



Revisions to Income and Asset Qualification Requirements

Below is an outline of the structural revisions to Topic 5300 of the *Single-Family Seller/Service Guide*.

Key:

- **Highlighting** indicates most popularly searched terms on AllRegs®

Current to New Structure Outline

CHAPTER 5301 GENERAL REQUIREMENTS FOR ALL STABLE MONTHLY INCOME AND ASSET QUALIFICATION SOURCES	
Current Structure	New Structure
5301.1: General requirements for all stable monthly income and asset qualification sources (a) Stable monthly income sources (b) Stable monthly asset qualification sources (c) General requirements for all income and asset qualification sources	5301.1: General requirements for all stable monthly income (a) Overview – Analysis of stable monthly income amount (b) General requirements for all stable monthly income (c) Income stability and history requirements (d) Continuance
	5301.2: General requirements for all stable monthly asset qualification sources
	5301.3: Note Date references

CHAPTER 5302	
GENERAL REQUIREMENTS FOR DOCUMENTATION USED TO VERIFY EMPLOYMENT AND INCOME	
Current Structure	New Structure
5302.1: Introduction to documentation requirements and levels	5302.1: Introduction to documentation requirements
5302.2: Written income verification requirements (a) Paystubs (b) W-2 forms (c) Tax returns	5302.2: Employed income documentation and verification requirements (a) YTD paystub (b) W-2 form (c) Written VOE (d) 10-day pre-closing verification (10-day PCV)
5302.3: Verbal VOE	5302.3: Third-party verification service providers – Employment and income verifications
5302.4: Third-party employment and income verifications	5302.4: Tax returns – documentation and verification requirements (a) Tax return requirements (b) IRS tax transcripts (c) When tax returns are required (d) Unreimbursed employee business expenses reported on tax returns
5302.5: IRS Form 4506-T requirements for all income and asset qualification sources	5302.5: IRS Form 4506-T requirements for all income and asset qualification sources

**CHAPTER 5303
EMPLOYED INCOME**

Current Structure	New Structure
<p>5303.1: General requirements for all employed income</p> <ul style="list-style-type: none"> • Newly employed • Re-entering the workforce • Gaps in employment • Borrower employed by a family member or by the property seller or real estate broker 	<p>5303.1: General requirements for all employed income qualification sources</p>
<p>5303.2: Income from primary employment – base earnings</p> <ul style="list-style-type: none"> • Income from primary employment - (salary and hourly income) <p>5303.3: Income from secondary employment</p> <ul style="list-style-type: none"> • Income from a second or additional job 	<p>5303.2: Primary and secondary employment and income</p> <p>(a) Employment history requirements – primary and secondary employment</p> <p>(b) Earnings types - requirements and guidance</p> <ul style="list-style-type: none"> • Base non-fluctuating employment earnings • Fluctuating hourly employment earnings <p>(c) Documentation requirements</p> <ul style="list-style-type: none"> • Primary employment earnings: <ul style="list-style-type: none"> ○ Base non-fluctuating earnings ○ Fluctuating hourly earnings ○ Military base (basic) pay • Secondary employment earnings: <ul style="list-style-type: none"> ○ Base non-fluctuating earnings ○ Fluctuating hourly earnings <p>(d) Employment characteristics</p> <ul style="list-style-type: none"> • Full-time and part-time employment • Seasonal employment • Union members • Borrower employed by a family member or by the property seller, real estate broker or other interested party to the transaction • Employed income from a foreign source • Employment contracts • Temporary help services employment • Income reported on IRS Form 1099 <p>(e) Employment and Income commencing after the Note Date</p>

<p>5303.4: Additional employed income</p> <ul style="list-style-type: none"> • Commission • Bonus • Overtime • Tips • Automobile Allowance • Mortgage differential • Military income, entitlements and reserve duty • Seasonal employment and unemployment compensation 	<p>5303.3: Additional employed income</p> <ol style="list-style-type: none"> a) General overview b) Income history and stability requirements and guidance c) Earnings types for additional employed income <ol style="list-style-type: none"> i. Fixed earnings ii. Fluctuating earnings d) Stable monthly income and documentation requirements for additional employed income <ul style="list-style-type: none"> • Commission income < 25% • Commission income ≥ 25% • Bonus income • Overtime income • Tip income – Reported by the employer • Tip income – Cash and charge tips reported on Internal Revenue Service (IRS) Form 4137 • Automobile allowance • Mortgage differential • Military entitlements • Military Reserves and National Guard • Unemployment compensation associated with seasonal employment
<p>5303.5: Employed income calculation guidance and requirements</p> <ol style="list-style-type: none"> (a) Base earnings (b) Additional employed income sources (c) Significant increases or decreases in income level 	<p>5303.4 Employed income calculation guidance and requirements</p> <ol style="list-style-type: none"> a) Base non-fluctuating employment earnings b) Fluctuating employment earnings
<p>5303.6: Income while on temporary leave</p>	<p>5303.5: Income while on temporary leave</p>

**CHAPTER 5304
SELF-EMPLOYED INCOME**

Current Structure	New Structure
<p>5304.1 Stable monthly income and documentation requirements for self-employed Borrowers</p> <p>(a) Definition of a self-employed Borrower</p> <p>(b) Loan Product AdvisorSM</p> <p>(c) Analysis</p> <p>(d) Business assets used for closing</p> <p>(e) Verification of existence of the business through a third party source</p> <p>(f) Documentation requirements</p>	<p>5304.1 Stable monthly income and documentation requirements for self-employed Borrowers</p> <p>(a) Self-employed Borrower definition and verification of ownership interest percentage</p> <ul style="list-style-type: none"> • Partnerships, S Corporations and Corporations • Sole Proprietorships <p>(b) Loan Product AdvisorSM</p> <p>(c) Self-employment history requirements</p> <ul style="list-style-type: none"> • Length of history requirement • Self-employment less than two years • Minimum documented history of receipt • Geographical relocation <p>(d) Business and income analysis</p> <ul style="list-style-type: none"> • Business review and analysis • Use of business income reported on the Borrower's personal returns • Use of business income not reported on the Borrower's personal returns • Access to business income • Income calculation • Income fluctuation • Business financial statements • Income analysis – adjustments • Borrower debt paid by business • IRS Form 8825, Rental Real Estate Income and Expenses of a Partnership or an S Corporation <p>(e) Self-employment income not used for qualification</p> <p>(f) Self-employment disclosed on Uniform Residential Loan Application (or other documentation) but not used to qualify Business assets used for closing</p> <p>(g) Verification of current existence of the business</p> <p>(h) Documentation requirements</p>

**CHAPTER 5305
OTHER INCOME**

Current Structure	New Structure
<p>5305.1: General requirements for all other income (non-employment/non-self-employment)</p>	<p>5305.1: General requirements for all other income (non-employment/non-self-employment)</p>
<p>5305.2: Specific requirements for other income types</p> <ol style="list-style-type: none"> 1. Notes receivable 2. Dividend and interest 3. Capital gains 4. Royalty payments 5. Trust income 6. Retirement income 7. Retirement account distributions as income 8. Survivor and dependent benefit income 9. Long-term disability income 10. Social Security Supplemental Security Income 11. Public assistance income 12. Homeownership Voucher Program 13. Foster-care income 14. Alimony, child support or separate maintenance payments 15. Housing or parsonage allowance 16. Mortgage Credit Certificates 17. Tax-exempt income 	<p>5305.2: Specific requirements for other income types</p> <ol style="list-style-type: none"> 1. Notes receivable 2. Dividend and interest 3. Capital gains 4. Royalty payments 5. Trust income 6. Retirement income 7. Retirement account distributions as income 8. Survivor and dependent benefit income 9. Long-term disability income 10. Social Security Supplemental Security Income 11. Public assistance income 12. Homeownership Voucher Program 13. Foster-care income 14. Alimony, child support or separate maintenance payments 15. Housing or parsonage allowance 16. Income from a foreign source 17. Mortgage Credit Certificates 18. Tax-exempt income

**CHAPTER 5306
RENTAL INCOME**

Current Structure	Same
<p>5306.1: Rental Income</p> <ul style="list-style-type: none"> • General requirements • Rental income from the subject 1-unit Primary Residence • Rental income from the subject 2- to 4-unit Primary Residence • Rental income from the subject 1- to 4-unit Investment Property • Rental income from investment property owned by the Borrower other than the subject property 	<p>5306.1: Rental Income – No Changes at this time.</p>

**CHAPTER 5307
ASSET QUALIFICATION SOURCES**

Current Structure	New Structure
<p>5307.1: Assets as a basis for Mortgage qualification</p> <ul style="list-style-type: none"> (a) Mortgage eligibility requirements (b) Asset calculation for Mortgage qualification (c) Asset eligibility and documentation requirements 	<p>5307.1: Assets as a basis for Mortgage qualification</p> <ul style="list-style-type: none"> (a) Mortgage eligibility requirements (b) Asset calculation for Mortgage qualification (c) Asset eligibility and documentation requirements (d) Data delivery requirements