



HSP INCOME CALCULATION

DOCUMENTING AND CALCULATING HOUSEHOLD INCOME

DISCLAIMER

The following slides provide basic HSP Income Calculation information. The slides do not provide an in-depth review of all HSP Income Calculation guidelines. For an in-depth review of all guidelines, refer to the AHP/HSP Income Calculation Guide.

- HSP Public Web Page
 - www.fhlbtopeka.com/hsp
 - HSP Eligibility Questionnaire
 - AHP/HSP Income Calculation Guide
 - HSP Income Calculation Workbook (ICW)
 - HSP Income Limits
 - AHP/HSP Zero Income and/or Unemployed Certificate

Household Member

Who Will Occupy the Home?

Household: Includes **ALL** individuals who **CURRENTLY** or **WILL** occupy the house or residence.

- Currently OR Will Includes **
 - Spouses
 - Borrowing and Non-borrowing Adults
 - Fiancés
 - Roommates
 - Children (regardless of custody/visitation schedule)
 - Other Dependents (family members and non-family members)
 - Temporarily-absent Household Members
 - Deployed Service Members
 - College Students

Ask the homebuyer who will be living in the home.

***This list is examples of the most common household members and is not exhaustive.*



Household Member Income

What Income Should Be Included?

Income Sources: Generally, all gross household income sources should be included in the income calculation.

■ Income Sources**

- Wages and salaries (included overtime, commission, tips, bonuses, etc.)
- Income from seasonal and/or non-traditional employment
- Self-employment
- Alimony and/or child support
- Unemployment and/or disability compensation
- Social Security benefits
- Annuities, insurance policies, and/or retirement funds
- Payments received for the care of foster children or foster adults
- Disability and/or death benefits
- Lottery or gambling winnings
- Public assistance payments
- Contracted income (Uber, LYFT, GrubHub, etc.)
- Regular payments (employment and non-employment) received through payment services (Venmo, CashApp, etc.)
- Cash provided from outside source (family member, friend, etc.)

***This list is examples of common income sources and is not exhaustive.*

Household Member Income

How Is the Income Documented?

- Salary and Hourly: **ONE** Paystub OR Verification of Employment (VOE)
(a paystub is preferred)
 - Accurately represents a normal pay period
 - Hours worked per pay period
 - Number of days worked per pay period
 - No holiday, sick, vacation, etc. shown as paid for the pay period
 - Includes at least 28 days of YTD Earnings
 - Dated no more than 60 days prior to reservation submission
- Self-employment: Previous Year's Federal Tax Return
 - Provide tax return if homebuyer was self-employed in the previous tax year
 - Signed
 - Dates the self-employment tax return represent
- Self-employment: Profit and Loss Statement
 - If tax return is not completed prior to tax filing deadline

OR

 - Self-employment started after the beginning of the current year
 - Signed
 - Dates P&L represents should be listed on P&L

*Self-employment:
Provide only the
previous year's
federal tax return OR
a Profit and Loss
Statement, NEVER
BOTH.*

Wage-Earning Borrowers

Statement of Earnings and Deductions.							
Pay period Beginning Date: 06-08-2019 through Ending Date: 06-21-2019							
Payee		Type	Amount				
[REDACTED]		CHECK DEPOSIT	\$707.15				
Deposit Date	Advice #	Total Amount	\$707.15				
06-27-2019	[REDACTED]						
Description	Rate	Hours	Earnings	Year to Date	Type of Deductions	Taxes / Deductions	Year to Date
REGULAR EARNING	\$11.7300	79.42	\$931.60	\$10,495.71	FEDERAL TAX	\$82.95	\$1,099.81
OVERTIME EARN			\$0.00	\$22.34	SOCIAL SECURITY	\$70.96	\$936.57
PROT PTO USED			\$0.00	\$276.23	KANSAS	\$28.76	\$383.32
MYSHARE INCT			\$0.00	\$199.70	INS-STD+ ARR	\$0.00	\$3.98
PTO PAY			\$0.00	\$1,301.36	INS STD	\$3.91	\$47.66
PTO AVAILABLE		13.02			INS LTD	\$5.87	\$77.46
SICK AVAILABLE		92.01			INS AD&D U *	\$1.29	\$16.76
WRKDHRS		79.42			401K *	\$27.95	\$368.86
PROTPTOUSEDYTD		23.59			INS VIS *	\$2.76	\$35.87
PROTECTED PTO		2.91			CHECK DEPOSIT	\$707.15	\$9,325.05
PERS HRS AVAIL		26.31					
	Earnings	Taxes	Deductions	Net Pay	Deposit No.	Amt. of Deposit	
Current	\$931.60	\$182.67	\$41.78	\$707.15	[REDACTED]	\$707.15	
Year to Date	\$12,295.34	\$2,419.70	\$550.59	\$9,325.05			

4 Member Institution: ABC Bank
 5 Household Member #: Jane Homebuyer

SECTION 1: WAGE/SALARY INCOME:

7 Employer #1:
 8 Employer: XYZ Corporation

10 Year-to-Date Earnings:
 11 YTD Start Date: 12/22/18
 12 Pay Period End Date: 06/21/19
 13 YTD Total Income: \$ 12,295.35
 14
 15 YTD Income Annualized: \$ 24,658.26

18 Year-to-Date Other/Overtime/Bonus/Commission/Tips:
 19 YTD Other Income: \$ 222.04

21 Highest Calculated Income (Employer #1): \$ 24,666.81

Base Wages:
 Salary Per Pay Period: [REDACTED]
 Pay Frequency/Year: [REDACTED]
 OR
 Regular Hourly Rate: \$ 11.73
 Hours/Week: 39.71
 Weeks/Year: 52.0

Explanations/Notes:
 Using the time within the pay period (2 wks), the hours per week calculation is 79.42 hours divided by 2.

Base Wages Annualized: \$ 24,221.51
 Other Income Annualized: \$ 445.30
 Total Base Wages + Other: \$ 24,666.81

Total Base Wages + Other + OT/Bonus/Comm/Tips Used to Qualify.

Self-Employment Income

If the Tax Return represents an entire year, complete the start and end dates using the entire year. See the example.

If the Tax Return does NOT represent an entire year, complete using the time frame in which the homebuyer was self-employed. For example, if a borrower started a business on 5/15 of the previous year the "Tax Return Start Date" would be 5/15 of that year.

Part II Expenses. Enter expenses for business use of your home only on line 30.			
8	Advertising	8	5,359
9	Car and truck expenses (see instructions)	9	3,332
10	Commissions and fees	10	
11	Contract labor (see instructions)	11	100
12	Depletion	12	
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	10,809
14	Employee benefit programs (other than on line 19)	14	
15	Insurance (other than health)	15	682
16	Interest (see instructions):		
	a Mortgage (paid to banks, etc.)	16a	
	b Other	16b	
17	Legal and professional services	17	1,900
18	Office expense (see instructions)	18	19
19	Pension and profit-sharing plans	19	
20	Rent or lease (see instructions):		
	a Vehicles, machinery, and equipment	20a	539
	b Other business property	20b	
21	Repairs and maintenance	21	
22	Supplies (not included in Part III)	22	664
23	Taxes and licenses	23	235
24	Travel and meals:		
	a Travel	24a	274
	b Deductible meals (see instructions)	24b	1,287
25	Utilities	25	529
26	Wages (less employment credits)	26	
27a	Other expenses (from line 4B)	27a	4,154
	b Reserved for future use	27b	
28	Total expenses before expenses for business use of home. Add lines 8 through 27a	28	29,883
29	Tentative profit or (loss). Subtract line 28 from line 7	29	20,338
30	Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method (see instructions). Simplified method filers only: enter the total square footage of: (a) your home:	30	
		31	20,338

SECTION 2: SELF-EMPLOYMENT/RENTAL INCOME:

Has a tax return been filed for the self-employment income for last year? ****Start Here**** Yes

Complete Tax Return Section.

Tax Return Information (if required):	
Tax Return Start Date:	01/01/2019
Tax Return End Date:	12/31/2019
Net Income:	\$ 20,338.00
+ Depreciation:	\$ 10,809.00
Total:	\$ 31,147.00
Net Income Annualized:	\$ 31,147.00

2a All investment is at risk.
2b Some investment is not at risk.

TOTAL SELF EMPLOYMENT/RENTAL INCOME: \$ 31,147.00

The documentation and information should be based on the most recent tax year.



Household Member Income

How Is the Income Documented?

- Child Support or Alimony – Formal Statement **OR** Recorded Court Order
 - Formal Statement
 - Recognized state or local authority or agency
 - Statement should verify award/payment OR document 60 days of payment history
 - Name of homebuyer must be visible on document
 - Court Order
 - Executed and Recorded
- Social Security/SSI/Pension/Disability – Current Award Letter for Gross Benefit
 - Provide all pages
 - 1099 from previous year
 - Will only be accepted during the 1st quarter of the calendar year

Child Support and Social Security/Pension

SECTION 3: OTHER INCOME:		
Child Support/Alimony Income ←		
Payment Amt:	<input type="text"/>	Explanations/Notes:
x Payments Per Year:	<input type="text"/>	
Total Annual Amt:	\$ <input type="text" value="-"/>	
Social Security/Pension/Disability Income ←		
Payment Amt:	<input type="text"/>	Explanations/Notes:
x Payments Per Year:	<input type="text"/>	
Total Annual Amt:	\$ <input type="text" value="-"/>	
*Ensure gross amount is entered.		

If multiple child support orders or multiple Social Security/Pension/Disability incomes are received, add the payments together and make a note in the Explanations/Notes section.

Household Member Income

How Is the Income Documented?

- Retirement –1099, Current Award Letter **OR** Current Statement
 - 1099 from previous year
 - Gross Benefit; **Do not** provide bank account statements documenting net deposit
- Seasonal – Paystub, VOE **OR** W-2
 - Does not work entire year (lifeguard, para, ski resort, seasonal construction, etc.)
 - Verbal or written verification from employer confirming seasonal employment
 - Year round, part-time employment is not considered seasonal
 - If providing a VOE or Paystub
 - Verbal or written verification from employer verifying the number of weeks homebuyer will work during the year
 - Complete the Seasonal Section in the ICW
 - If providing a W-2 from previous year
 - Verbal or written verification from employer that W-2 represents a full season of employment
 - Only complete the YTD Earnings (Employer 1 or Employer 2) on the ICW; do not complete Base Wages

Seasonal - VOE

Complete the Seasonal Income section of the ICW, not the Employer 1 and/or Employer 2 sections

If using a VOE to complete Seasonal income, all pieces must be listed on the VOE:

- Number of Weeks the homebuyer will work
- Number of Weeks worked year to date (represented in earnings on the VOE)
- Year to date total income
- Year to date earnings breakdown, all types of the gross earnings must be completed (bonus, overtime, etc.)
- Hourly Rate
- Hours per week

Part II – Verification of Present Employment

9. Applicant's Date of Employment: 8/12/16 10. Present Position: Para 11. Probability of Continued Employment: Good

12A. Current Gross Pay Base (Enter Amount and Check Period)
 \$ 12.02 Annual Weekly Other (specify) _____
 Monthly Hourly

13. For Military Personnel Only
 Pay Grade _____
 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 – avg. hours per week: 26.92

16. Date of applicant's next pay increase: N/A

17. Projected amount of next pay increase: N/A

18. Date of applicant's last pay increase: 8/4/18

19. Amount of last pay increase: .30 per hour

12B. Gross Earnings

Type Thru 5/31/19	Year To Date	Past Year	Past Year
Base Pay	8068.32		
Overtime	0		
Commissions	0		
Bonus	0		
Total	8068.32		

20. Remarks (If employee was off work for any length of time, please indicate time period and reason)
 Homebuyer is a para that works 37.9 weeks per year. Earnings on VOE represent 26 weeks of earnings YTD.

Part III – Verification of Previous Employment

Seasonal Income (if W-2 not available or does not represent a full season of employment)

Year-to-Date Earnings	
#Weeks Will Work This Year:	37.90
Weeks Worked Year-to-Date:	26.00
YTD Total Income:	\$ 8,068.32
YTD Income Annualized:	\$ 11,761.13
Base Wages	
YTD Overtime/Bonus/Tips/etc.:	\$ -
Regular Hourly Rate:	\$ 12.02
Hours/Week:	26.92
Base Wages Annualized:	\$ 12,263.62
Other Income Annualized:	\$ -
Total Base Wages+YTD OT,etc.:	\$ 12,263.62
Highest Calculated Income:	\$ 12,263.62

Complete both the Year-to-Date Earnings and Base Wages sections.

Seasonal – W-2

- Confirm the W-2 represents the entire season and complete the YTD section only
- The documentation should be based on the most recent tax year.

<input type="checkbox"/> Void		a Employee's social security number [Redacted]		OMB No. 1545-0008	
b Employer identification number (EIN) [Redacted]		1 Wages, tips, other compensation 1133.74		2 Federal income tax withheld 3.81	
c Employer's name, address, and ZIP code [Redacted]		3 Social security wages 1133.74		4 Social security tax withheld 70.29	
		5 Medicare wages and tips 1133.74		6 Medicare tax withheld 16.45	
		7 Social security tips		8 Allocated tips	
d Control number [Redacted]		9 Verification code		10 Dependent care benefits	
e Employee's name, address, and ZIP code [Redacted]		Suff. 11 Nonqualified plans		12a See instructions for box 12	
		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b	
		14 Other		12c	
				12d	
15 State Employer's state ID number KS [Redacted]		16 State wages, tips, etc. 1133.74		17 State income tax	
		18 Local wages, tips, etc.		19 Local income tax	
		20 Locality name			

Employer #1:

Employer:

Year-to-Date Earnings:

YTD Start Date:	<input type="text" value="01/01/19"/>
Pay Period End Date:	<input type="text" value="12/31/19"/>
YTD Total Income:	\$ <input type="text" value="1,133.74"/>
YTD Income Annualized:	\$ <input type="text" value="1,133.74"/>

Year-to-Date Other/Overtime/Bonus/Commission/Tips:

YTD Other Income:	<input type="text"/>
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Base Wages:

Salary Per Pay Period:	<input type="text"/>
Pay Frequency/Year:	<input type="text"/>
OR	
Regular Hourly Rate:	<input type="text"/>
Hours/Week:	<input type="text"/>
Weeks/Year:	<input type="text"/>
Base Wages Annualized:	\$ <input type="text" value="-"/>
Other Income Annualized:	\$ <input type="text" value="-"/>
Total Base Wages + Other:	\$ <input type="text" value="-"/>

Explanations/Notes:

Sam Smith, HR Manager at USD 23, confirmed that James Homebuyer is a para. Sam also confirmed that the 2019 W2 represents the entire season.

Highest Calculated Income (Employer #1):

\$

YTD Earnings Used to Qualify:

Household Member Income

How Is the Income Documented?

- Non-traditional – Paystub, VOE **OR** W-2
 - Is not paid hourly or salary (paid per load, paid per mile, straight commission, etc.)
 - Only complete the YTD Earnings (Employer 1 or Employer 2) on the ICW; Do not complete Base Wages
 - W-2 from previous year
 - Verification from employer verifying dates that W-2 represents
 - Verification from employer confirming non-traditional employment

Non-traditional Employment

If the W2 represents an entire year, complete the YTD earnings using 1/1/20XX to 12/31/20XX.

If the W2 does NOT represent an entire year, complete using the time frame represented. See the example below.

Notes should be included explaining the type of non-traditional income, i.e. by the mile, straight commission, per job, etc. and the timeframe included in the W2.

Employee Reference Copy
W-2 Wage and Tax Statement

Control number 00026 Dept. R9/MET Corp. Employer use only A 16

Employer's name, address, and ZIP code

Batch #98145

Employer's name, address, and ZIP code

Employer's FED ID number	Employee's SSA number
Wages, tips, other comp. 1316.25	Federal income tax withheld 59.85
Social security wages 1316.25	Social security tax withheld 81.61

SECTION 1: WAGE/SALARY INCOME:

Employer #1:
 Employer: J's Trucking

Year-to-Date Earnings:

YTD Start Date:	09/01/19
Pay Period End Date:	12/31/19
YTD Total Income:	\$ 1,316.25
YTD Income Annualized:	\$ 3,937.96

Base Wages:

Salary Per Pay Period:

Pay Frequency/Year:

OR

Regular Hourly Rate:

Hours/Week:

Weeks/Year:

Base Wages Annualized:	\$ -
Other Income Annualized:	\$ -
Total Base Wages + Other:	\$ -

Explanations/Notes:

Jane Smith, Payroll Specialist, confirmed that Sam Homebuyer is a trucker paid by the load. Jane also confirmed that Sam started with the company on 9/1/2019.

Highest Calculated Income (Employer #1): **\$ 3,937.96** YTD Earnings Used to Qualify.

Non-traditional – Paystub

Notes are not needed for this example because the paystub clearly shows that the homebuyer is paid by the mile. If this was not on the paystub, or the paystub was not clear about how the income was earned, additional notes would be required including an explanation directly from the employer, homebuyer explanations are not acceptable.

EARNINGS		CHECK DATE: 3/01/19	EMPLOYEE TAXES		
DESCRIPTION	CURRENT	DESCRIPTION	CURRENT		YTD
REG. HOURS		FED WITH	146.03		680.36
OVERTIME		FICA	95.65		619.82
OTHER PAY	20.00	STATE WITH	51.00		291.00
MILE PAY	2954.00	1270.22			
PERSONAL PAY		LOCAL TAX			
VACATION PAY		EIC PAYMENT			
HOLIDAY PAY		AMT OF DIR DEP	1127.27		
TOTAL GROSS	1290.22	AMT WIRED			
----- YTD INFORMATION -----		----- CURRENT DED & REIM -----			
GROSS	8461.98	ADVANCE	150.00		
TAXES	1591.18	GARNISHMENTS			
ADVANCES	1442.00	INSURANCE	20.07		

SECTION 1: WAGE/SALARY INCOME:

Employer #1:

Employer:

J's Trucking

7.27

Year-to-Date Earnings:

YTD Start Date:	12/16/18
Pay Period End Date:	02/15/19
YTD Total Income:	\$ 8,461.98

YTD Income Annualized: \$ 49,816.50

Year-to-Date Other/Overtime/Bonus/Commission/Tips:

YTD Other Income:

Base Wages:

Salary Per Pay Period:	
Pay Frequency/Year:	
OR	
Regular Hourly Rate:	
Hours/Week:	
Weeks/Year:	

Base Wages Annualized:	\$	-
Other Income Annualized:	\$	-
Total Base Wages + Other:	\$	-

Employer Verifications

When is verification needed?

Written

- Earnings and Wages
- Non-recurring income

Verbal or Written

- Pay schedules/frequency
- Discrepancies \$3000.00 or greater between YTD and Base Wages
- Seasonal & Non-traditional
 - Time period W-2 represents
 - Determination that employment is seasonal or non-traditional (if unable to determine with income documentation provided)
 - Weeks homebuyer will work this year (seasonal)

What is needed for verification?

- Employer representative title/position
- Name of the employer representative
- Explanation/summary of conversation with employer representative
- Written
 - Upload written employer verification with the other income documents on the Household Income screen
 - Emails and letters on letterhead from the employer will be accepted
- Verbal
 - Document verbal employer verification in the Explanation/Notes section of the ICW

Discrepancies

How do I identify a discrepancy?

- Difference of \$3000.00+ between YTD Income Annualized and Total Base Wages/Other
 - YTD Income Annualized \$17502.34 – Total Base Wages and Other \$20947.18 = \$3444.84 Discrepancy
- Red Font Warning below Highest Calculated Income
- If there is a discrepancy in the ICW, make corrections or provide an explanation from the employer. DO NOT submit the ICW with a discrepancy unless it is accompanied by an employer explanation.

Year-to-Date Earnings: YTD Start Date: 12/16/19 Pay Period End Date: 02/15/20 YTD Total Income: \$ 2,973.00		Base Wages: Salary Per Pay Period: <input type="text"/> Pay Frequency/Year: <input type="text"/> Regular Hourly Rate: \$ 13.00 Hours/Week: 40.00 Weeks/Year: 40.0		Explanations/Notes: <div style="background-color: #d9e1f2; height: 200px;"></div>
YTD Income Annualized: \$ 17,502.34		OR		
Year-to-Date Other/Overtime/Bonus/Commission/Tips: YTD Other Income: \$ 25.00		Base Wages Annualized: \$ 20,800.00 Other Income Annualized: \$ 147.18 Total Base Wages + Other: \$ 20,947.18		
Highest Calculated Income (Employer #1): \$ 20,947.18		Total Base Wages + Other + OT/Bonus/Comm/Tips 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.				

DISCREPANCIES

Why is there a discrepancy and what is needed to explain the discrepancy?

YTD Income Annualized Higher

- YTD Start Date is incorrect
 - Determine correct YTD Start Date with income documents OR obtain YTD Start Date from employer
- OT, commission, bonus, etc. earnings are not entered in YTD Other Income
 - Update ICW to include all earnings not paid at the regular wage in the YTD Other Income cell

Additional Reason for Discrepancy

- Hours per week on paystub or VOE don't accurately represent a typical pay period
 - Obtain average hours per week from employer OR income document that accurately represents a typical pay period
 - The high end of the range must always be used in the ICW. Do not enter the average hours in the income calculation if the average is lower hours. Obtaining the average is only used to explain the discrepancy.

YTD Total Base Wages + Other Higher

- Homebuyer was off work, without pay, for an extended period of time
 - Obtain dates range or number of weeks/days homebuyer was off work without pay from employer
- Homebuyer received a wage increase
 - Obtain the date and amount of the wage increase from the employer
- ALL earnings are not entered in the YTD Total Income cell
 - Update ICW to include all earnings in the YTD Total Income cell

***This page includes examples of the most common reasons for income calculation discrepancies and is not exhaustive.*

Questions?



HCD Toll Free Number: 866.571.8155

Email: hsp@fhlbtopeka.com

www.fhlbtopeka.com/hsp

DO NOT provide income documentation via email. Income documentation contains personally identifiable information (PII) and email is not secure.