CHFA LIMITS AND TTO ELIGIBILITY INCOME GUIDE

This is a guide to assist lenders in determining income for limits and TTO eligibility. It should be used as a reference when using the CHFA Limits and TTO Eligibility Income Worksheet. Aggregate borrower(s) income shall include income from whatever source derived.

CHFA reserves the right to use its discretion for determining income.

Base pay if set hours per week/salaried:

- Annually — Annual gross pay / 12 months
- Monthly — Use monthly gross payment amount
- Bimonthly — Twice monthly gross pay x 2 pay periods
- 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 # hours worked per week x 52 weeks) / 12 months

Perform a YTD gross pay analysis using the **pay date** to ensure consistency. If not consistent, ask why (unpaid leave, temporary assignment, increase in pay rate)

Base pay if hours are irregular/Income is variable:

- YTD base pay (including sick leave, vacation, holidays (pay date)) / # weeks* 52 / 12 = monthly - annualize for eligibility income

If too early in the year or prior year is higher, add prior year and divide by appropriate # weeks
YTD + prior year / # weeks* 52 / 12 = monthly

Check for consistency/irregularities - if prior year is higher than YTD average, determine if the hours are higher during certain parts of the year and not accounted for in YTD. Use higher amount. If not consistent, ask why (unpaid leave, temporary assignment, increase in pay) and if will continue.

Bonus/Commission:

- Determine the number of installments received annually. Complete the income worksheet according to installments received YTD.
- If none received YTD, use previous year average
- Use greater of previous year or YTD average. Check for consistency/irregularities...
- Discretion can be used in the last quarter of the year with justification. CHFA reserves the right to request supporting documentation from the employer.
- Sign-on bonus can be excluded with supporting documentation from employer that it was a one-time bonus, paid in full, with no additional bonus payments. Bonuses will be included when payments are paid over multiple years.

Overtime (and any other variable income, such as holiday worked, shift premium, weekend, etc.):

- Use greater of previous year or YTD average
- Discretion can be used in the last quarter of the year with justification. CHFA reserves the right to request supporting documentation from the employer.

Child Support/Retirement Distributions/Trust/Etc. and Temporary Pay with defined end date:

- Current amounts received/expected to be received over next 12 months.
  - Example, if the borrower has received 6 months' worth of child support payments during this calendar year and only 3 additional payments are due/forthcoming, the 9 months total is what would be included/annualized.
  - Another example, if it is late in the year and the customer is only expecting to receive 6 additional months of support, you can look forward to what is expected over the next full 12 months and use that amount to annualize.
  - If borrower has a court order to receive child support that he/she is not currently receiving and has not pursued collection through Child Support Enforcement, support will be added to income calculation.
  - A one-time or occasional non-recurring early distribution from an IRS recognized retirement account will be excluded from the income limits calculations and TTO minimum ratio calculations.

Self-Employment:

- Use most recent federal tax return. Net income is to be calculated as per Agency/Investor guidelines. Add back in all allowable expenses.
- Provide S/E calculator used to determine qualifying income, in addition to CHFA income calculator.
- YTD Profit & Loss statements are not acceptable.

Rental Income for 2-4-unit properties:

- Use income that is being used to qualify as allowed by agency. Significant variances from appraisal may require adjustment.
- Rent from all non-borrower occupied units must be used in eligibility income calculation even if occupied by family.
- If there is a separate living space that is not a legal ADU or zoned as multi-family, it will be viewed as income producing/business use of home and ineligible if the area exceeds 15% of the total square footage of the living space. In the case of a legal ADU, estimated rent from the appraiser or lease will be included in the CHFA Limits and TTO Eligibility Income Calculation.

Losses/Expenses reported on Federal Tax Returns:

- Self-employment or investment losses and employee expenses on Form 2106 will not be deducted for purposes of eligibility.

Other Sources of Income:

- Interest/dividend/capital gains income as reported on most recent Federal Tax Return or asset statements
- Review asset statements for undisclosed income, such as child support/separate maintenance, Lyft, Uber, sales consultant, gambling winnings, RSU earnings, etc.
- Imputed income should not be included in the income limits or qualifying if it matches the taxable income exactly
- Forfeited income earned within the last three months must be included

PLEASE ENSURE YOU ARE USING THE MOST CURRENT REVISION DATE OF THIS GUIDE BY REVIEWING IT DIRECTLY ON OUR WEBSITE.