

**Bulletin # 178
April 22, 2020**

To: CHFA Lenders
From: CHFA Single Family Underwriting
Subject: Calculating Qualifying Income for AMI Product Eligibility & CHFA Income Limits

The CHFA Fannie Mae (FNMA) HFA Preferred™ and Freddie Mac (FHLMC) HFA Advantage® loan products are available to borrowers with income that is less than or equal to 80% of the area median income (AMI). (*CHFA CALP Program is available for borrowers with income greater than 80% AMI*)

CHFA requires Lenders to calculate both the **“Qualifying”** income to determine Product Eligibility, and the CHFA **“Income Limits”** to determine CHFA Program Eligibility and Bond Compliance.

CALCULATING QUALIFYING INCOME

(To determine ≤ 80% of the AMI [FNMA or FHLMC Programs] Eligibility)

The qualifying income must be calculated to confirm applicant(s) income does not exceed 80% of the area median income (AMI). When determining the qualifying income, the following calculations must be performed:

Base Salary (wage earners) – In all instances 100% of the income earned from base wages must be used when calculating base salary to determine qualifying income.

How Often Paid	How to Determine Monthly Income
Annually	Annual gross pay / 12 months
Monthly	Use monthly gross payment amount
Twice Monthly	(Twice monthly gross pay x 24 pay periods) / 12 months
Biweekly	(Biweekly gross pay x 26 pay periods) / 12 months
Weekly	(Weekly gross pay x 52 pay periods) / 12 months
Hourly	(Hourly gross pay x # of hours worked per week x 52 weeks) / 12 months

Variable Income (Bonus, Overtime, Commission, or other)

Underwriters are not required to include variable income in the income calculations used to determine an applicants’ AMI eligibility. Inclusion of variable income is at the discretion of the Underwriter. When variable income is included, CHFA requires the Underwriter to provide a written comment on the loan transmittal confirming the variable income used to qualify is in compliance with the guidelines of the investor and or insurer, (*i.e. FNMA, FHLMC and PMI depending on the loan product selected*), and the income amount is within the ≤ 80% AMI threshold per program guidelines.

CALCULATING CHFA LIMITS INCOME

(To determine CHFA Program Eligibility and Bond Compliance)

Income from **ALL** sources must be included when calculating an applicant’s eligibility for CHFA mortgage loan financing. The income will be based solely on the income of the borrower and/or co-borrowers and must be within the income limit for the area where the property is located. The family size, (1 or 2 persons; 3 or more) will determine the amount of income the borrower and co/borrowers can earn.

Base Salary (wage earners)

How Often Paid	How to Determine Monthly Income
Annually	Annual gross pay / 12 months
Monthly	Use monthly gross payment amount
Twice Monthly	(Twice monthly gross pay x 24 pay periods) / 12 months
Biweekly	(Biweekly gross pay x 26 pay periods) / 12 months
Weekly	(Weekly gross pay x 52 pay periods) / 12 months
Hourly	(Hourly gross pay x # of hours worked per week x 52 weeks) / 12 months

Variable Income (Bonus, Overtime, Commission, Child Support or other)

Regardless of the length of time received, if an applicant reports any particular type of variable income, the income **must be** included in the income limits calculation.

The lender must determine the frequency of the payment, i.e. weekly, biweekly, monthly, quarterly, or annually to accurately calculate the amount included.

NOTE: *All income calculations must also comply with the guidelines of the investor and or insurer i.e. FNMA, FHLMC and PMI depending on the loan product selected.*