

# Affordable Housing Program & Homeownership Set-aside Program Income Calculation Guide Updated February 2023

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# Income Calculation Guidelines

## GENERAL POLICY

This document sets forth the income calculation guidelines for the Affordable Housing Program (AHP) and the Homeownership Set-aside Program (HSP) of Federal Home Loan Bank of Topeka (FHLBank).

Submit verification documents for all sources of household income (unless otherwise stated). Income verification documents must be completed fully and accurately, as the information is used to calculate annual employment income. If acceptable documentation of income is not provided:

1. An AHP Owner-occupied disbursement request may be denied;
2. An AHP Rental project may be found to be out of compliance during Initial Monitoring;
3. An HSP reservation request may be denied.

Current income, using documentation dated within timeframes outlined, is used to calculate income. Future income is not considered when determining household eligibility; however, FHLBank may, at its discretion, request additional information or documentation as to how the member qualified the household for the mortgage if the household income is extremely low.

Provide an explanation for any unusual circumstances regarding the income of any individual in the household. FHLBank will determine how to calculate income based on the situation and information provided.

## INCOME CALCULATION WORKBOOK (ICW)

Use the ICW identified below to calculate household income. All workbooks consist of a Household Summary tab and 15 Household Member tabs. Complete the ICW according to the [instructions](#). The ICW's are located on FHLBank's public website. Complete the ICW required for the program type as shown below:

Program Type	Workbook Required
<b>AHP Owner-occupied</b>	ICW (identified for owner-occupied projects) located on FHLBank's AHP public website.
<b>Homeownership Set-aside Program</b>	ICW located on FHLBank's HSP public website.
<b>AHP Rental*</b>	ICW (identified for rental projects) located on FHLBank's AHP public website.

\*AHP Rental projects are encouraged, but are not required, to complete FHLBank's Rental ICW.

Incorrect or outdated ICW's will be returned for correction.

**Housing and Community Development (HCD) may, at its discretion, request clarification or additional documentation for any reason.**

Provide back-up documentation adequate to ensure the calculation(s) can be duplicated and confirmed by the sponsor and/or member and FHLBank. Use the information contained in the source documents to complete the calculation. Calculate income using gross (pre-tax) income. See [Table 3](#) for further details.

## INCOME ELIGIBILITY

**Eligible AHP households** must have annualized incomes that meet targeting commitments made in the signed AHP Agreement or most recent modification to targeting.

Owner-occupied Projects: To determine eligibility, compare the household's annual income to the Income Limits published on FHLBank's public website for the project type, specified year, household size, and location of the property. Contact HCD for income limits for households with more than eight members.

Rental Projects: At project completion, the AHP sponsor/owner must provide a Tenant Income Workbook (TIW) listing the current occupants of the project. Calculate tenant income and compare it to the income limits published on FHLBank's public website for the specified income certification year, household size and location of the property.

**Eligible HSP households** must have annualized incomes of less than or equal to 80% of the AMI for the state and county/MSA in which the Property is located. Income limits are published on FHLBank's public website. Contact HCD for income limits for households with more than eight members.

## HOUSEHOLD

**All** household members and their income must be disclosed, including non-borrowing adults and children. FHLBank defines household as **all** individuals who currently, or **will, occupy** the house or residence. Examples of household members include, but are not limited to:

- Spouses
- Fiancés
- Borrowing adults
- Non-borrowing adults
- Roommates
- Children (regardless of custody/visitation schedule)
- Other dependents (family and non-family members)
- Temporarily-absent household members including, but not limited to:
  - Deployed Service Members
  - College Students

## HOUSEHOLD MEMBER INCOME

Calculate the annual income for each household member **age 18 years and older**. See **Table 1** (below) to determine whether the household member’s income should be included.

**Table 1**

Household Member	Is Income Included?
All household members 18 and older	Yes
Dependents and Foster Children (< 18 years old)	No
Live-in aid (not a family member or a party to loan)	No
Non-occupying co-signer	No
Temporarily-absent Household Members (≥ 18)	Yes, if s/he intends to live in the home

### Zero Income Household Members

If a household member 18 years of age or older is not employed or receiving income of any kind, s/he must complete and sign the AHP/HSP Zero Income and/or Unemployed Certification form. The form is available on FHLBank’s public website.

## ANNUAL HOUSEHOLD INCOME DOCUMENTATION REQUIREMENTS

**AHP Owner-occupied projects:** Unless stated otherwise in the Income Calculation Guidelines, income documents must verify year-to-date earnings dated no more than 60 days prior to the date the disbursement request is received by FHLBank, or no more than 60 days prior to the date of enrollment (the date the project sponsor qualified the household for participation in the AHP project).

**AHP Rental projects:** Unless stated otherwise in the Income Calculation Guidelines, income documents must be dated no more than 120 days prior to the certification date listed on the TIW.

**HSP:** Unless stated otherwise in the Income Calculation Guidelines, income documentation must verify year-to-date earnings dated no more than 60 days prior to the date FHLBank received the reservation.

**All Project Types:** If income documentation is provided infrequently, it is not required to be dated within the guidelines specified above. For example, a tax return used to document self-employment income or a Social Security award letter used to document non-employment income may be provided to the household member annually and is not required to be dated within the guidelines specified.

### FYI

- Ensure all income documentation submitted accurately represents the household’s income (i.e. hours worked, days worked per week or year, overtime worked, etc.)
- Income from offers of employment or from future employment (not employed in the position at the time household was income qualified) cannot be used.

**Table 2** (below) lists the most common examples of acceptable income source documentation. The list is not exhaustive, and there may be exceptions and/or additional requirements to the information provided in the table below. See the specific sections of each income type, as available, for additional requirements.

**Enterprise Income Verification (EIV)**  
 EIV may not be an acceptable form of income verification documentation. Contact HCD for more information.

**Table 2**

Income Type	Documentation Source Required
Salary and Hourly Bonus, Commission, Overtime, and Tips	<ul style="list-style-type: none"> <li>▪ <b>One</b> paystub that includes at least 28 days of gross YTD earnings that accurately represents the household member's income (i.e. hours worked per week, days worked, overtime worked, etc.)</li> <li>– OR –</li> <li>▪ Verification of Employment (VOE) provided by the employer or employer's designee that includes at least 28 days of gross YTD earnings.</li> </ul> <p><b>**VOE completed by the employer is preferred; automated VOE is not preferred.</b></p>
Seasonal	<ul style="list-style-type: none"> <li>▪ Previous year W-2 (if employed for a full season with the same employer)</li> <li>– OR –</li> <li>▪ Verification of Employment (VOE) provided by the employer or employer's designee (includes number of weeks/days employee will work during the year)</li> <li>– OR –</li> <li>▪ <b>One</b> paystub that includes at least 28 days of gross YTD earnings that accurately represents the household member's income (i.e. hours worked per week, days worked, overtime worked, etc.). In addition, verification from the employer regarding how many weeks/days the employee will work during the year.</li> </ul>
Non-traditional	<ul style="list-style-type: none"> <li>▪ Previous year W-2 (if employed for a full year with the same employer)</li> <li>– OR –</li> <li>▪ Verification of Employment (VOE) provided by the employer or employer's designee</li> <li>– OR –</li> <li>▪ <b>One</b> paystub that includes at least 28 days of gross YTD earnings that accurately represents the household member's income (i.e. hours worked per week, days worked, overtime worked, etc.)</li> </ul>
Self-employment/Rental Income	<ul style="list-style-type: none"> <li>▪ Complete individual federal tax return for the previous year signed by the homebuyer(s)/resident(s) including all schedules. IRS e-file Signature Authorization form (IRS Form 8879), signed by the homebuyer(s)/resident(s), can be provided in lieu of signatures on the tax return.</li> <li>– OR –</li> <li>▪ If self-employment started in the current year: YTD profit and loss statement signed by the homebuyer(s)/resident(s).</li> </ul>
Child Support or Alimony	<ul style="list-style-type: none"> <li>▪ Formal statement from recognized state or local authority or agency verifying alimony award and/or child support payments (or at least 60 days of history). Court orders, including recorded divorce decrees, are acceptable.</li> </ul>
Social Security/SSI	<ul style="list-style-type: none"> <li>▪ <b>If within the first quarter of the calendar year, 1099 for previous year</b></li> <li>– OR –</li> <li>▪ Copy of award letter designating benefits for current year.</li> </ul>
Retirement /Annuities	<ul style="list-style-type: none"> <li>▪ 1099 for previous year, current award letter, or current statement showing disbursements.</li> </ul>

## Helpful Hints

### INCOME DOCUMENTATION

Ensure all income documentation submitted accurately represents a typical pay period:

- Hours worked during pay period;
- Days worked per week or year;
- Overtime worked.

For example, if the employee is not regularly paid for extra holiday hours, the paystub that includes the payment of holiday hours would not be representative of a typical pay period. If the employee typically works a regular 40-hour work week, provide a paystub that reflects a 40-hour work week.

Ensure the **paystub** provided includes all information needed to complete the ICW:

- Provide only **ONE** paystub;
- Represents at least 28 days of YTD earnings;
- Includes a breakdown of all YTD earnings;
- Is dated within the guidelines (per project type) outlined in this guide;
- Identifies the employer name and employee name;
- Discloses pay period dates, pay frequency, pay date, wage/salary and hours worked/paid;
- Accurately represents a typical pay period.

If a **VOE** is provided rather than a paystub, ensure the VOE includes the same information required for a paystub **and** the following specifications are met:

- Is legible;
- All sections are completed;
- “Thru” date is completed with the pay period end date for YTD Earnings, not the pay date;
- Includes a breakdown of all YTD earnings;
- Breakdown of earnings, when added together, equals YTD Total Income;
- Has not been altered by the employee, member or sponsor;
- Is signed by the employer.

Ensure the gross benefit can be verified on the **Social Security** award letter:

- Provide all pages of the Social Security award letter;
- Enter the gross benefit in the ICW;
- If gross benefit cannot be determined with documentation provided, follow-up/clarification will be requested.

Ensure the **Seasonal** and/or **Non-Traditional** income documentation includes the same information listed for a paystub and/or VOE in addition to the following information:

- Indicates seasonal and/or non-traditional nature of employment;
- Includes number of days/weeks employee works per year (Seasonal);
- Includes number of days/weeks the employee has worked YTD (Seasonal).



## Income Inclusions and Exclusions

Generally, FHLBank Topeka requires **ALL** household income (taxable and non-taxable) to be included in the calculation of the household income. **Table 3** (below) identifies the most common examples of income inclusions and exclusions. Contact HCD with questions.

**Table 3**

Include	Do Not Include
The gross amount of all wages and salaries, overtime pay, commissions, fees, tips, bonuses, differential pay, housing allowances, and other compensation, including health insurance benefits (unless otherwise stated).	Benefits paid to the employee by the employer may be excluded from household income if there is a corresponding deduction labeled the same as the benefit <b>and</b> equal to the benefit paid to the employee.
Self-employment and Rental Income including income received from contracted employment (i.e. Uber, LYFT, DoorDash, GrubHub).	One-time lump sum payments including, but not limited to: inheritances, capital gains, insurance payments (including worker’s compensation), and settlement for personal or property losses.
Alimony and child support payments.	Refunds or rebates received under state or local law for property taxes paid on the dwelling units.
Payments received for the care of foster children or foster adults.	Non-recurring income (including gifts, relocation, or moving expenses.)
Payments in lieu of earnings, such as unemployment and disability compensation, worker’s compensation, severance pay and public assistance payments unless otherwise indicated.	401K, IRA, annuities, and other retirement programs not making regular distributions.
Salaries received from a family-owned business.	All forms of student financial assistance paid directly to a student, educational institution, or a veteran.
The full, gross amount of regular or periodic payments (including interest payments) received from social security, annuities, insurance policies, retirement funds (i.e. 401K, IRA, etc.), pensions, disability or death benefits and other similar types of periodic receipts. Include amounts received by adults on behalf of minors or by minors intended for their own support.	Deferred periodic amounts from supplemental income and social security benefits that are received in a lump sum or in prospective monthly amounts; payments received from programs funded under Title V of the Older Americans Act of 1965; Supplemental; interest from savings or checking accounts.
Lottery or gambling winnings paid in periodic or lump sum payments.	Amounts received by any household member participating in programs under the Workforce Investment Act of 1998 or any special training programs funded by HUD.
Stipends, allowances and per diem payments from employer.	Reimbursements from employer (labeled as a reimbursement) may be excluded from income for mileage, meals, uniform expense, tuition expense and employment-related expenses.
Regular payments (employment and non-employment) received through payment services (i.e.Venmo, CashApp).	Imminent danger duty pay; Compensation received under the Victims of Crime Act (42 U.S.C. 10602); the first \$2,000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or Court of Claims, etc.; payments received from the Job Training Partnership Act; Supplemental Nutrition Assistance Program (SNAP)

## Calculating Income

The method used to determine annualized income varies depending on income type. Generally, all gross current income from all sources is used to determine the household’s annual income. No deductions from or adjustments to gross income are allowed even if they are allowed by other funding sources, such as USDA or HUD. For example, do not deduct childcare, disability status, elderly members of the household, or medical expenses from gross income, and do not “gross up” income from tax-exempt, non-employment sources such as Social Security.

### EMPLOYMENT INCOME

Determine annual employment income for each job currently held. Calculate annual income by 1) annualizing year-to-date (YTD) gross income; **and** 2) annualizing base wages and YTD other income. If there is a difference between the two calculations of greater than \$3,000.00, provide an explanation for the discrepancy from the employer. The greater value of the two calculations is determined to be the annual employment income. Use both income calculation methods.

#### New Employment

If the applicant has started a new job and 28 days of YTD income is not available, calculate income using the base wages option only. Include an explanation why only one income calculation method was used.

**Gross income** is the full amount (before any payroll deductions) of all wages and salaries, overtime pay, commissions, fees, tips, bonuses and other compensation.

#### Calculation 1 – Annualizing Gross Income

The workbook annualizes gross income by dividing YTD gross income by number of calendar days included in the income reporting period and then multiplying by 365.

#### Calculation 2 – Annualizing Base Wage and Other -Income

The workbook annualizes base wages by multiplying base wages per period by the total pay periods per year. The standard calculations listed below are used based on the employee’s pay schedule.

Wage Type	Calculation
Hourly wages	Multiply hourly wages by hours worked per week and weeks worked per year.
Weekly wages	Multiply weekly wages by 52.
Bi-weekly wages	Multiply bi-weekly wages by 26
Semi-monthly wages	Multiply semi-monthly wages by 24
Monthly wages	Multiply monthly wages by 12
Annual wages	Multiply annual wages by 1

When completing the ICW, both the YTD Earnings Calculation and the Base Wages Calculation must be completed. The YTD Other Income is part of the Base Wages Calculation (see [Completing the Income Calculation Workbook](#)).

### YTD Earnings Calculation

Complete the YTD Start Date, Pay Period End Date and YTD Total Income. To ensure the ICW is completed correctly:

- Enter the YTD Start Date correctly. Typically, the YTD Start Date is a date in the previous year, not 1/1. For example, if pay period 12/15 – 12/31 was paid on 1/5, the YTD Start date is 12/15.
- Enter the Pay Period End Date as indicated on the income document. The Pay Period End date is the last day of the pay period, not the pay date.
- Enter all earnings YTD, as shown on the income document, in the YTD Total Income. No earnings should be deducted from the YTD Total Income unless the earning is verified by the employer as non-recurring (see [Non-recurring Income](#)).

### Base Wages Calculation + YTD Other Income

Determine if the household member is paid a salary or an hourly rate and complete the Base Wages accordingly. Either the salary or hourly rate should be completed, not both. To ensure the ICW is completed correctly:

- Complete the Salary Per Pay Period or Regular Hourly Rate using the information provided on the income document.
- If the household member is paid a salary and the Pay Frequency/Year cannot be determined with the income document, verify the pay frequency with the employer (see [Employer Verifications/Explanations](#)).
- Calculate the Hours/Week per instructions provided in the [Calculating Hours per Week](#) section of this guide.

Unless stated otherwise by the employer, annualize income from overtime, tips, commissions, bonuses or other like income by entering it in the YTD Other Income. Earnings paid in addition to regular wages are considered other income. The YTD Other Income is part of the Base Wages calculation.

### Hourly Wages or Shift Differentials

If a household member's base or regular wage varies, such as when working in different positions during the same pay period, calculate income as follows:

1. Include the total YTD income shift differential in the "YTD Other Income."

#### FYI

Earnings paid in lieu of regular earnings (paid at the regular wage/rate) should not be entered in the YTD Other Income. These earnings are considered regular earnings and should be included in the Hours/Week calculation. Examples of earnings considered to be paid in lieu of regular earnings include, but are not limited to:

- Holiday
- Sick
- Bereavement

OR

2. Use the higher of the shift differential wage/rate amounts for all hours worked.

### Non-recurring Income

If the employer states the income is non-recurring, will not continue, or is paid at regular intervals (such as bonuses paid on an annual basis), do not annualize this amount; subtract it from the year-to-date gross income, and enter the bonus amount and number of payments in Section 3: Other Income – 2. Verification from the employer that the income is non-recurring is required (see [Employer Explanations/Verifications](#)).

### Pay Schedules/Frequency

A household member is paid on a semi-monthly basis if they are paid twice a month and on the same recurring schedule. A household member is paid on a bi-weekly basis if they are paid every other week on the same recurring schedule. Monthly pay schedules are paid once a month. If the household member is salaried, the amount of income per pay period is the same. If the household member is paid on a semi-monthly or monthly basis but is an hourly employee, the hours worked per week will need to be calculated, as the number of days in the pay period will vary (see [Calculating Hours per Week](#) [below]).

### Calculating Hours per Week

To calculate the number of hours a non-salaried employee works per week who is not paid weekly:

- **Bi-weekly Pay** (every two weeks): Add together regular hours and hours paid in lieu of regular hours, then divide by two. For example:
  - The paystub indicates the household member was paid for 72 regular hours and 8 sick hours.
  - Add 72+8, which calculates to 80 regular hours paid during the bi-weekly pay period.
  - Divide 80/2, which calculates to 40 hours per week.
  - Complete the Hours/Week in the ICW as 40.
- **Semi-monthly Pay** (twice per month): Determine the number of days in the pay period (including weekends). Add together the regular hours and hours paid in lieu of regular hours, then divide by the total days (including weekends) in the pay period to determine the hours per day. Next, multiply the hours per day by the days in a week (using a 7-day week). For example:
  - The paystub indicates the household member was paid for 80 regular hours and 8 holiday hours during a 15 day pay period.
  - Add 80+8, which calculates to 88 regular hours paid during the semi-monthly pay period.
  - Divide 88/15, which calculates to 5.866 hours per day.

### Know the Difference

#### Semi-monthly Pay

Paid twice a month on the same recurring schedule. For example: Paid on the 15<sup>th</sup> and last day of each month.

#### Bi-Weekly Pay

Paid every other week. For example: Paid every other Friday.

#### Monthly Pay

Paid once per month. For example: Paid on the 1<sup>st</sup> day of each month.

- Multiply  $5.866 \times 7$ , which calculates to 41.066 hours per week.
  - Complete the Hours/Week in the ICW as 41.066.
- **Monthly Pay** (once per month): Determine the number of days in the pay period (including weekends). Add together the regular hours and hours paid in lieu of regular hours, then divide by the total days (including weekends) in the pay period to determine the hours per day. Next, multiply the hours per day by the days in a week (using a 7-day week). For this example:
- The paystub indicates the household member was paid for 144 regular hours, 8 holiday hours and 8 bereavement hours during a 31 day pay period.
  - Add  $144+8+8$ , which calculates to 160 regular hours paid during the monthly pay period.
  - Divide  $160/31$ , which calculates to 5.16 hours per day.
  - Multiply  $5.16 \times 7$ , which calculates to 36.129 hours per week.
  - Complete the Hours/Week in the ICW as 36.129.

### FYI

**Submit only one paystub that accurately represents the household member's income.** If more than one paystub is submitted, FHLBank will review each one. If the hours vary, FHLBank will use the paystub with the highest number of hours worked or the highest pay received to calculate the base wage in the ICW.

If work hours shown on income documentation are expressed as a range, use the high end of the range. For example, if the range of hours worked per week is 24-30, complete the ICW using 30 hours per week. If the work hours are not provided on the income documentation, the default for hours per week is 40.

### SEASONAL INCOME

For seasonal workers, the following types of employment verification may be accepted (only provide one of the income documentation options below):

- **VOE** – must include verification from the employer of the seasonal nature of the employment, the number of days or weeks worked per year and the number of weeks worked YTD; **OR**
- **Paystub** – accompanied by verbal or written verification from the employer indicating the seasonal nature of the employment and the number of days or weeks worked per year; **OR**
- **W2** – Previous (most recent) year's W-2 may be used if the current year employer is the same as the employer represented on the W-2 and the W-2 represents a full season of employment. The W-2 must be accompanied by verification from the employer indicating the seasonal

#### Seasonal Income:

Job does not require employee to work year-round.

\*Part-time, year-round employment is not considered seasonal.

#### Examples of Seasonal Income Include:

School para, construction worker, lifeguard

nature of employment and that the W-2 represents a full season of employment. If the W-2 is not representative of a full season of employment a VOE or paystub will be required.

Complete the Seasonal Income section of the ICW if a VOE or paystub is being provided. If a W-2 is being provided, complete the YTD Earnings Calculation for the Employer 1 or Employer 2 as follows:

- **YTD Start Date** – Complete as 1/1 of the previous year.
- **Pay Period End Date** – Complete as 12/31 of the previous year.
- **YTD Total Income** – Complete using the highest gross wage as shown on the W-2.

## NON-TRADITIONAL INCOME

For non-traditional workers, the following types of employment verification may be accepted:

- **VOE** – if not indicative, must include verification from the employer of the non-traditional nature of the employment; **OR**
- **Paystub** – if not indicative, must be accompanied by verification from the employer of the non-traditional nature of the employment; **OR**
- **W-2** – Previous (most recent) year’s W-2 may be used if the current year employer is the same as the employer represented on the W-2. The W-2 must be accompanied by verification from the employer indicating non-traditional nature of employment. If the W-2 does not represent a full year of income, obtain the dates of employment represented by the W-2 from the employer.

### **Non-traditional Income:**

Employee is not paid by the hour or a salary. Often, pay is straight commission, by the mile, etc.

### **Examples of Non-traditional Income Include:**

Car salesperson, truck driver, real estate salesperson

Given the method of pay for non-traditional workers, it is generally only possible to calculate income by completing the YTD Income Calculation. If the W-2 is being provided, complete the ICW as follows:

- **YTD Start Date** – Complete as 1/1 of the previous year or, if employment started during the previous year, the YTD Start Date should be completed as the employment start date (as verified by the employer).
- **Pay Period End Date** – Complete as 12/31 of the previous year.
- **YTD Total Income** – Complete using the highest gross wage as shown on the W-2.

## SELF-EMPLOYMENT/RENTAL INCOME

For self-employed household members or household members with income from rental property, submit the previous year tax return or profit and loss statement, per the instruction provided (below). Provide the individual self-employment documentation. **Do not** provide business tax returns.

1. If the household member was self-employed in the previous tax year:

- Provide the previous year tax return (including all pages and schedules) **signed** by the homebuyer(s)/resident(s). If the tax return is not signed, include the completed IRS Form 8879 IRS e-file Signature Authorization signed by the homebuyer(s)/resident(s). If the household member was not self-employed for the full year represented by the tax return, verify the start date of the self-employment.
- If the tax return is not available, provide a profit and loss statement signed and dated by the homebuyer(s)/resident(s), for the previous year. After the tax filing deadline for the tax return year, if the previous year's tax return is not filed, include either a copy of the request for extension signed by the homebuyer(s)/resident(s) or documentation evidencing the extension was approved by the IRS.

- OR -

2. If the household member was not self-employed during the previous tax year, provide a YTD profit and loss (P & L) statement for the current year. The start date of the P&L should be the self-employment start date, not 1/1 (unless self-employment started on 1/1). Additionally, the P & L must be signed and dated by the household member.

Calculate the household's net self-employment or rental income using the net income shown on the required documents (as indicated above). If the previous year tax return is being provided, utilize the following information from the tax return to complete the ICW:

- **Schedule C** (Sole Proprietorship) – Line 31: Net profit or loss and Line 12: Depreciation
- **Schedule E** (Rent real estate, royalties, partnerships, S Corporations, estates, trusts, REMICs, etc.) – Line 26: Total rental real estate and royalty income or (loss) or Line 41: Total income or (loss) and Line 18: Depreciation
- **Schedule F** (Profit or Loss from Farming) – Line 34: Net farm profit or (loss) and Line 14: Depreciation

If the current year profit and loss statement is being provided, utilize the net income and depreciation as shown on the document to complete the income calculation.

*Negative income entered in the ICW will be shown as \$0.00 on the income summary.*

## NON-EMPLOYMENT INCOME

For other income received on a recurring or periodic schedule, calculate the annualized amount by multiplying the gross periodic amount by the number of periods in the year. For amounts that vary, annualize the average of the amount received to date.

For child support, use only the current amount of support; do not include amounts for arrears or past due support. If there is documentation demonstrating child support is not received regularly, annualize the average child support received over the previous six months to determine the annual support. For

### FYI

**DO NOT** include both a YTD profit and loss statement and a tax return. Only one of these documents is required.

**DO NOT** provide business tax returns.

Refer to [Table 2](#) for additional information on income documentation requirements.

example, if child support was received in the amount of \$240.00 for two months over the previous six-months, average the \$240.00 over those six months (\$40.00) and then annualize ( $\$40.00 * 12 = \$480.00$ ). Ensure the child support documentation provided includes the name of the household member that receives the child support income.

## NEW EMPLOYMENT

If the applicant has started new employment and 28 days of YTD income is not available, calculate income using the base wages option only. Include an explanation why only one income calculation method was used.

Future income cannot be used to qualify an applicant for grant funds such as employment contracts for positions that are scheduled to start on a later date. Provide income documentation for the applicant's current employment/income, or if the applicant has no current sources of income, provide a signed AHP/HSP Zero Income Certification.

## INCOME CALCULATION DISCREPANCIES

If, after completing the income calculation in the ICW, there is a discrepancy of \$3,000 or greater between the year-to-date annualized income and the annualized base wages, obtain an explanation from the employer for the discrepancy. A discrepancy is signified by a red font warning message under the Highest Calculated Income in the ICW (see below).

Highest Calculated Income (Employer #1):	\$ 48,026.32	YTD Earnings Used to Qualify.
Correct income information based on Income Calculation Guidelines or provide an explanation from the employer for the discrepancy between the two calculations.		

In most cases, the explanation may be obtained from the employer verbally and entered in the Explanation/Notes section of the ICW. If a written explanation from the employer is required, upload the explanation with the income documentation (see [Employer Verifications/Explanations](#)).

Common reasons for discrepancies:

- Inaccurate YTD Start Date (i.e. if pay period December 12 – December 26 was paid on January 4, the YTD Start Date would be December 12);
- Varying hours (obtain the average hours worked per week from the employer to explain discrepancy; **the high end of the range will be used to complete the ICW, not average**);
- Off work without pay (obtain the number of days or weeks the homebuyer was off work without pay from the employer to explain the discrepancy);
- Wage increase (obtain the amount and date of the wage increase from the employer to explain the discrepancy);
- Employee started employment after 1/1 (obtain the employment start date from the employer; complete the YTD Start Date in the ICW as the employment start date).

## NAME DISCREPANCIES

Generally, the names on the income documentation and the names entered in the ICW and AHP/HSP Online should match.



- If the last name on the income documentation differs from the last name entered in the ICW and/or AHP/HSP Online, provide proof of name change such as a marriage certificate/license, divorce decree, signed and notarized affidavit, etc.
- The name(s) on the Reservation Initiation screen (HSP) or the Household Selection screen (AHP owner-occupied), the ICW and income documentation should match.

## EMPLOYER VERIFICATIONS/EXPLANATIONS

FHLBank may require verifications or explanations from the employer for certain employee income circumstances. The verification/explanation may be either verbal or in writing, unless otherwise required. Explanations from the household member(s) will not be accepted.

Verbal and written explanations should include the following information:

- Employer contact's name;
- Employer contact's title/position;
- Summary of conversation/explanation.

If the verification/explanation is received from the employer verbally, it should be documented in the Explanation/Notes section of the ICW. If the verification/explanation is received in writing, it should be uploaded with the other income documentation. An email from the employer will be accepted as verification in writing if all verification/explanation required information is included in the email.

Certain circumstances will require a verification/explanation in writing:

- Earnings;
- Non-recurring income (i.e. bonuses only paid once a year or at regular intervals and should not be annualized in the ICW);
- Verifications/Explanations for households that the AMI% is close to 80.

**HCD may, at its discretion, request verifications/explanations in writing for any reason.**

## INCOME CALCULATION QUESTIONS

Contact HCD for assistance with income sources and types that do not easily fit into a specific income category or with any questions about income calculation.

### **FYI**

**DO NOT** send income documentation or ICW's via (unsecure) regular email. This information contains personally identifiable information (PII) and regular email is not secure.

For HSP, if household income exceeds 80% of the AMI and you have questions about the calculation, email [hsp@fhlbtopeka.com](mailto:hsp@fhlbtopeka.com) a brief description of the scenario or call 866.571.8155 for assistance. **DO NOT** email income documentation.

For AHP, submit documentation to the assigned analyst through our secure email portal, ProofPoint.

## Completing the Income Calculation Workbook

### GENERAL INSTRUCTIONS

The FHLBank Topeka Income Calculation Workbook (ICW) is a tool designed to assist FHLBank Topeka members and project sponsors to determine whether a homebuyer, homeowner, or prospective tenant is within FHLBank Topeka income restrictions for participation in the AHP or HSP. The ICW is a Microsoft Excel workbook comprised of a Household Summary and Household Member tabs. The workbook calculates household income based on the FHLBank Topeka Income Calculation Guidelines. These instructions are intended to assist with completing the ICW and are not meant as a replacement for the Income Calculation Guidelines. The Rental ICW varies slightly on the Household Summary tab; however, all Household Member tabs are the same.

Cells that require or allow data entry are blue in color. The ICW includes helpful hints in some sections which display when the cell is selected. Use the “Explanations/Notes” boxes in each section to explain income calculation variations, reasons for entering data in a manner not consistent with instructions, etc.

Calculations by the ICW are believed to be accurate; however, accuracy is not guaranteed, and the results do not constitute the official household income until HCD has received, reviewed, and approved all applicable household income documents.

If any information regarding household size, income, or any other information relevant to program qualification for AHP/HSP is found, at any time, that determines the homebuyer, homeowner, or tenant is ineligible for participation in the program at the time of enrollment and/or reservation submission, repayment of the full amount of the subsidy or other remedy may be required.

#### FYI

- Ensure all income documentation submitted accurately represents the household’s income (i.e. hours worked, days worked per week or year, overtime worked, etc.)
- If paystubs are used to document income, submit only **one** paystub that accurately represents a normal pay period.
- **If there is a discrepancy of \$3,000 or greater** between the YTD annualized income and the annualized base wages, obtain an explanation from the employer for the discrepancy, and enter it in the Explanation/Notes box. If the explanation is received from the employer verbally, the explanation must include the following:
  - Name of employer contact
  - Title/Position of employer contact
  - Summary of conversation/explanation



## AHP/HSP - INCOME CALCULATION WORKBOOK - HOUSEHOLD SUMMARY TAB

Complete this tab first. Enter information according to the Income Calculation Guidelines as follows:

Section ID	Cell ID	Instructions
Top of Form	Member Institution	Complete the name of the member.
	Homebuyer Name	Enter the name of the homebuyer/homeowner. This should be the head of the household whose income will be included on the "Household Member #1-Income" tab.
	State	From the drop-down menu, select the state in which the property being purchased/rehabilitated is located.
	County/MSA	From the drop-down menu, select the county/MSA in which the property being purchased/rehabilitated is located.
	Program Enrollment Date	HSP: The date the Reservation Request is submitted to FHLBank. AHP: The date the household is qualified to participate in the program.
Section 1: Household Composition – All Household Members	Household Member 1	Enter the head of household's date of birth. From the drop-down menu, indicate whether the household member is an income earner.
	Household Members 2-15	Enter the first and last name for each household member. Enter the household member's relationship to the head of household. Enter each household member's date of birth. From the drop-down menu, indicate whether the household member is an income earner.

## HOUSEHOLD MEMBER TABS

AHP Owner-occupied Disbursement Requests: Enter information for each household member according to the Income Calculation Guidelines in each applicable section. Provide any explanations that will be helpful to HCD or that are required by the Income Calculation Guidelines in “Explanation/Notes.”

HSP ICW’s: Enter information for each household member according to the Income Calculation Guidelines in each applicable section. Provide any explanations that will be helpful to HCD or that are required by the Income Calculation Guidelines in “Explanation/Notes.” Do not enter information on Household Member tabs for non-income producing household members.

### Section 1: Wage/Salary Income – Employer #1 (Follow the same instructions for Employer #2, if applicable.)

If the borrower is employed in a consistent, standard position, complete this section using the income documentation that is representative of the household member’s actual income. If the borrower has more than one permanent employer, enter the information for the second employer in “Employer #2.”

Section ID	Cell ID	Instructions
	Employer	Enter the name of the employer.
Year-to-Date Earnings	YTD Start Date	Enter the start date of the income reporting period for the YTD pay. <b>(Depending on pay schedule, this could be a date from the previous year.)</b> If the household member’s hire date was after January 1, enter the hire date.
	Pay Period End Date	Enter the date through which the YTD earnings have been reported. This should be the last pay period end date, not the pay date.
	YTD Total Income	Enter the total gross amount of income earned up to the last pay period end date less income that is non-recurring, will not continue, or is paid at irregular or infrequent intervals (as verified by employer).
Year-to-Date Other/Overtime/Bonus/Commission/Tips	YTD Other Income	Enter the total gross amount of overtime and other income earned (tips, commissions, etc.) received up to the last pay period end date less income that is non-recurring, will not continue, or is paid at irregular or infrequent intervals (as verified by employer). (Report income that is non-recurring, will not continue, or is paid at irregular or infrequent intervals (as verified by employer) in Section 3: Other Income. DO NOT include earnings paid in lieu of regular pay such as PTO, holidays paid at regular pay, paid sick leave, etc.)
Base Wages	Salary Per Pay Period	<b>For salaried employees</b> , enter the salary the borrower receives for each pay period.
	Pay Frequency/Year	<b>For salaried employees</b> , enter the number of pay periods each year (i.e. annual, monthly, semi-monthly, bi-weekly, weekly).
	Regular Hourly Rate	<b>For non-salaried employees</b> , enter the base pay rate. (i.e. hourly rate for hourly employees, etc.)
	Hours/Week	<b>For non-salaried employees</b> , enter the number of hours paid <u>per week</u> as indicated on the income documentation. Include holiday, vacation, paid time off hours, if applicable. If the borrower is paid less frequently than weekly, calculate the number of hours the employee works per week. *See <a href="#">Calculating Hours Per Week</a> .
	Weeks/Year	No entry required; non-editable cell.

## Section 2: Self-employment/Rental Income

Use this section for self-employment and rental income. For additional detail, refer to the Income Calculation Guidelines. **DO NOT** complete both the Tax Return and Current Year Profit & Loss sections.

Section ID	Cell ID	Instructions
	Has a tax return been filed for the self-employment income for last year?	From the drop-down menu, select the answer to the question. The workbook will provide guidance regarding required income documentation.
<b>Tax Return Information</b>	Tax Return Start Date	Enter the start date of self-employment represented by the tax return. For example, if self-employment started during the year, enter the date it started (i.e. 3/1/2022). If the tax return represents a full year of self-employment, enter the first day of the year.
	Tax Return End Date	This date should be the last day of the year. FHLBank uses current income, so if the household member is no longer self-employed, this income would not be included.
	Net Income	If a tax return is the required income documentation, enter the net income indicated on the applicable tax return schedule.
	+ Depreciation	If a tax return is the required income documentation, enter the amount of depreciation shown for the self-employment income on the tax return.
<b>Profit &amp; Loss (P &amp; L) Information</b>	P & L Start Date	Enter the first date represented by the current year P & L. For example, if the self-employment started on 3/1/2023, the P & L should start on 3/1/2023.
	P & L End Date	Enter the last day included on the P & L.
	YTD Net Income	If a P & L is the required income documentation, enter the total net year-to-date income shown.
	+ Depreciation	If the P & L is the required income documentation, enter the amount of depreciation expense shown on the P & L.

## Section 3: Other Income

Use this section for income that is not a result of employment or that does not fit into any of the options in Section 1. For additional detail, refer to the Income Calculation Guidelines.

Section ID	Cell ID	Instructions
<b>Child Support/Alimony Income</b>	Payment Amt	Enter the amount received per payment.
	X Payments Per Year	Enter the number of payments received per year. (i.e. Enter "12" for monthly payments, "26" for bi-weekly payments, etc.)
<b>Social Security/Pension/Disability Income</b>	Payment Amt	Enter the full, gross amount of Social Security (including SSI), pension, and disability payments received on the same schedule. (i.e. Do not include payments that are received at different intervals.) Add health insurance/Medicare back to payment to obtain gross benefit amount, if applicable.
	X Payments Per year	Enter the number of payments received per year.
<b>Seasonal Income Year-to-Date Earnings</b>	#Weeks Will Work this Year	Enter the number of weeks the employer has indicated the household member will work per year.
	Weeks Worked Year-to-Date	Enter the number of weeks the employer has indicated the household member has worked to date.

Section ID	Cell ID	Instructions
	YTD Total Income	Enter the total gross amount of income earned up to the last pay period end date less income that is non-recurring, will not continue, or is paid at irregular or infrequent intervals (as verified by employer).
Base Wages	YTD Overtime/ Bonus/Tips/etc.	Enter the total gross amount of overtime and other income earned (tips, commissions, etc.) received up to the last pay period end date less income that is non-recurring, will not continue, or is paid at irregular or infrequent intervals (as verified by employer). (Report income that is non-recurring, will not continue, or is paid at irregular or infrequent intervals (as verified by employer) in Section 3: Other Income. DO NOT include earnings paid in lieu of regular pay such as PTO, holidays paid at regular pay, paid sick leave, etc.)
	Regular Hourly Rate	Enter the base pay rate. (i.e. hourly rate for hourly employees, etc.)
	Hours/Week	Enter the number of hours paid <u>per week</u> as indicated on the income documentation. Include holiday, vacation, paid time off hours, if applicable. If the borrower is paid less frequently than weekly, calculate the number of hours the employee works per week. <i>*See <a href="#">Calculating Hours Per Week</a>.</i>
<b>Other Income – 1</b>	YTD Amount	Enter the total gross amount of income received.
	YTD Start Date	Enter the start date of the income reporting period for the YTD pay. (Depending on pay schedule, this could be a date from the previous year.) If the household member's hire date was after January 1, enter the hire date.
	Pay Period End Date	Enter the date through which the YTD earnings have been reported. This should be the last pay period end date, not the pay date.
<b>Other Income - 2</b>	Amount Received	Use this section for amounts received periodically (such as bonuses that are paid once per year). Enter the periodic amount received.
	x Payments Per Year	Enter the number of payments received per year. (i.e. Enter "12" for monthly payments, "26" for bi-weekly payments, etc.)