuities	5b
	6a	Social security benefits	6b
	7	Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ <input type="checkbox"/>	7
	8	Other income from Schedule 1, line 9	8
	9	Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income	9
	10	Adjustments to income:	
	a	From Schedule 1, line 22	10a
	b	Charitable contributions if you take the standard deduction. See instructions	10b
	c	Add lines 10a and 10b. These are your total adjustments to income	10c
	11	Subtract line 10c from line 9. This is your adjusted gross income	11
	12	Standard deduction or itemized deductions (from Schedule A)	12
	13	Qualified business income deduction. Attach Form 8995 or Form 8995-A	13
	14	Add lines 12 and 13	14
	15	Taxable income. Subtract line 14 from line 11. If zero or less, enter -0-	15

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B **Form 1040** (2020)

The Work Number®

Employer Name must match exactly as listed on Paystub to get a match

- Verify information back to 1003
- Is income broken out? Enter into 1003 if using; Look for trends

Order Information

Verified On: 07/17/2018
Verification Type: Employment /Income
Permissible Purpose: Employment purposes
Reference Number: XXXXXXXX253
Tracking Number: 00XXXX856

Employer

Employer: **Minnesota Medical Center**
Headquarters Address:
Address1: 89 South Central Street
Address2: Data not provided
City: St Paul
State: MN
Zip Code: 55102

Employer Disclaimer:
Please use Headquarters Address above for garnishment requests.

The Average Hours Per Pay Period reflects the actual hours paid for the most recent pay period.

Employment

Division: CRP

fax Verification Services Page

Employment Status: Active
Most Recent Start Date: 11/28/2011
Original Hire Date: 11/28/2011
Total Time With Employer: 6 Years, 7 Months Behavioral
Job Title: Health Intake Spec

Income

Employee Rate of Pay: \$25.62
Employee Pay Frequency: Hourly
Avg. Hrs. Worked / Pay Period: 80

Annual Income Summary

	Base Salary	Overtime	Commissions	Bonus	Other	Total
2018	\$28,109.73	\$0.00	\$0.00	\$0.00	\$0.00	\$28,109.73
2017	\$36,652.69	\$0.00	\$0.00	\$200.00	\$0.00	\$36,852.69
2016	\$9,870.12	\$0.00	\$0.00	\$0.00	\$0.00	\$9,870.12

IRS 4506-C

Fannie Mae



In: 4506-C ... Out: 4506-T

Effective March 1, 2021, only the new IRS Form 4506-C will be accepted through the Income Verification Express Service (IVES) to provide tax transcripts to third parties. This means mortgage lenders will need to have borrowers sign Form 4506-C to give permission for obtaining their tax transcripts. The December *Selling Guide* update will include changes to align with this requirement.

<https://www.irs.gov/pub/irs-pdf/f4506c.pdf>

Form 4506-C (September 2020)		Department of the Treasury - Internal Revenue Service IVES Request for Transcript of Tax Return	OMB Number 1545-1872
<p>▶ Do not sign this form unless all applicable lines have been completed. ▶ Request may be rejected if the form is incomplete or illegible. ▶ For more information about Form 4506-C, visit www.irs.gov and search IVES.</p>			
1a. Name shown on tax return (if a joint return, enter the name shown first)		1b. First social security number on tax return, individual taxpayer identification number, or employer identification number (see instructions)	
2a. If a joint return, enter spouse's name shown on tax return		2b. Second social security number or individual taxpayer identification number if joint tax return	
3. Current name, address (including apt., room, or suite no.), city, state, and ZIP code (see instructions)			
4. Previous address shown on the last return filed if different from line 3 (see instructions)			
Mailbox ID			
Instructions			
Third party entered on Line 5a. Ensure that lines 5 through 8 are completed before signing. (see instructions)			
number here (1040, 1065, 1120, etc.) and check the appropriate box below. Enter only one tax form number			
cost of the line items of a tax return as filed with the IRS. A tax return transcript does not reflect changes processed. Transcripts are only available for the following returns: Form 1040 series, Form 1065, Form 1120-L, and Form 1120S. Return transcripts are available for the current year and returns processed			
information on the financial status of the account, such as payments made on the account, penalty by you or the IRS after the return was filed. Return information is limited to items such as tax liability and transcripts are available for most returns			
the most detailed information as it is a combination of the Return Transcript and the Account Transcript. tax years			
series, or Form 5498 series transcript. The IRS can provide a transcript that includes data from these on is not included with the Form W-2 information. The IRS may be able to provide this transcript information nil year is generally not available until the year after it is filed with the IRS. For example, W-2 information file from the IRS until 2018. If you need W-2 information for retirement purposes, you should contact the 1-1213			
m 1099, you should first contact the payer. To get a copy of the Form W-2 or Form 1099 filed with your return, your return, which includes all attachments.			
date of the tax year or period using the mm/dd/yyyy format (see instructions)			
able lines have been completed.			
ther the taxpayer whose name is shown on line 1a or 2a, or a person authorized to obtain the tax information, at least one spouse must sign. If signed by a corporate officer, 1 percent or more shareholder, partner, or executor, receiver, administrator, trustee, or party other than the taxpayer, I certify that I have the authority to			
Note: This form must be received by IRS within 120 days of the signature date.			
Execute Form 4506-C on behalf of the taxpayer.			
<input type="checkbox"/> Signatory attests that he/she has read the attestation clause and upon so reading declares that he/she has the authority to sign the Form 4506-C. See instructions.			
Sign Here	Signature (see instructions)		Date
	Phone number of taxpayer on line 1a or 2a		
	Print/Type name		
	Title (if line 1a above is a corporation, partnership, estate, or trust)		
Spouse's signature		Date	
Print/Type name			
Catalog Number 72627P		www.irs.gov	Form 4506-C (9-2020)
For Privacy Act and Paperwork Reduction Act Notice, see page 2.			

IRS 4506-C

Freddie Mac

Guide impact

[Section 5501.3](#) has been updated to reflect these changes.

UPDATES TO INTERNAL REVENUE SERVICE (IRS) FORM 4506-T

- We are updating all references to Internal Revenue Service (IRS) Form 4506-T to reflect the IRS's revised requirement for IRS Form 4506-C. IRS Form 4506-C must be used effective March 1, 2021 by authorized Income Verification Express Service participants in order to obtain tax transcripts with the taxpayer's consent.
- Loan Product Advisor messaging will be updated at a later date, which will be communicated when available. We will provide updates for Servicers in a future Bulletin.
- Guide impacts: [Sections 3402.5](#), [4304.5](#), [5302.5](#), [5901.5](#) and [5903.5](#)

<https://www.irs.gov/pub/irs-pdf/f4506c.pdf>

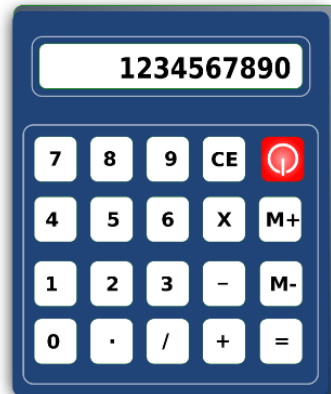
Form 4506-C (September 2020)	Department of the Treasury - Internal Revenue Service IVES Request for Transcript of Tax Return	OMB Number 1545-1872
<p>▶ Do not sign this form unless all applicable lines have been completed. ▶ Request may be rejected if the form is incomplete or illegible. ▶ For more information about Form 4506-C, visit www.irs.gov and search IVES.</p>		
1a. Name shown on tax return (if a joint return, enter the name shown first)	1b. First social security number on tax return, individual taxpayer identification number, or employer identification number (see instructions)	
2a. If a joint return, enter spouse's name shown on tax return	2b. Second social security number or individual taxpayer identification number if joint tax return	
3. Current name, address (including apt., room, suite no.), city, state, and ZIP code (see instructions)		
4. Previous address shown on the last return filed if different from line 3 (see instructions)		
5a. IVES participant name, address, and SOR mailbox ID		
5b. Customer file number (if applicable) (see instructions)		
Caution: This tax transcript is being sent to the third party entered on Line 5a. Ensure that lines 5 through 8 are completed before signing. (see instructions)		
6. Transcript requested. Enter the tax form number here (1040, 1065, 1120, etc.) and check the appropriate box below. Enter only one tax form number per request		
a. Return Transcript , which includes most of the line items of a tax return as filed with the IRS. A tax return transcript does not reflect changes made to the account after the return is processed. Transcripts are only available for the following returns: Form 1040 series, Form 1065, Form 1120, Form 1120-A, Form 1120-H, Form 1120-L, and Form 1120S. Return transcripts are available for the current year and returns processed during the prior 3 processing years. <input type="checkbox"/>		
b. Account Transcript , which contains information on the financial status of the account, such as payments made on the account, penalty assessments, and adjustments made by you or the IRS after the return was filed. Return information is limited to items such as tax liability and estimated tax payments. Account transcripts are available for most returns. <input type="checkbox"/>		
c. Record of Account , which provides the most detailed information as it is a combination of the Return Transcript and the Account Transcript. Available for current year and 3 prior tax years. <input type="checkbox"/>		
7. Form W-2, Form 1099 series, Form 1098 series, or Form 5498 series transcript. The IRS can provide a transcript that includes data from these information returns. State or local information is not included with the Form W-2 information. The IRS may be able to provide this transcript information for up to 10 years. Information for the current year is generally not available until the year after it is filed with the IRS. For example, W-2 information for 2016, filed in 2017, will likely not be available from the IRS until 2018. If you need W-2 information for retirement purposes, you should contact the Social Security Administration at 1-800-772-1213. <input type="checkbox"/>		
Caution: If you need a copy of Form W-2 or Form 1099, you should first contact the payer. To get a copy of the Form W-2 or Form 1099 filed with your return, you must use Form 4506 and request a copy of your return, which includes all attachments.		
8. Year or period requested. Enter the ending date of the tax year or period using the mm/dd/yyyy format (see instructions)		
Caution: Do not sign this form unless all applicable lines have been completed.		
Signature of taxpayer(s). I declare that I am either the taxpayer whose name is shown on line 1a or 2a, or a person authorized to obtain the tax information requested. If the request applies to a joint return, at least one spouse must sign. If signed by a corporate officer, 1 percent or more shareholder, partner, managing member, guardian, tax matters partner, executor, receiver, administrator, trustee, or party other than the taxpayer, I certify that I have the authority to execute Form 4506-C on behalf of the taxpayer. Note: This form must be received by IRS within 120 days of the signature date.		
<input type="checkbox"/> Signatory attests that he/she has read the attestation clause and upon so reading declares that he/she has the authority to sign the Form 4506-C. See instructions.		
Signature (see instructions)		Date
Print/Type name		Phone number of taxpayer on line 1a or 2a
Sign Here		
Title (if line 1a above is a corporation, partnership, estate, or trust)		
Spouse's signature		Date
Print/Type name		
Catalog Number 72627P www.irs.gov Form 4506-C (9-2020)		
For Privacy Act and Paperwork Reduction Act Notice, see page 2.		

Calculations

Always include the calculations in mortgage file

Income Calculation

Annual	Salary/ 12 months
Weekly- Every Week	Weekly Base x 52 / 12 months
Bi-Weekly- Every Two Weeks	Bi-Weekly Base x 26/ 12 months
Bi-Monthly- Twice a Month	Bi-Monthly Base x 2
Hourly- Per Hours Worked	Hourly Rate x # of Hours Per Week x 52/ 12 months
Pier Diem, Commissions, OT...	Average over 24 month Period



Always show your work!

Calculators

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Self-Employed Borrower 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.

Enact™ Income Calculation Worksheet

Borrower Name: _____ Loan Number: _____
Employer: _____ Date: 7/26/2021

Pay Type

Hourly

Per Hour	0	# of hours	X52/12	\$ -	Income
YTD Earnings	0	# months			Income
W2 for Tax Year	0	# months			Income
W2 for Tax Year	0	# months			Income

Per Hour
 YTD Avg
 YTD + 1 W2 Avg
 YTD + 2 Yr W2 Avg

\$ - Use lowest income or check the income you wish to use \$ -

Salary: _____ Type of Salary: _____

For full functionality, download and save PDF first before entering data.
Please download before each calculation as calculators are updated periodically.

Borrower(s) Name(s): _____ Loan Number: _____
Property Address: _____

Enact™

Calculator and Quick Reference Guide: Fannie Mae Cash Flow Analysis

Please use the following quick reference guide to assist you in completing Fannie Mae Form 1084. It provides suggested guidance only and does not replace Fannie Mae instructions or applicable guidelines.

Note: For entries with the marker (+/-) type a '-' for entering a negative amount. Example: -12,345.67

IRS Form 1040 – Individual Income Tax Return		2020	2019	NOTES
1	W-2 Income from Self-Employment	+		*Only add back the eligible "Other" deductions, such as Amortization or Casualty Loss.
2	Schedule B – Interest and Ordinary Dividends			
	a. Interest Income from Self-Employment (Line 1)	+		Notes:
	b. Dividends from Self-Employment (Line 5)	+		
3	Schedule C – Profit or Loss from Business: Sole Proprietorship			
	a. Net Profit or Loss (Line 31)	+/-		

<https://new.mi.genworth.com/self-employed-borrower-calculators>

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Enact Income Calculation Worksheet

Enact Income Calculation Worksheet

Borrower Name: _____ Loan Number: _____
 Employer: _____ Date: 7/26/2021

Pay Type

Hourly

Per Hour	0	# of hours	X52/12	\$ -	Income
YTD Earnings	0	# months		\$ -	Income
W2 for Tax Year:	0	# months		\$ -	Income
W2 for Tax Year:	0	# months		\$ -	Income

Per Hour
 YTD Avg
 YTD + 1W2 Avg
 YTD + 2Yr W2 Avg

\$ - Use lowest income or check the income you wish to use \$ -

Salary **Type of Salary**

<input type="checkbox"/>	Monthly	X1	=	\$ -	Income
<input type="checkbox"/>	Bi Weekly	X26/12	=	\$ -	Income
<input type="checkbox"/>	Semi Monthly	X24/12	=	\$ -	Income
<input type="checkbox"/>	Weekly	X52/12	=	\$ -	Income

YTD Salary (paystub) 0 # months Monthly Avg
 W2 income 0 # months Income
 W2 Income 0 # months Income

\$ - Base Used to Qualify check the salary you wish to use If YTD or past year is lower, confirm why. Otherwise, lower of YTD and W2

Overtime/Bonus **Break out OT/Bonus from base salary**

\$ -	YTD Overtime / Bonus*	0	# months	Income
\$ -	Past year OT breakout	0	# months	Income
\$ -	Additional year OT / Bonus	0	# months	Income

YTD Avg
 YTD + 1 year Avg
 YTD + 2 Year Avg

\$ - Use lower of calculations or check the income you wish to use \$ -

*If DU requires only a YTD paystub, OT/Bonus must be annualized. Divide YTD OT/Bonus by 12 months; for qualifying purposes, typically a two year history of receipt is required.

Commission **Break out commission from base salary**

\$ -	YTD Commission	*minus: Expenses	\$ -	expenses (based upon 2106 expense)
\$ -	Past year commission	*minus: Expenses	\$ -	2106 Expenses
\$ -	Additional year commission	*minus: Expenses	\$ -	2106 Expenses

*Fall in investor guidelines for unreimbursed expense policy.

\$ -	= Net income	0	# months	monthly income
\$ -	= Net income	0	# months	monthly income
\$ -	= Net income	0	# months	monthly income

YTD Avg using net income
 YTD + 1 year using Net Income
 YTD + 2 year using net income

2106 YTD Expense Estimate
 2 year Commission Vs 2106 Expenses
 Commission \$ -
 Expenses \$ -
 Expense factor \$ -

\$ - Use Lower of calculations or check the income you wish to use \$ -

Other Income **Type of income** 0

\$ -	YTD income	0	# months	Income
\$ -	W2 for year:	0	# months	Income
\$ -	W2 for year:	0	# months	Income

YTD Income
 YTD + 1 Year
 YTD + 2 Year

\$ - use lowest income average or check the income you wish to use \$ -

Potential Non Taxable Income Social Security: Retirement/Disability/Survivor/Supplement 0

<i>In/With Documentation</i>		<i>Without Taxation Documentation: Freddie Misc Only</i>	
Annual Benefit		Total Annual Benefit	
Taxable Portion x 100%	\$ -	Annual Benefit x 85%	\$ -
Non-Taxable x 125%	\$ -	Annual Benefit x 15%	\$ -
# months Total Income	\$ -	Gross up 25%	\$ -
		Total Gross up	\$ -
		# months	\$ -
		Total Monthly Income	\$ -

Potential Non Taxable Income Other: IRA, Pension, Child Support 0

<i>In/With Documentation</i>		<i>Without Taxation Documentation: Freddie Misc Only</i>	
Annual Benefit		Total Annual Benefit	
Taxable Portion x 100%	\$ -	Annual Benefit x 85%	\$ -
Non-Taxable x 125%	\$ -	Annual Benefit x 15%	\$ -
# months Total Income	\$ -	Gross up 25%	\$ -
		Total Gross up	\$ -
		# months	\$ -
		Total Monthly Income	\$ -

Total Income to Qualify \$ -

<https://new.mi.genworth.com/self-employed-borrower-calculators>



Base Income Conversion Exercises

If the Income is stated as	Then use the following calculation:
Annual \$60,000	Base Pay divided by 12
Weekly \$750	Base Pay x 52 divided by 12
Bi-Weekly (every two weeks) \$1,000	Base Pay x 26 divided by 12
Semi-Monthly (twice a month) \$1,250	Base Pay x 24 divided by 12
Hourly \$20/ hour, 40 hours weekly	Hourly Rate x number of hours per week x 52 divided by 12

Calculate the monthly income for each pay scenario above.

Practice Exercise

Annual:

$$\$60,000 / 12 = \$5,000$$

Weekly:

$$(\$750 \times 52) = \$39,000 / 12 = \$3,250$$

Bi-Weekly:

$$(\$1,000 \times 26) = \$26,000 / 12 = \$2,166$$

Semi-Monthly:

$$(\$1,250 \times 24) = \$30,000 / 12 = \$2,500$$

Hourly:

Must know how many hours worked per week!!!!

$$(\$20 \times 40 \times 52) = \$41,600 / 12 = \$3,467$$



Resources

Fannie Mae, Freddie Mac and Enact



Resources

To access the Fannie Mae Selling Guide:

- Go to <http://www.fanniemae.com>
- Click on “Single Family”, “Originating and Underwriting” and then “Selling Guide”
- Chapter B3-3 Income Assessment of the *Selling Guide* discusses Income Underwriting requirements

To access the Freddie Mac Loan Product Advisor Documentation Matrix and *The Freddie Mac Seller/Service Guide*:

- Go to <http://www.freddiemac.com>
- Click on “Single Family”, use the search feature for “Loan Product Advisor Documentation Matrix”
- [Loan Product Advisor Documentation Matrix](#)
- Chapter 5301.1 of Seller/Service Guide for Stable monthly income and asset qualification for Freddie Mac

Fannie Mae Job Aids/FAQs

Explore training and resources

General Underwriting & Selling Guide

Job Aids & Guides

- URLA/Form 1003 | Getting Started with the
- URLA/Form 1003 | Implementing the New I
- Getting Started with the Redesigned 1003

Frequently Asked Questions

- Appraisal and Property Related
- Appraisal Waivers
- Appraiser Independence Requirements
- Project Insurance Requirements
- Project Standards Requirements
- Revised General Qualified Mortgage Rule
- Uniform Appraisal Dataset (UAD)
- Uniform Closing Dataset (UCD)
- UCD Collection Solution
- Uniform Collateral Data Portal® (UCDP®)
- Uniform Mortgage Data Program® (UMDP®)
- Uniform Residential Loan Application (URL)
- Top Lender Questions

Online Learning

- Assessing Income from Self-Employment
- Asset Validation for a Better Borrower Experience (DVS)
- Borrower Income Verification Policies
- Condo Project Standards Trainings
- Evaluating Rental Income
- Form 1003 | Implementing the New DU Spec MISMO v3.4 – Section 1a
- Implementing Day 1 Certainty
- Qualifying the Borrower Video Series
- Rural Appraisal Challenges
- Validating Borrower Employment and Income with DU (DVS)

Other Resources

- Selling Guide
- Selling & Servicing Guide Forms
- Selling & Servicing Guide Communications
- Mortgage Products
- AllRegs.com (pop-ups must be enabled in order to see page)
- HUD Review Approval Process (HRAP)

<https://singlefamily.fanniemae.com/learning-center/originating-and-underwriting>

Fannie Mae Top Trending Questions

Home / FAQ: Top Trending Selling FAQs

FAQ: Top Trending Selling FAQs

Get answers to frequently asked questions, updated quarterly

These are the top trending underwriting and eligibility questions customers have asked us. Visit Ask Poli[®] to see trending content, find more answers, filter content by topic, and view recently added questions.

FAQs updated June 30, 2021

Topics

- [Asset Assessment > Verification of Non-Depository](#)
- [Eligibility > Borrower Eligibility](#)
- [Eligibility > Occupancy Types](#)
- [Income Assessment > Base Pay/ Bonus/ Overtime](#)
- [Income Assessment > Rental Income](#)
- [Income Assessment > Self-Employment Income](#)
- [Liability Assessment > Monthly Debt Obligations](#)
- [Loan Application > Documentation](#)

Have questions?
Get answers to all of your guide and policy questions straight from the source.

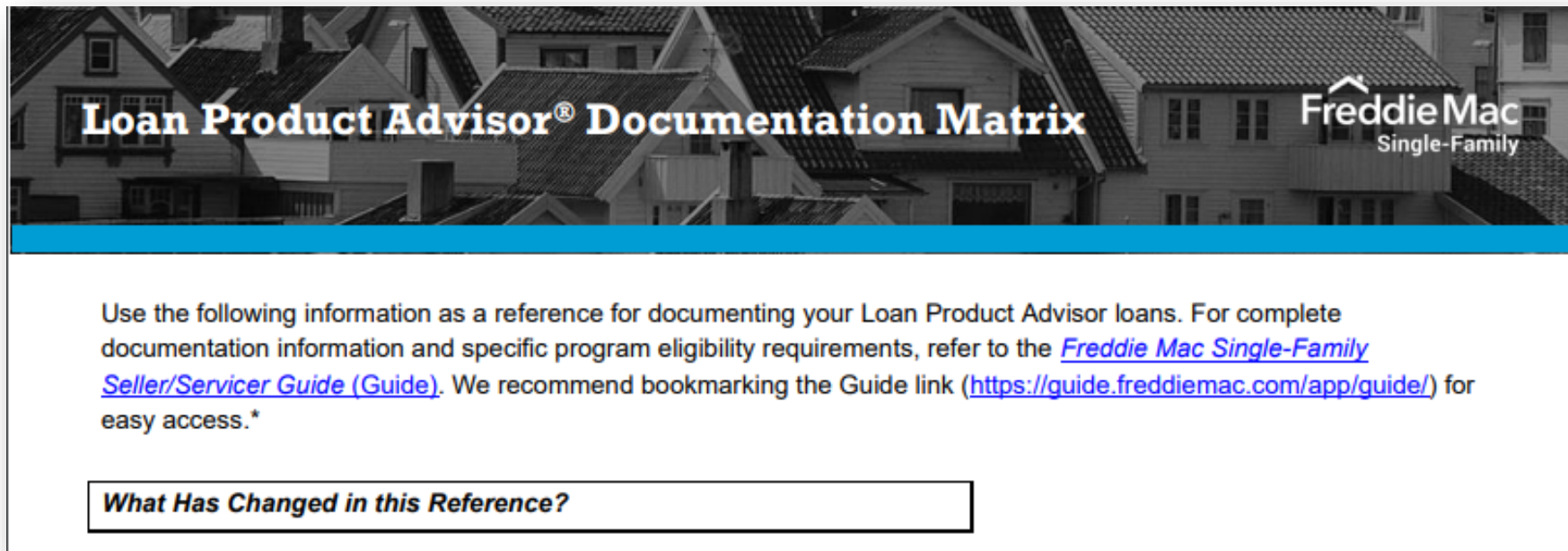
[Visit Ask Poli >](#)

<https://singlefamily.fanniemae.com/faq-top-trending-selling-faqs>

Freddie Mac Documentation Matrix

Documentation Matrix

- Assists in underwriting and documenting loans for Freddie Mac
- Lenders may have overlays
- Check for latest version



Loan Product Advisor® Documentation Matrix Freddie Mac Single-Family

Use the following information as a reference for documenting your Loan Product Advisor 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?

https://sf.freddiemac.com/content/_assets/resources/pdf/update/docmatrix.pdf

Freddie Mac Rental Income Matrix

Rental Income

- Assists in understanding rental income requirements and calculation for Freddie Mac
- Check for latest version



Rental Income Matrix

Freddie Mac
Single-Family

Rental income may be used in qualifying the borrower(s) provided the requirements of Guide Section 5306.1 and the documentation requirements contained in Guide Sections 5102.3 and 5102.4 and Chapter 5302 are met. If rental income is not used to qualify the borrower, the requirements of Chapter 5306.1 do not apply.

Notes: A vertical revision bar " | " is used in the margin of this quick reference to highlight new requirements and significant changes. Effective for mortgages with Freddie Mac settlement dates on and after July 1, 2020.

Topic	Rental Income is from...		
	Subject Property: 2- to 4-unit Primary Residence	Subject Property: 1- to 4-unit Investment Property	Non-subject Investment Property Owned by the Borrower

https://sf.freddiemac.com/content/_assets/resources/pdf/update/rental.pdf

Enact Underwriting Guidelines

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KNOW MORE

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GET A QUOTE NOW

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Boost Your Knowledge
LEARN NOW

Enact Training Resources

The screenshot displays the Enact website interface. At the top left, it says "Genworth MI is now Enact™". On the right, there is a phone number "800 444.5664", a search bar, and a "LOG IN TO:" button with options for "ORDER MI", "MANAGE MI", and "VIEW ACCOUNT". The main navigation bar includes "MI & RATES", "UNDERWRITING & GUIDES", "LOS & CONNECTIONS", "ENACT TOOLKIT", "TRAINING", "LOG", and "ABOUT US". The "TRAINING" menu is open, showing "Course Catalog", "Live Webinar Calendar", "Self-Employed Borrower Calculators", and "Our Trainers". Two orange arrows point to the "TRAINING" menu item and the "Course Catalog" link. The main content area features a large green banner with the text "We've changed to remain focused on you. Genworth MI is now Enact." and a "LEARN MORE" button. Below the banner are three service cards: "Underwriting Innovate Underwriting KNOW MORE", "Rate Express Find Rates Quick GET A QUOTE NOW", and "Training Boost Your Knowledge LEARN NOW". The "Training" card is highlighted with an orange border. A large white plus sign is overlaid on the right side of the banner.

Enact Training Resources

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

 Fannie Mae Form 1084 Calculator (2019-2020) Calculate and analyze cash flow to help you complete Fannie Mae form 1084. UPDATED	 Fannie Mae Form 1084 Calculator XLS (2019-2020) Calculate and analyze cash flow to help you complete Fannie Mae form 1084. UPDATED	 Freddie Mac Form 91 Calculator (2019-2020) Quick reference guide and income analysis for Freddie Mac Form 91 UPDATED
 Freddie Mac Form 92 Calculator (2019-2020) Form 92 Net Rental Income Calculations - Schedule E UPDATED	 Schedule Analysis Method (SAM) Calculator (2019-2020) Calculate qualifying income from tax returns. UPDATED	 Rental Income Calculator (2019-2020) Assists in calculating rental income from IRS form 1040 Schedule E. UPDATED
 Current Ratio - Liquidity Calculator (2019-2020) Calculate working capital liquidity against current liabilities. UPDATED	 Quick Ratio - Liquidity Calculator (2019-2020) Calculate an organization's liquidity against current liabilities. UPDATED	 Fannie Mae Rental Guide (Calculator 1037) Use this worksheet to calculate qualifying rental income for Fannie Mae Form 1037 (Principal Residence, 2- to 4-unit Property)
 Fannie Mae Rental Guide (Calculator 1039) Calculate qualifying rental income for Fannie Mae Form 1039 (Business Rental Income from Investment Property)	 Fannie Mae Form 1088 Cheat Sheet Use this quick reference guide for Fannie Mae's Comparative Analysis Form (Form 1088)	 Fannie Mae Comparative Analysis Form 1088 Calculate increases/decreases in gross income, expenses and taxable income.

Your Enact Resources

- ActionCenter® : 800 444.5664
- Your Local Enact Regional Underwriter
- Your Enact Sales Representative

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