

## FHA Income Requirements — This is a quick reference for the most commonly referenced income types

For many more details on income, refer to the FHA Handbook at [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/housing/sfh/handbook\\_4000-1](http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/handbook_4000-1).

### Full Time

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

### Self-Employment

2 years of self-employment history is required. Case-by-case exception for 12 to 24 months if self-employment is similar line of work as previous employment, training or education, and a solid work history prior to self-employment. Must provide most recent two years signed tax returns.

**New Employment:** We must verify and document the existence and amount of expected income with the employer in writing and that it is guaranteed to begin within 60 days of mortgage closing. Income is calculated in accordance with the standards for the type of income being received. We must also verify that the borrower will have sufficient income or cash reserves to support the mortgage payment and any other obligations between mortgage closing and the beginning of the receipt of the income.

## Most Common Variable Income Requirements

### Part Time

2 years of uninterrupted part-time employment is required in order to use income. We must document the current position is reasonably likely to continue.

### Overtime

2 years of overtime income is required. Periods of overtime less than two years may be considered Effective Income if we verify and document that the overtime income has been consistently earned over a period of not less than one year and is reasonably likely to continue.

### Commission

2 years of commission income history is required. 12 to 24 months may be acceptable if in the same or similar line of work. Employer must confirm commission income is reasonably likely to continue.

### Bonus

2 years of bonus income is required. Average the bonus income over the previous 2 years. Periods of bonus income less than 2 years may be considered Effective Income if we document that the bonus income has been consistently earned over a period of not less than one year and is reasonably likely to continue.

### Tips

2 year tip income history is required. 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.

### Seasonal

2 year history in the same job or same line of seasonal work is required. Confirm employer has reasonable expectation the borrower will be rehired next season. We may consider unemployment income for full two years if there is reasonable assurance that this income will continue.

### Secondary Employment

When a borrower has a second or multiple jobs, a 2 year history of uninterrupted secondary employment income is required. We must document the current position is reasonably likely to continue.

## FHA Income Requirements (continued)

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**Job Gap:** For borrowers with gaps in employment of six months or more (an extended absence), we may consider the borrower's current income as Effective Income if we can verify and document that: the borrower has been employed in the current job for at least six months at the time of case number assignment; and a two year work history prior to the absence from employment.

**Determining income:** For employees who are salaried and whose income has been and will likely be consistently earned, we must use the current salary to calculate Effective Income. For employees who are paid hourly, and whose hours do not vary, we must consider the borrower's current hourly rate to calculate Effective Income. For employees who are paid hourly and whose hours vary, we must average the income over the previous two years. If we can document an increase in pay rate we may use the most recent 12-month average of hours at the current pay rate. For part-time and secondary employment income, we must average the income over the past two years. For overtime, bonus and tip income, we must average the income over the previous two years. If the overtime, bonus or tip income from the current year decreases by 20% or more from previous year, must use current year's income and document the income has stabilized. For commission income, we must calculate Effective Income by using the lesser of (a) the average net commission income earned over the previous two years, or the length of time commission income has been earned if less than two years; or (b) the average net commission income earned over the previous one year. Additionally, unreimbursed business expenses must be subtracted from the gross commission income.

## Continuity of Income

**Continuity of Income:** A key driver of successful homeownership is confidence that all income used in qualifying a borrower will continue to be received by the borrower for the foreseeable future. That being said, there are certain types of income in which we must verify will continue for at least 3 years.

We must document 3 year continuance for the following types of income:

- Alimony or Child Support
- Social Security Income—not including retirement (i.e.—received for a teenage child)
- Pension/Retirement Income
- Trust Income
- Distributions from a Retirement Account
- Any other type of fixed income that may have a defined expiration date