

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

For many more details on income, refer to the Fannie Mae Selling Guide at <https://www.fanniemae.com/singlefamily/originating-underwriting>.

### Full Time

2 years of full time employment income is recommended. 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:** If a borrower is scheduled to begin new employment after the loan closes, the lender may, depending on risk, use the borrower's offer or contract for future employment and income to underwrite and close the loan. If receipt of the income or employment information cannot be obtained prior to delivery to Fannie Mae, the loan is ineligible for delivery.

## Most Common Variable Income Requirements

### Part Time

2 years of uninterrupted part-time employment 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.

### Overtime

2 years of overtime 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.

### Commission

2 years of commission 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. For borrowers with commission income representing 25% or more of their total annual employment income, any unreimbursed business expenses must be subtracted from the gross commission income.

### Bonus

2 years of bonus 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.

### Tips

2 years of 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 years history in the same job or same line of seasonal work is required. We must confirm the employer has reasonable expectation the borrower will be rehired next season.

### Secondary Employment

When a borrower has a second or multiple jobs, a 2 year history of uninterrupted secondary employment income is recommended. Income that has been received for a shorter period of time (not less than 12 months) may be considered, as long as there are positive factors to reasonably offset the shorter income history.

## Conventional Income Requirements (continued)

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**Job Gap:** Generally speaking, with an extended absence of 6 months or more, a borrower should establish 6 months on the job in order to be eligible to use their income from the new job to qualify. FNMA may allow an exception with a strong file, same line of work, similar earnings, cert of degree in the field of current employment.

**Determining income:** For full time employment income, we will use the base salary or hourly rate to determine income. For variable types of income, we must determine the frequency of payment to arrive at an accurate calculation of the monthly income to be used in trending analysis. 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, signed federal tax returns or VOE. If the trend in the amount of income is stable or increasing, the income amount should be averaged. If declining, but has since stabilized and there is no reason to believe the borrower will not continue to be employed at the current level, the current lower amount of variable income must be used. If declining, the income may not be stable and additional analysis must be conducted to determine if any variable income should be used.

## 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