



USDA United States Department of Agriculture  
Rural Development

# Repayment Income

## Single Family Housing Guaranteed Loan Program

Revised December 2018

1

Welcome to Repayment Income, presented by USDA's Single Family Housing Guaranteed Loan Program!



**Training Objectives**

- Where is the topic located?
  - \* 7 CFR Part 3555 and HB-1-3555
- Learning Checks
- Resources

**Always refer to the current version of published guidance!**

2

The objectives of the training include:

1. Demonstrating where the training topic is located in the program regulation, 7 CFR Part 3555 and the technical handbook, HB-1-3555.
2. Providing learning checks to help you gain a working knowledge of the topic, and
3. Links to online resources to assist in locating program information.

Guidelines can change or be altered. Every effort is made to ensure training resources are accurate. However, always refer to the most recent published version of USDA guidelines. Refer to the 7 CFR 3555 and HB-1-3555 overview to access these materials online.

USDA United States Department of Agriculture  
Rural Development

## 7 CFR Part 3555

<http://www.rd.usda.gov/publications/regulations-guidelines>

USDA United States Department of Agriculture Rural Development

Home About RD Programs & Services Browse by State Newsroom Publications Contact Us

Home / Publications / Regulations & Guidelines

**Publications**

- Overview
- Fact Sheets
- Regulations & Guidelines**
- Reports
- Dispute Appeals
- Publications for Cooperatives
- Rural Cooperatives Magazine
- Strategic Plan
- Congressional Testimony
- Transcripts and Speeches

**Regulations & Guidelines**

All Federal regulations can be found at Regulations.gov and customers can search, review and submit comments on Federal documents that are open for comment and published in the Federal Register.

As a service to our customers, we post Rural Development's Instructions, Administrative Notices, and forms. The instructions are available in three file formats: Adobe Acrobat (PDF), Microsoft Word 6.0 (doc) and Text (txt). To the extent possible, all documents have been made available in either Adobe Acrobat Ver. 5.0 and higher, or Text and are 508 compliant. If you should have accessibility issues and need a hard copy, please send an e-mail to [comments@wdc.usda.gov](mailto:comments@wdc.usda.gov).

If you are having problems with this page, need a hard copy of any of the documents due to accessibility issues or would like to be added to the Regulations Update distribution list (available for Rural Development employees only with a valid Rural Development e-mail address), please e-mail [comments@wdc.usda.gov](mailto:comments@wdc.usda.gov).

**Rural Development**

- Administrative Notices
- Instructions
- Forms
- Spanish Forms, Form Letters and Guide Letters
- Handbooks
- Procedures Notices
- Significant Guidance Documents
- Unnumbered Letters
- Federal Register Publications

3

The Regulations and Guidelines website is located from the link shown on the slide. Under “Rural Development” there are many items available from this home page. To access the regulation and technical handbook, select “Handbooks.”

The screenshot displays the USDA Rural Development website. At the top, the USDA logo and 'Rural Development' text are visible. Below this is a large banner image of a rural landscape. The main heading is '7 CFR Part 3555'. A navigation bar includes links for Home, About RD, Programs & Services, Browse by State, Newsroom, Publications, and Contact Us. A search bar is also present.

The 'Publications' section is active, showing a list of handbooks under the heading 'Handbooks'. The selected item is 'HB-1-3555 SFH Guaranteed Loan Program Technical Handbook'. Other handbooks listed include 'Direct Single Family Housing Loans and Grants - Field Office Handbook', 'Direct Single Family Housing Loans and Grants - Centralized Servicing Center Handbook', 'MFH Loan Origination Handbook', 'MFH Asset Management Handbook', 'MFH Project Servicing Handbook', 'Guaranteed Rural Rental Housing Program Origination and Servicing Handbook', 'Application Information Systems Support Handbook', and 'Direct Single Family Housing Loans and Grants - Field Office Handbook'.

The right side of the page shows the 'Table of Contents' for the selected handbook, listing 20 chapters and 10 appendices. The selected item, 'Appendix 1 - 7 CFR part 3555', is highlighted in yellow.

**HB-1-3555 SFH Guaranteed Loan Program Technical Handbook**

**Table of Contents**

- Chapter 1 - Overview
- Chapter 2 - Record Retention
- Chapter 3 - Lender Approval
- Chapter 4 - Lender Responsibilities
- Chapter 5 - Origination and Underwriting Overview
- Chapter 6 - Loan Purposes
- Chapter 7 - Loan Terms and Conditions
- Chapter 8 - Applicant Characteristics
- Chapter 9 - Income Analysis
- Chapter 10 - Credit Analysis
- Chapter 11 - Ratio Analysis
- Chapter 12 - Property and Appraisal Requirements
- Chapter 13 - Special Property Types
- Chapter 14 - Funding Priorities
- Chapter 15 - Submitting the Application Package
- Chapter 16 - Closing the Loan and Requesting the Guarantee
- Chapter 17 - Regular Servicing-Performing Loans
- Chapter 18 - Servicing Non-Performing Loans - Accounts with Repayment Problems
- Chapter 19 - Custodial and Real Estate Owned Property
- Chapter 20 - Loss Claims - Collecting on the Guarantee

**Acronyms**

**Glossary**

- Appendix 1 - 7 CFR part 3555
- Appendix 2 - Forms and Instructions
- Appendix 3 - Review and Appeals
- Appendix 4 - Agency and Employee Addresses
- Appendix 5 - Income Limits
- Appendix 6 - Interest Assistance
- Appendix 7 - Calves Access Instructions
- Appendix 8 - EDI Documentation
- Appendix 9 - Penalties
- Appendix 10 - Unnumbered Letter and State Supplements

A list of all USDA Rural Development handbooks will display.  
 Select HB-1-3555.  
 7 CFR 3555 is Appendix 1.



## 7 CFR Part 3555

- 3555.152 Calculation of income and assets.
- (a) Repayment income.
  - (b) Annual income.
  - (c) Adjusted annual income.
  - (d) Net family assets.

Repayment income is located in Subpart D, Section 3555.152.



USDA United States Department of Agriculture  
Rural Development

## 7 CFR Part 3555: 3555.152(a)

(a) Repayment income. Repayment income is the amount of adequate and stable income from all sources that parties to the promissory note are expected to receive. Repayment income is used to determine the applicant's ability to repay a loan.

(1) The lender must examine the applicant's past income record for at least the past 2 years and any applicable training and/or education. The Agency may require additional information and documentation from self-employed applicants and applicants employed by businesses owned by family members.

6

Repayment income is what is utilized to calculate debt to income ratios, and ultimately determine if the applicant may be a successful homeowner. 3555.152(a) states the very important considerations of repayment income for lenders and underwriters to follow:

- Repayment income is calculated from the parties of the note
- It should be stable and dependable based upon the history or receipt
- Lenders should review an applicant's previous two years of employment and training/education to assist them in the determination of stable and dependable income sources. If an applicant does not have a two year employment history, this does not render them ineligible.

USDA United States Department of Agriculture  
Rural Development



## 7 CFR Part 3555: 3555.152(a)

- (2) The lender must establish an applicant's anticipated amount of repayment income and the likelihood of its continuance for at least the next 3 years to determine an applicant's capacity to repay a requested mortgage loan in accordance with Sec. 3555.151(h)(1).
- (3) Income may not be used in calculating an applicant's ratios if it is from any source that cannot be verified, is not stable, or is likely not to continue.

7

- Repayment income should be anticipated to continue for at least three years into the mortgage. There should not be evidence of the income source ending within the first three years of the mortgage debt (such as government benefits, child support, etc.).
- Income sources that cannot be verified or documented, are unstable, or have no history of receipt (commissions, bonuses, etc.) must not be utilized for repayment purposes.

USDA United States Department of Agriculture  
Rural Development



## 7 CFR Part 3555: 3555.152(a)

(4) The following types of income are examples of income not included in repayment income:

- (i) Any student financial aid received by household members for tuition, fees, books, equipment, materials, and transportation;
- (ii) Amounts received that are specifically for, or in reimbursement of the cost of medical expenses for any family member;
- (iii) Temporary, nonrecurring, or sporadic income (including gifts);
- (iv) Lump sum additions to family assets such as inheritances, capital gains, insurance payments and personal or property settlements;
- (v) Payments for the care of foster children or adults; and
- (vi) Supplemental Nutrition Assistance Program payments.

8

Some income types are not included in repayment income, and they are listed in 3555.152(a)(4).



**USDA** United States  
Department of  
Agriculture  
Rural Development

## HB 9.7: Repayment Income

**9.7 OVERVIEW**

Repayment income will determine if the applicant(s) has sufficient income to repay the mortgage in addition to recurring debts. Repayment income calculations often differ from the calculation of annual and adjusted annual income.

Repayment income is the stable and dependable income of the applicants who will be parties to the note. Co-signers and non-occupant co-borrowers are **not** permitted for a guaranteed loan transaction.

9

Chapter 9 of the technical handbook provides additional guidance to support 3555.152(a).

1. Repayment income must support the repayment of the proposed mortgage debt plus the applicant's additional debts.
2. Repayment income amounts may differ from annual and adjusted annual income determinations.
3. Repayment income is **STABLE** and **DEPENDABLE**.
4. Nonoccupant cosigners are not permitted for USDA guaranteed loans.



**USDA** United States  
Department of  
Agriculture  
Rural Development

## HB 9.8: Repayment Income

**9.8 STABLE AND DEPENDABLE INCOME**

3555.152(a) and Attachment 9-A assist lenders to review income types. The following guidance also assists lenders to consider repayment income sources:

- The income source must be documented.
- There must be evidence of receipt of earnings.
- Lenders are responsible to analyze any gaps in employment in order to make a final determination of stable and dependable income. An employment gap does not automatically render an applicant ineligible.
- Caution should be utilized for any applicant that has documented declining wages or earnings. Lenders must ensure repayment income is not inflated/overstated.

10

The handbook also reiterates:

- The income source must be documented.
- There must be receipt of earnings.
- Lenders must analyze gaps in employment.
- An applicant with declining wages must be carefully reviewed.
- Inflated or overstated repayment income is a prime contributor to loan delinquency. No one benefits from placing an applicant in a home that they cannot afford by inflating wages or relying upon secondary income sources to meet acceptable ratios.



**USDA** United States Department of Agriculture  
Rural Development

## HB 9: Attachment 9-A

**ATTACHMENT 9-A**

<b>Income and Documentation Matrix</b>		
<b>Income guidance: 7 CFR 3555, Section 3555.152(a) and (b)</b>		
<b>Income Type</b>	<b>Annual</b>	<b>Repayment</b>
<b>Adoption Assistance or Subsidy</b>	If the income will be received in the ensuing 12 months, include the first \$480 of adoption income or subsidy assistance for each grantee.	<b>History:</b> 2 years <b>Continuance:</b> 3 years  Benefits that do not include expiration dates on the documentation will be presumed to continue.
<b>Documentation Source Options:</b> <ul style="list-style-type: none"> <li>• Benefit/Award letter to document the amount and duration of payments</li> <li>• 2 years of Federal income tax returns or IRS tax transcripts with all schedules</li> </ul>		
<b>Automobile Allowance</b>	Include amounts documented on the pay statements as taxable gross earnings that will be received in the ensuing 12 months.	<b>History:</b> 2 years <b>Continuance:</b> Income will be presumed to continue unless there is documented evidence the income will cease  The amount of allowance that exceeds the expenditure may be included for repayment. If there is a monthly debt associated with the income (such as a car or equipment payment), this debt must continue to be included in the debt ratio calculation.

11

To better assist with income review and documentation, the newly revised Chapter 9 includes Attachment 9-A: Income and Documentation Matrix!

The matrix was designed to assist lenders and USDA to more efficiently locate many income sources, annual income adjustments, and asset guidance. For the purposes of this training we will focus on the income type portion of the matrix.

USDA United States Department of Agriculture  
Rural Development



## HB 9: Attachment 9-A

### ATTACHMENT 9-A

#### Income and Documentation Matrix

Income guidance: 7 CFR 3555, Section 3555.152(a) and (b)

Income Type	Annual	Repayment
Adoption Assistance or Subsidy	If the income will be received in the ensuing 12 months, include the first \$480 of adoption income or subsidy assistance for each grantee.	<p><b>History:</b> 2 years</p> <p><b>Continuance:</b> 3 years</p> <p>Benefits that do not include expiration dates on the documentation will be presumed to continue.</p>
<p><b>Documentation Source Options:</b></p> <ul style="list-style-type: none"> <li>Benefit/Award letter to document the amount and duration of payments</li> <li>2 years of Federal income tax returns or IRS tax transcripts with all schedules</li> </ul>		
Automobile Allowance	Include amounts documented on the pay statements as taxable gross earnings that will be received in the ensuing 12 months.	<p><b>History:</b> 2 years</p> <p><b>Continuance:</b> Income will be presumed to continue unless there is documented evidence the income will cease</p> <p>The amount of allowance that exceeds the expenditure may be included for repayment. If there is a monthly debt associated with the income (such as a car or equipment payment), this debt must continue to be included in the debt ratio calculation.</p>

12

The matrix will list income types in alphabetical order.



**EVERY INCOME TYPE CANNOT BE LISTED**

**KEEP CALM AND KEEP IT SIMPLE**

- Can the source be documented?
- Is there a stable receipt of earnings? Minimum 12 months.
- Is there evidence this income source will not continue 3 years into the mortgage?

13

USDA cannot possibly list every single potential income type that occurs in nature. Just because an income type isn't listed does not render it ineligible.

GO BACK TO THE BASICS OF THE 3555 REGULATION (and basic underwriting protocol)!

1. Can you document the income?
2. Is there a stable receipt of earnings. USDA requires a 12 month employment history. It does not have to be with the same job. Applicant's should be able to demonstrate stable receipt of earnings.
3. Is there any documentation that states the income source will not continue at least three years into the mortgage?

If you cannot respond positively to these basic questions, the income source is likely ineligible.

USDA United States Department of Agriculture  
Rural Development



## ATTACHMENT 9-A

### Income and Documentation Matrix

**Income guidance: 7 CFR 3555, Section 3555.152(a) and (b)**

Income Type	Annual	Repayment
<b>Adoption Assistance or Subsidy</b>	If the income will be received in the ensuing 12 months, include the first \$480 of adoption income or subsidy assistance for each grantee.	<b>History:</b> 2 years  <b>Continuance:</b> 3 years  Benefits that do not include expiration dates on the documentation will be presumed to continue.
<b>Documentation Source Options:</b> <ul style="list-style-type: none"> <li>Benefit/Award letter to document the amount and duration of payments</li> <li>2 years of Federal income tax returns or IRS tax transcripts with all schedules</li> </ul>		
<b>Automobile Allowance</b>	Include amounts documented on the pay statements as taxable gross earnings that will be received in the ensuing 12 months.	<b>History:</b> 2 years  <b>Continuance:</b> Income will be presumed to continue unless there is documented evidence the income will cease  The amount of allowance that exceeds the expenditure may be included for repayment. If there is a monthly debt associated with the income (such as a car or equipment payment), this debt must continue to be included in the debt ratio calculation.

14

The third column will discuss how to consider the income type for repayment purposes.

USDA United States Department of Agriculture  
Rural Development



## HB 9: Attachment 9-A

### ATTACHMENT 9-A

#### Income and Documentation Matrix

Income guidance: 7 CFR 3555, Section 3555.152(a) and (b)

Income Type	Annual	Repayment
<b>Adoption Assistance or Subsidy</b>	If the income will be received in the ensuing 12 months, include the first \$480 of adoption income or subsidy assistance for each grantee.	<b>History:</b> 2 years <b>Continuance:</b> 3 years Benefits that do not include expiration dates on the documentation will be presumed to continue.
<b>Documentation Source Options:</b>		
<ul style="list-style-type: none"> <li>Benefit/Award letter to document the amount and duration of payments</li> <li>2 years of Federal income tax returns or IRS tax transcripts with all schedules</li> </ul>		
<b>Automobile Allowance</b>	Include amounts documented on the pay statements as taxable gross earnings that will be received in the ensuing 12 months.	<b>History:</b> 2 years <b>Continuance:</b> Income will be presumed to continue unless there is documented evidence the income will cease The amount of allowance that exceeds the expenditure may be included for repayment. If there is a monthly debt associated with the income (such as a car or equipment payment), this debt must continue to be included in the debt ratio calculation.

15

“Documentation Source Options” will list the OPTIONS to properly document the income type. Every item listed may not be required. USDA allows multiple options to provide flexibility to lenders when documenting income sources.

USDA United States Department of Agriculture  
Rural Development



## HB 9: “Continuity”

Income Type	Annual	Repayment
<b>Base Wages (Hourly or Salary)</b>	<p>Include amounts received before deductions for payroll taxes, insurance, etc. Include amounts that will be received in the ensuing 12 months.</p> <p>Full time students age 18 and above that are not an applicant, co-applicant, or spouse of an applicant will only have \$480 of their earnings included in the annual income calculation. These household members are not required to present income documentation.</p>	<p><b>History:</b> Minimum 1 year (with current employer or <b>employment continuity</b>)</p> <p>Applicants with job gaps due to maternity leave, medical leave, relocation, etc. are considered to have <b>employment continuity</b>.</p> <p>Applicants returning to the workforce after leaving a previous job to care for a child/family member, complete education, etc. will require a <u>12 month</u> employment history.</p> <p><b>Continuance:</b> Income will be presumed to continue unless there is documented evidence the income will cease</p>

**Documentation Source Options:**

- Paystub(s)
- W-2's for the previous 2 years
- Written Verification of Employment (VOE) or electronic verifications
- 2 years of Federal income tax returns or IRS tax transcripts with all schedules

16

In the matrix the words “employment continuity” or “income continuity” may appear. Many lenders expressed questions with the meaning of these terms.



**HB 9: Continuity**

**TWO TYPES**

1. Employment
2. Income

Lenders must examine both to ensure 3555.152(a) is met.

17

Continuity is not a new term for the underwriting review and analysis of loan files. It should come as no surprise to anyone in mortgage lending that employment history and the level of earnings of income are two very important considerations.

So if this is a new concept to anyone, allow me to explain. In order to confirm a loan file meets 3555.152(a) for repayment income, the applicants must show employment and income continuity. These are two separate items to analyze.



**HB 9: Continuity**  
**EMPLOYMENT CONTINUITY**

Continuous Employment:

- Always employed
- Cumulative, not the same job
- Job gaps may occur, use good judgement:
  - Relocation, Time before new job starts: not an issue
  - Termination, loss of job, months of unemployment: analyze risk appropriately

18

The word “Continuity” has CONTINUE as it’s root. Therefore.... It means they have a solid history of being gainfully employed, which for USDA is now considered at least 12 months.

- If the applicant does not have 12 months on THIS job, do they have 12 months of cumulative employment history?
- Job gaps could occur slight, with small breaks between positions due to relocation, reassignment, or waiting to begin a new position, etc. These are typical and not an issue. Job gaps due to loss of job, termination, longer periods of unemployment, etc. will indicate a risk layer that must be analyzed by the approved lender.



**HB 9: Continuity**  
**INCOME CONTINUITY**

Continuous Income:

- Approximate level of earnings
- No large increases without documentation
- No sharp/significant decline in wages

19

Income continuity will ask the lender to determine the level of earnings the applicant has earned and is expected to CONTINUE to earn.

Does the applicant have a history of earning this level of wages, salary, etc.?

Large increases in earnings without evidence of a promotion within the company, pay raise, etc. should be carefully analyzed.

Likewise, declining wages can indicate the income is not stable, and therefore must be carefully reviewed.



**HB 9: Continuity**

Sara worked at ABC Legal for 2 years. She was unemployed for five years to remain home and care for her child. She is now employed at XYZ Legal for 3 months.

- Does Sara have employment continuity?

20

Let's look at some examples.

Read the question on the slide and determine your response.



**HB 9: Continuity**

**Answer: No**

- Sara worked for 2 years.
- She was unemployed for 5 years.
- She only has 3 months on the current job.
- Sara needs 12 months on her current job to use the income for repayment.

21

The answer is No. Sara does not have employment continuity.

- She worked for 2 years.
- She was unemployed for 5 years.
- She did return to her previous line of work, but she has no history of maintaining this job.
- Per the matrix, Sara must have 12 months back on the job before her earnings can be considered for repayment income.



**HB 9: Continuity**

Joe was a mechanic at Bentley Motors for 3 years. He has accepted a new position with Johnson Cars, and has been there for 9 months.

- Does Joe have employment continuity?

22

Read the question on the slide and determine your response.



**HB 9: Continuity**

**Answer: Yes**

- Joe has been a mechanic for over 3 years.
- Joe continues to be a mechanic with his new employer.
- Joe has always been employed.

23

The answer is Yes. Joe does have employment continuity.

- Joe has been employed as a mechanic for over 3 years.
- Joe will continue to be a mechanic in his new position.
- Joe moved from one job to a new job. He has been continuously employed. Even if Joe had a two week break between jobs, this would not be an issue.



## HB 9: Continuity

Joe earned \$32,000 annually at Bentley Motors.  
He will earn \$36,000 with Johnson Cars.

- Does Joe have income continuity?

Read the question on the slide and determine your response.



**HB 9: Continuity**

**Answer: Yes**

- Joe has earned \$32,000 in his previous position for 3 years.
- Joe's new salary is similar to his history of earnings.

25

The answer is Yes. Joe has income continuity.

- Joe earned \$32,000 as a mechanic in his previous position.
- He will earn \$36,000 with his new employer, as a mechanic.
- Most people change positions to better their financial situation.
- The difference between \$32,000 and \$36,000 is not significantly different.



## HB 9: Continuity

Carmen worked part-time at McDonald's for 3 years in college. Her annual earnings were roughly \$12,000. Carmen has graduated and accepted a position with Buddy's Pool and Spas. She has worked there 6 months and her annual salary is \$35,000.

- Does Carmen have income continuity?

Read the question on the slide and determine your response.



**HB 9: Continuity**

**Answer: No**

- Carmen does not have a history of earning \$35,000.
- Carmen's salary may be considered for repayment when she has been on the job for 12 months.

27

The answer is No. Carmen does not have income continuity.

- Carmen has a history of earning \$12,000 per year.
- Her new position in a new line of work is significantly higher than her documented historical earnings.
- When Carmen has 12 months history earning \$35,000, then she would be eligible to use this for repayment.



## HB 9: Continuity

Julie has graduated nursing school. She passed her license exams. She has accepted a position with Mercy Hospital and has worked there for 2 months. Julie earns base wages, shift differential, and overtime. She is projected to earn \$65,000 this year.

- Does Julie have income continuity?

Read the question on the slide and determine your response.



**HB 9: Continuity**

**Answer: No**

- Julie does not have a history of earning \$65,000.
- Julie’s base earnings may be considered for repayment when she has been on the job for 12 months.
- Julie’s overtime and additional income types earned will require 24 months history to be used for repayment.

29

The answer is No. Julie does not have income continuity.

- Julie does not have a history of earning \$65,000.
- When she has 12 months history, her base wages or salary would be eligible for repayment income consideration.
- Julie’s overtime and additional secondary income types earned will require a 24 month history of receipt before they will be eligible to use for repayment income.



## HB 9: Continuity

Bob worked at Big City bank for 6 months as a teller earning \$12 per hour. He moved to Miller Community Bank and has been employed there for 8 months as a Customer Service Representative earning \$16 per hour.

- Does Bob have employment continuity?

Read the question on the slide and determine your response.



**HB 9: Continuity**

**Answer: Yes**

- Bob has a 14 month employment history.
- USDA does not require 12 months at the same job.
- USDA requires 12 month employment history for certain income types.

31

The answer is Yes. Bob has employment continuity.

- Bob has been working for 14 months.
- It has not all been with the same employer, but USDA does not require that the 12 month employment history is with the same employer.
- USDA only requires at least 12 months of holding a job and earning income for certain income types.



## HB 9: Continuity

Bob worked at Big City bank for 6 months as a teller earning \$12 per hour. He moved to Miller Community Bank and has been employed there for 8 months as a Customer Service Representative earning \$16 per hour.

- Does Bob have income continuity?

Read the question on the slide and determine your response.



**HB 9: Continuity**

**Answer: Yes**

- Bob made \$24,960 annually at Big City Bank.
- Bob is earning \$33,280 with Miller Community Bank.
- There is less than a \$10k increase in the same line of work. **Alert: \$10k is not a guideline amount.**
- Bob's most recent paystub must support repayment income.

33

The answer is Yes. Bob has income continuity.

- Based on Bob's hourly rate and assuming full time 40 hours per week, Bob would have earned \$24,960 annually at Big City Bank.
- Assuming the same full time/40 hour per week structure with Miller Community Bank, Bob will earn \$33,280.
- There is not a significant difference between these two earnings. PLEASE UNDERSTAND: This is an example. This slide does not indicate that \$10,000 is a USDA guideline to determine if an increase is significant or not. Approved lender underwriters must review the historical earnings compared to the new earnings and make a determination of the amount of stable and dependable income for the applicant(s).
- Bob's most recent paystub or other eligible supporting documentation from Miller Community Bank must support the income calculation utilized by the lender.



**USDA** United States  
Department of  
Agriculture  
Rural Development

## HB 9: Continuity

Sam worked as loan officer at State Bank for 13 months earning \$32,000. Sam has been with AutoCars for 5 months working on all commission. He is doing quite well and is projected to earn \$65,000 this year.

- Does Sam have employment continuity?

34

Read the question on the slide and determine your response.



**HB 9: Continuity**

**Answer: Yes**

- Sam has over 18 months of work history.
- Sam has a minimum employment history.

35

The answer is Yes. Sam has employment continuity.

- Sam has over 18 months of work history.
- Therefore, he meets the minimum 12 month history USDA requires for these types of earnings.



## HB 9: Continuity

Sam worked as loan officer at State Bank for 13 months earning \$32,000. Sam has been with AutoCars for 5 months working on all commission. He is doing quite well and is projected to earn \$65,000 this year.

- Does Sam have income continuity?

Read the question on the slide and determine your response.



**HB 9: Continuity**

**Answer: No**

- Sam is 100 percent commission at his new job.
- Sam does not have 2 year history of earning commission.
- Sam does not have a 12 month history of earning \$65,000.

37

The answer is No. Sam does not have income continuity.

- Sam is now 100 percent commission at his new job.
- He does not have a 2 year history of earning commission income.
- Sam also does not have a history of earning \$65,000 per year. Therefore his earnings are not deemed stable or dependable at this time.



## GUS: Review and confirm data entry

### Income and Expenses

**Monthly Repayment Income** <sup>(P)</sup>  
(Stable and dependable income of parties to the note)

		Total
Base Employment Income	\$3,570.67	\$3,570.67
Overtime	\$0.00	\$0.00
Bonuses	\$0.00	\$0.00
Commissions	\$0.00	\$0.00
Dividends/Interest	\$0.00	\$0.00
Other <small>(enter details below)</small>	\$0.00	\$0.00
Subtotal	\$3,570.67	\$3,570.67
Net Rental	\$0.00	\$0.00
<b>Total</b>	\$3,570.67	\$3,570.67

**Does this figure match the repayment calculated on the income worksheet (3555-21)?**

38

When utilizing GUS, the lender will add the stable and dependable monthly repayment income figure on the “Income and Expenses” application page.

The lender is responsible to ensure that any amounts entered meet USDA repayment income requirements. GUS DOES NOT DETERMINE STABLE AND DEPENDABLE INCOME. GUS accepts the lender’s data entries as legitimate. Incorrect data entries will render the underwriting recommendation as invalid.

Please ensure the total amount of repayment income coincides with the calculation that is documented on Form RD 3555-21.

USDA United States Department of Agriculture Rural Development

## Review Documents and GUS Entries

**MONTHLY REPAYMENT INCOME CALCULATION** Consider stable and dependable income of parties to the note as described in HB-1-3555, Paragraph 9.6 through 9.9.

14. Stable Dependable Monthly Income (Parties to note only) calculate and record how the calculation of each income source type was determined in the space below. Identify income type by party to note.

	Borrower	Co-Borrower	Total
Base Income	\$ 3,570.67	\$	\$ 3,570.67
Calculation of Base Income:	$320.60 \times 2080 = 42,889.12 = 3,570.67$	Calculation of Base Income:	
Other Income	\$	\$	\$ 0
Calculation of Other Income:	Calculation of Other Income:		
Total Income	\$ 3,570.67	\$ 0	\$ 3,570.67

15. Monthly Repayment Income (Enter total of 14)

\$ 3,570.67

Prepared by (Signature): \_\_\_\_\_

Name (Print): Larry Lender

Title: Underwriter

Lender: USA Bank

Date: 04-20-2016

Taxing ID: 133454799

39

Show the calculation.

This figure should match the data entry in GUS.

Sign the form.

When completing Form RD 3555-21, include the calculation of all income types (annual, repayment, and adjusted).  
 The figures listed on this form must match the date entry in GUS.  
 Sign the form to certify to the calculations submitted for guaranteed loan consideration.



USDA United States Department of Agriculture  
Rural Development

## HB 9: Stable and Dependable Income

- Lender reviews employment income history
- Lender reviews income history
- Lender determines stable and dependable income per guidelines
- GUS does not determine stable and dependable income

40

To summarize:

1. The lender must review the employment history.
2. The lender must review the income history.
3. The lender must determine stable and dependable income per USDA guidelines.
4. GUS does NOT determine stable and dependable income. GUS assumes data entered by the approved lender is verified, documented, and correctly calculated.



USDA United States Department of Agriculture  
Rural Development

## 7 CFR PART 3555 / HB-1-3555 LEARNING CHECKS

41

The best way to learn information is to test your knowledge! So let's get started!



## Repayment Income

- Joe applies for a GRH loan in September
- Joe has worked at ABC Garage since June
- Joe was previously at XYZ Garage for 3 years
- Lender cannot use Joe's current income until he has 2 years with ABC Garage

A. TRUE      B. FALSE

Read the question on the slide and select a response.



**Repayment Income**

**ANSWER: 3555.152(a)(1) and (2), HB 9**

B. FALSE

- Joe has continuity of employment in same line of work
- Lender must analyze current earnings as compared to history of earnings in this position

43

False

Joe has a stable history of employment. He may have recently changed jobs, but he remains in the same line of work.

The lender can compare Joe's current earnings at this new position with his previous employment earnings.



## Repayment Income

- Joe applies for a GRH loan in September
- Joe has worked at ABC Garage since June
- Joe was previously at XYZ Garage for 3 years
- Lender can average Joe's income from XYZ Garage with current earnings from ABC Garage

A. TRUE      B. FALSE

Read the question on the slide and select a response.



**Repayment Income**

**ANSWER: 3555.152(a)(3), HB 9**

B. FALSE

- XYZ Garage is no longer Joe's employer, this income has ended
- Lender must analyze current earnings and determine likelihood of continuance

45

False

Lenders cannot average income from a previous job (where the applicant is no longer receiving pay) with a new position.

The new position is the current source of income. Repayment income may only be calculated from current earnings.

Reviewing previous employment with current employment does however allow the underwriter the ability to determine income continuity.



## Repayment Income

- Cathy works for Thompson's Pharmacy: 4 years
- Most recent paystub indicates a \$500 bonus
- Cathy has no stable history of bonus income
- VOE states bonus and commission are not likely to continue
- Lender cannot use \$500 bonus towards repayment income

A. TRUE      B. FALSE

Read the question on the slide and select a response.



**Repayment Income**

**ANSWER: 3555.152(a)(4)(iii), HB 9**

A. TRUE

- This was a one time bonus
- There is no history of receipt, and employer states it is unlikely to continue

47

True

There is no history of receipt of this one time bonus.

The employer has also confirmed this bonus payout is unlikely to continue. Therefore it should not be included in the repayment income.



## Repayment Income

- Jack has been employed with Local #853 Plumbing and Pipefitters for 5 years
- Each year there is a 3 month interval where he collects unemployment
- Unemployment income cannot be utilized for repayment income

A. TRUE      B. FALSE

Read the question on the slide and select a response.



**Repayment Income**  
**ANSWER: 3555.152(a), HB 9**

B. FALSE

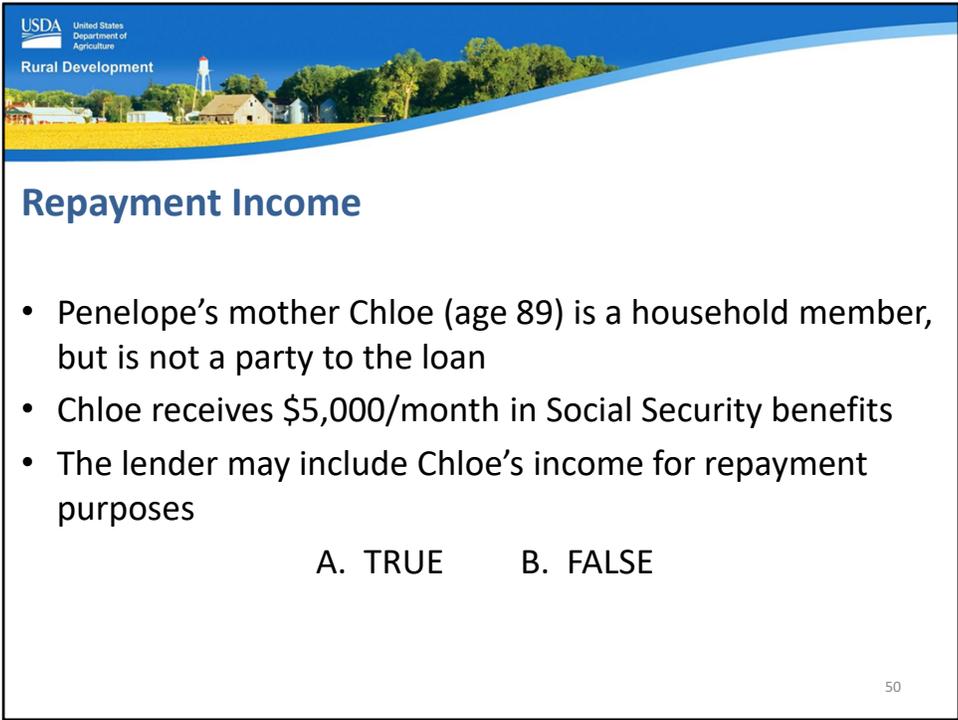
- Unemployment compensation is associated with seasonal employment
- Jack has over 2 years history of these earnings

49

False

Applicant's that are in a line of work where seasonal unemployment is customary may have these earnings utilized for repayment when there is a stable and dependable history of receipt.

Jack has over two years of this type of earnings, therefore they appear to be stable and dependable.



## Repayment Income

- Penelope's mother Chloe (age 89) is a household member, but is not a party to the loan
- Chloe receives \$5,000/month in Social Security benefits
- The lender may include Chloe's income for repayment purposes

A. TRUE      B. FALSE

Read the question on the slide and select a response.



**Repayment Income**  
**ANSWER: 3555.152(a), HB 9**

B. FALSE

- Chloe is not a loan applicant
- Only income from parties to the note can have their income included for repayment
- Chloe's income must be included in the annual income calculation

51

False

Chloe is an adult household member.

If her social security income is needed for repayment income, she must join the loan application as a party to the note.

As an adult household member Chloe's income must be included in the annual income calculation.



## Repayment Income

- Penelope's mother Chloe (age 89) is a household member, but is not a party to the loan
- Penelope is Chloe's legal guardian. The Social Security Administration sends the \$5,000/month benefit check to Penelope in her name.
- The lender may include the \$5,000 for repayment purposes

A. TRUE      B. FALSE

52

Read the question on the slide and select a response.



**Repayment Income**  
**ANSWER: 3555.152(a), HB 9**

A. TRUE

- Penelope is the legal payee for Chloe’s benefit to meet her needs

53

True

Penelope is Chloe’s legal guardian/payee as recognized by the Social Security Administration, therefore this income may be included in repayment for the household.



## Repayment Income

- Sheldon has received a \$20,000 student loan
  - How much of this loan can be included in the repayment income
- A. \$20,000  
B. Remainder of funds once all tuition/fees/etc. are paid  
C. \$0

Read the question on the slide and select a response.



**Repayment Income**  
**ANSWER: 3555.152(a)(4)(i), HB 9**  
C. \$0

- Student loans are not eligible income sources

55

Response C

Student loans are not income sources. They are liabilities that will be required to be paid back by the borrower.



## Repayment Income

GUS evaluates the stability and dependability of repayment income in the overall risk evaluation.

A. TRUE      B. FALSE

Read the question on the slide and select a response.



**Repayment Income**

**ANSWER: 3555.152(a)(1), HB 9**

B. FALSE

- The **lender** must determine the history and stability of earnings **prior** to entering repayment income into GUS

57

False

GUS takes all data entered by the lender and considers it verified and documented. Therefore the lender must determine the history and stability of earnings before they enter repayment income into the GUS application pages.

USDA United States Department of Agriculture  
Rural Development



## Repayment Income

- Howard has worked for Big Bang Builders for 14 months as an engineer
- Prior to Big Bang Builders, Howard attended college and graduated with an engineering degree
- Howard's income from Big Bang Builders can be used for repayment

A. TRUE      B. FALSE

58

Read the question on the slide and select a response.



**Repayment Income**

**ANSWER: 3555.152(a)(1), HB 9**

A. TRUE

- Howard has been employed at least 12 months
- He also attended college prior to employment to study in his field of employment
- The lender may determine income is stable and dependable based on income verifications

59

True

Howard has less than 2 years at the current employer, but he was in college/training prior to his employment for this purpose.

The lender will ultimately determine if the applicant's current earnings are stable and dependable.



USDA United States Department of Agriculture  
Rural Development

## Repayment Income

- Jed has been in the Army Reserve for 3 years
- His reserve income may be included for repayment income

A. TRUE      B. FALSE

60

Read the question on the slide and select a response.



USDA United States Department of Agriculture  
Rural Development

## Repayment Income

**ANSWER: 3555.152(a)(1) and (2), HB 9**

A. TRUE

- Jed has a stable history of receipt
- Lender may consider the reserve duty income for repayment

61

True  
There is a stable history of these payments.



## Repayment Income

- Simon has a home in SC that has been listed for 8 months
  - Due to a job relocation, he is moving to GA
  - He has decided to rent his SC home for \$1,500/month
  - The mortgage payment is \$950
  - How much net rental income may the lender use for repayment?
- A. \$550  
B. \$175  
C. \$0

Read the question on the slide and select a response.



**Repayment Income**  
**ANSWER: 3555.152(a)(1), HB 9**

C. \$0

- Rental income received less than 24 months is not stable and dependable for repayment purposes
- Note:  $\$1500 \times 75\% = \$1,125 - \$950 = \$175 \times 12 \text{ months} = \$2,100$  must be included for annual income

63

#### Response C

The applicant has not received rental income for 24 months. Therefore no part of these payments may be included in repayment income.

Do not overlook the responsibility of including the net rental income in the annual income calculation. An example calculation to make this determination is included on this slide.



**Repayment Income**

- Bernadette receives monthly SSI of \$1,400
- The lender may gross the SSI up by 25% for repayment income

A. TRUE      B. FALSE

64

Read the question on the slide and select a response.



## Repayment Income

**ANSWER: 3555.152(a), HB 9**

A. TRUE

- Tax exempt income sources may be grossed up 25%
- No additional adjustments are allowed
- NOTE: Do not gross up tax exempt income sources for annual income calculations

65

True

Tax exempt sources may be grossed up by 25%.

No additional adjustments are authorized.

DO NOT gross up these income types for annual income calculations.



## Repayment Income

- Patrick has received SSI disability for the previous 3 years
- Benefit statement has no expiration date/continuance
- The SSI disability may be included in repayment income

A. TRUE      B. FALSE

Read the question on the slide and select a response.



**Repayment Income**

**ANSWER: 3555.152(a)(1) and (2), HB 9**

A. TRUE

- Patrick has a stable history of receipt
- Statement does not list expiration of benefit, lender may assume continuance

67

True

There is a stable history of receipt of this income type.

The HB guidance states that Social Security may not list a benefit expiration date on their documentation. Therefore unless a benefit expiration date is specifically stated on the documentation, lenders may assume continuance of this income.



## Repayment Income

- Garth has been employed at USA Credit Union for 8 years
- For the past 4 months he also works at Pizza Planet
- He earns \$5.00 per delivery plus tips
- The lender may use the part time employment for repayment

A. TRUE      B. FALSE

Read the question on the slide and select a response.



**Repayment Income**

**ANSWER: 3555.152(a)(1), HB 9**

B. FALSE

- Second/part-time job/tips should have a two year history to be stable and dependable
- Note: second job income must be included in annual income calculation

69

False

Secondary employment must have a two year history of receipt in order to support the income type as stable and dependable.

Even if the income has not been received long enough to be considered for repayment purposes, it must be included in the annual income calculation.



## Repayment Income

- Penny receives monthly child support income of \$1,200 for her 2 children
- Amy is 11 years old and Leonard Jr. is 16 years old (his support ends at age 18)
- All child support may be used for repayment income

A. TRUE      B. FALSE

Read the question on the slide and select a response.



**Repayment Income**  
**ANSWER: 3555.152(a)(1) and (2), HB 9**  
B. FALSE

- Amy is 11, support will continue for the next three years, it may be eligible
- Leonard Jr.'s support will end within the ensuing 3 years of the mortgage, therefore it must be excluded
- Lenders may exclude any support if it has not been received in a stable/timely manner

71

False

Amy is 11, therefore her support will continue for the next three years.

Leonard Jr.'s support will end with the next three years and therefore does not meet the requirement of the regulation and HB for inclusion towards repayment.

Lenders may also exclude any support amounts if they have not been received in a timely manner.



USDA United States Department of Agriculture  
Rural Development

## Repayment Income

- Clark is a pastor and receives a housing allowance of \$900 each month
- His contract is for 5 years
- The lender may use the housing allowance for repayment income

A. TRUE      B. FALSE

72

Read the question on the slide and select a response.



**Repayment Income**

**ANSWER: 3555.152(a)(1) and (2), HB 9**

A. TRUE

- Lender must determine stable and dependable nature of payments
- The contract states continuance for the next 3 years
- The allowance may be added to repayment income, but it may not be used to offset the PITI calculation

73

True

Housing allowances are eligible sources for repayment income when they have a documented history of receipt, and documented continuance.

This housing allowance contract states it will continue for the next three years.

Housing allowances are added to repayment income. They are not directly deducted from the proposed PITI payment.



## Repayment Income

- April 29<sup>th</sup> YTD earnings: \$18,535.32
- Applicant began employment on January 1<sup>st</sup>, no previous employment
- Base wages: \$12,000 and Commissions: \$6,535.32
- This calculation is acceptable for repayment income:

$$\$18,535.32 \div 4 \text{ months} = \$4,633.83 \times 12 \text{ months} = \$55,605.96$$

A. TRUE      B. FALSE

Read the question on the slide and select a response.



**Repayment Income**

**ANSWER: 3555.152(a)(1),(2), and (3), HB 9**

B. FALSE

- There is not 12 months of employment history, therefore the applicant is ineligible

75

False

The applicant does not have a 12 month employment history, therefore they are ineligible.



**Repayment Income**

- Applicant 1: \$35,450 salary, 2 years on job
- Applicant 2: \$23,650 salary: 18 months on job
- YTD paystubs project: Applicant 1: \$40,376, Applicant 2: \$25,358
- Lender submits file with repayment income of salaries only, USDA will accept this calculation

A. TRUE      B. FALSE

76

Read the question on the slide and select a response.



**Repayment Income**

**ANSWER: 3555.152(a)(1), HB 9**

A. TRUE

- Lenders may be conservative with repayment income calculations
- NOTE: Lenders must consider the projected income for annual income calculations. Ensure this projection is reasonable when compared to history of earnings at same employer/position

77

True

Both applicants have a 12 month employment history.

Lenders may be conservative with repayment calculations. This may mean that some earned income sources are not included in the repayment income.

Lenders must however, consider all eligible income sources currently earned for the annual income calculation. Be sure that projected income appears to be reasonable and logical based on previous employment and earning patterns.



## Repayment Income

- Applicant has been on current job for 6 months
- Previous employment was 13 months earning \$8.25 per hour
- New hourly wage: \$8.50
- 4 paystubs were provided with the following hours worked: 38, 22, 33, and 40
- Lender calculates repayment income:  $\$8.50 \times 40 \text{ hrs.} \times 52 \text{ weeks} = \$17,680$ : This is acceptable

A. TRUE      B. FALSE

78

Read the question on the slide and select a response.



**Repayment Income**  
**ANSWER: 3555.152(a)(1), HB 9**  
B. FALSE

- Applicant has not demonstrated that they work 40 hours a week consistently
- Better option: YTD earnings from most recent paystub, for calculation
- Lender may determine wages/hours are not stable
- Applicant does have over 12 months employment history with income continuity

79

False

The applicant has not consistently worked 40 hours a week.

The better calculation would be to utilize the YTD earnings, as they reflect the various hours per week the applicant has worked.

However, because the applicant has only been on the job for 6 months, and the hours worked per week fluctuate, the lender may not consider this income to be stable and dependable.

The applicant does have over 12 months of employment history between the two positions, with similar wage structure which supports income continuity. There was not a large increase or decrease in the hourly wage earned.



USDA United States Department of Agriculture  
Rural Development

## Repayment Income

- Leonard and Penny are foster parents
- They receive \$800/month for the care of two children
- The lender may include this income for repayment purposes

A. TRUE      B. FALSE

80

Read the question on the slide and select a response.



**Repayment Income**

**ANSWER: 3555.152(a)(4)(ii), HB 9**

B. FALSE

- Payments for the care of foster children or adults are not eligible for repayment income

81

False

Foster care payments are not stable sources of income. Therefore they may not be included in repayment income.



**Repayment Income**

- Howard and Bernadette receive \$750/month in adoption assistance
- This assistance may be included in repayment income

A. TRUE      B. FALSE

82

Read the question on the slide and select a response.



**Repayment Income**

**ANSWER: 3555.152(a)(1) and (2), HB 9**

A. TRUE

- Income received under government assistance programs may be used for repayment income
- Must be determined stable and dependable
- NOTE: Only the first \$480 of adoption assistance received must be included in the annual income calculation

83

True

Adoption assistance payments are typically government received benefits, and are eligible for repayment income.

There must be a history of receipt and continuance of these payments.

For annual income, only the first \$480 of adoption assistance must be included in the calculation.

USDA United States Department of Agriculture  
Rural Development



# WAY TO GO!

84

Way to go! You have completed the learning checks!

USDA United States Department of Agriculture  
Rural Development

## Regulations

<http://www.rd.usda.gov/publications/regulations-guidelines>

USDA United States Department of Agriculture  
Rural Development

Home About RD Programs & Services Browse by State Newsroom **Publications** Contact Us

Home / Publications / Regulations & Guidelines

### Publications

- Overview
- Fact Sheets
- Regulations & Guidelines**
- Reports
- Dispute Appeals
- Publications for Cooperatives
- Rural Cooperatives Magazine
- Strategic Plan
- Congressional Testimony
- Transcripts and Speeches

### Regulations & Guidelines

All Federal regulations can be found at [Regulations.gov](http://Regulations.gov) and customers can search, review and submit comments on Federal documents that are open for comment and published in the Federal Register.

As a service to our customers, we post Rural Development's Instructions, Administrative Notices, and forms. The Instructions are available in three file formats: Adobe Acrobat (PDF), Microsoft Word 6.0 (doc) and Text (txt). To the extent possible, all documents have been made available in either Adobe Acrobat Ver. 5.0 and higher, or Text and are 508 compliant. If you should have accessibility issues and need a hard copy, please send an e-mail to [comments@wdc.usda.gov](mailto:comments@wdc.usda.gov).

If you are having problems with this page, need a hard copy of any of the documents due to accessibility issues or would like to be added to the Regulations Update distribution list (available for Rural Development employees only with a valid Rural Development e-mail address), please e-mail [comments@wdc.usda.gov](mailto:comments@wdc.usda.gov).

#### Rural Development

- Administrative Notices
- Instructions
- Forms
- Spanish Forms, Form Letters and Guide Letters
- Handbooks
- Procedures Notices
- Significant Guidance Documents
- Unnumbered Letters
- Federal Register Publications

85

Don't forget the Regulations and Guidelines website is a treasure trove of USDA guideline knowledge.

The screenshot shows a web page for signing up for GovDelivery. At the top left, there is a header with the USDA logo (United States Department of Agriculture) and the text 'Rural Development'. Below this is a banner image of a rural landscape with a yellow field, a white house, and a windmill. The main heading is 'GovDelivery Sign up' in blue, followed by a URL: [https://public.govdelivery.com/accounts/USDARD/subscriber/new?qsp=USDARD\\_25](https://public.govdelivery.com/accounts/USDARD/subscriber/new?qsp=USDARD_25). Below the URL is a smaller version of the USDA Rural Development banner. To the right of the banner is the 'GovDelivery' logo. Underneath, the section is titled 'Email Updates' and contains the text: 'To sign up for updates or to access your subscriber preferences, please enter your contact information below.' There is a label '\*Email Address' followed by a text input field. Below the input field are two buttons: 'Submit' and 'Cancel'. In the bottom right corner of the page, the number '86' is displayed.

Please sign up for GovDelivery messages. USDA sends out origination (including GUS) and servicing messages to alert lenders of new publications, clarifications, and additional program updates.

USDA United States Department of Agriculture  
Rural Development



Thank you for supporting  
the USDA Single Family  
Housing Guaranteed Loan  
Program!



87

Thank you for supporting the USDA Single Family Housing Guaranteed Loan Program!  
We appreciate the opportunity to help you serve more rural homebuyers!

 United States  
Department of  
Agriculture

Rural Development



In accordance with Federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.

Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotape, American Sign Language, etc.) should contact the responsible Agency or USDA's TARGET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at [How to File a Program Discrimination Complaint](#) and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by: (1) mail: U.S. Department of Agriculture, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410; (2) fax: (202) 690-7442; or (3) email: [program.intake@usda.gov](mailto:program.intake@usda.gov).

USDA is an equal opportunity provider, employer, and lender.



EQUAL HOUSING  
OPPORTUNITY

88

This will conclude the training module. Thank you and have a great day!