MHDC Missouri Housing Development Commission

LENDER TRAINING:
Calculating Household Income

EQUAL HOUSING OPPORTUNITY

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CALCULATING BORROWER INCOME



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FORMS OF INCOME

- Hourly/Base Pay
- Self-Employment
- Part-Time Income
- Child Support
- Seasonal
- Unemployment
- Interest Income
- Commission
- Bonuses
- Stipends
- Social Security
- Trust Income
- Investment Income
- Dividend
- Royalties
- Pension
- Alimony
- Clergy Housing Allowance
- Assets

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VERIFICATION OF EMPLOYMENT

- Three options for verifying household income:
  - Annualized W-2 Reported Income
  - Third-Party Electronic Verification
  - Employer Verification of Income Method

HOW TO CALCULATE INCOME

SALARIED EMPLOYEES:

- Use current base earnings and project forward for a full 12-month period.
  - Ex. Salary = $20 per hour
    - $20 X 2,080 hours = $41,600 annually
  - Ex. Salary = $1,600 bi-weekly
    - $1,600 x 26 = $41,600 annually
  - Ex. Salary = $1,800 twice-per-month
    - $1,800 x 24 = $43,200 annually
- If pay increase occurs prior to closing, pay increase must be included in base earnings.

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HOW TO CALCULATE INCOME

VARIABLE INCOME:

- Variable income will be projected by averaging all such pay received over the period received.
  - Overtime, bonuses, commissions, part-time pay, seasonal pay, unemployment income
- Ex. Borrower made $6,000 in overtime in 2025 and $1,000 in overtime in the first six months of 2026.
  - This would mean looking at a total of $7,000 over a period of 18 months.
  - $7,000 / 18 months = $388.89/mo. X 12 = $4,666.68 annually in overtime
- Ex. Borrower has been working part-time for 6 months and has made a total of $10,400.
  - Divide the $10,400 over the six months and then project this out annually.
  - $10,400 / 6 months = $1,733.33/mo. X 12 = $20,800 annually

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SELF-EMPLOYMENT INCOME

- Income listed on the 1040 (net earnings) is used from the most recently filed tax returns.
- MHDC does not average self-employment income over several tax years.
- If net income through self-employment is a loss, income for MHDC loan programs is counted as $0.

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HOW TO CALCULATE INCOME

12A. Current **Gross** Base Pay (Enter Amount and Chec

☑ Annual ☐ Hou
☐ Monthly ☐ Oth
☐ Weekly

$ 86,492.64

12B. **Gross** Earnings

Type	Year To Date	Past Year 2025
Base Pay	Thru 03/27/2026 $22,145.10	$78,138.29
Overtime	$3,609.14	$10,462.61
Commissions		
Bonus		$28.45
Total	$25,754.24	$88,629.5

Base = $86,492.64 X 1 = $86,492.64
Overtime = $3,609.14 + $10,462.61 = $14,071.75 / 14.9 = $944.41 x 12 = $11,332.92
Bonus = $28.45 / 14.9 = $1.91 x 12 = $22.92
Total = $97,848.48

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HOW TO CALCULATE INCOME

THINGS TO REMEMBER WHEN CALCULATING INCOME

- Income amounts for the person(s) on the loan, married to the person(s) on the loan, and any other person living in the home AND secondarily liable on the mortgage are required for calculating household income.
- Loan qualifying income will usually be less than MHDC required income.
- If income was used to qualify the borrower, it must be counted here as well.
- Child support income not counted if not received.

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TREATMENT OF ASSETS

- **Liquid Assets over $5,000 must be calculated as income.**
- **Multiply the total amount of liquid assets by 2%.**

Example: Bank Acct = $10,500.00

x 2%

= $210.00 (to be added to annual income)

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UNIQUE INCOME SCENARIOS

- **Inconsistent Child Support: MHDC only requires counting the amount actually received.**
  - **Use Form 523 to verify absence of child-support/ public assistance.**
- **Foster Care Income and Food Stamps are not used by MHDC unless included in qualifying income.**
- **Unemployment Income is included if currently being received.**
- **Use Form 522 to verify no income status of spouse.**

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CONCLUSION

- MHDC requires all income received to be counted when calculating household income.
- Income limits vary according to loan program, household size, and whether the property in question is in a targeted area.

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