

Calculating Compliance Income



NC ^{1st} Home Advantage
DOWN PAYMENT

Special Rules for the NC 1st Home Advantage Program

- Funds are Available in all 100 NC Counties
- New or Existing Properties
- Must be First Time Home Buyer or Meet Exceptions
- Sales Price Limit is currently \$495,000 Statewide
- Income Limits Apply and Vary Based on the County and # of Occupants

Family Income Limits Apply

For the current income limits go to:

<https://www.nchfa.com/home-buyers/income-limits>

What is Family Income?

All of the income received by **All** borrowers, spouses, & owner occupants must be considered.

- Base Pay
- Commission
- Bonus, Overtime, Auto Allowance
- Self Employment Income
- Interest, Dividends, Annuities
- Pension, Social Security, Unemployment, Workers Comp, VA benefits
- Child & Spousal Support
- Government Subsidies (Section 8, AFDC)
- Gross Rental Income
- Deferred Income
- All other regularly occurring additional income
- Other as applicable

Not all inclusive. Check Program Guide for other types of Compliance Income.

Family Income, Documentation, & Disclosure Matrix

*NC 1st Home Advantage w/\$15,000 DPA**

Category of Borrower/Titleholder	Is Income Counted in Family Income?	VOE, Paystubs, W2 (1099) & 3 yrs. Tax Returns	Are They FTHB?	Is Credit Report Required?	Notice to Borrower Form – 026 DPA	Recapture Notice Form - 015	Mortgage Affidavit Form - 016
Borrower	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Co-Borrower	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Spouse	Yes	Yes	Yes	No	No	No	Yes
Someone Secondly Liable, Occupant	Yes	Yes	Yes	No	No	No	Yes
Titleholder, Occupant	Yes	Yes	Yes	No	No	No	Yes
Adult Occupant only	No	No	No	No	No	No	Yes

*The NC 1st Home Advantage Mortgage may be combined with the Community Partner Loan Pool (CPLP) program.

Disclosure of Income

- Lenders should always ask the borrowers and/or titleholders to disclose their current base income (before any payroll deductions). Current base income includes income from **primary** and **part-time** jobs **and all other income that the borrowers receive at the time the lender submits loan documents for NCHFA approval**. This income is used for compliance underwriting purposes.
- **All income is projected for 12 months to calculate compliance income; regardless of its likelihood to continue.**

Documentation the Agency will Review

- Three years **signed Federal Tax Returns or Transcripts**
- Paystubs must be dated within **45 days of submission to NCHFA (per payroll ending date)** clearly indicating base income as well as other sources of income such as bonus, over-time, commission, shift differential, etc.
- Verifications of Employment – Verbal or Written for **all W2s from the previous year**
- The sum of all W2s **must match the amount reported on the tax return**
- Copies of any additional income such as child support, alimony, pension, social security, VA compensation and/or pension, interest, etc.*
- YTD Profit and Loss if Self-Employed – **must be signed by the borrower**
- Business Use Worksheet if Self-Employed – this form is found on our website

Prior Employment or New Employment

- For borrowers **quitting or resigning from a job**, a resignation letter and verification from prior employer must be dated, signed, and acknowledged by former employer prior to submission of underwriting file to NCHFA. If borrower is **starting a new job**, then we must have copy of resignation letter and proof of acceptance from prior employer, otherwise income from both jobs will be used in calculating gross, family income.
- For borrowers starting **a new job where a paycheck/paystub is not yet available**, the lender must obtain a written VOE from employer along with a signed, valid offer letter from new employer that shows salary and start date. The **Master Servicer, ServiSolutions, will require a paystub as part of the final closing package submitted after closing.**

2025 Payroll Calendar

January 2025

WN	Mon	Tue	Wed	Thu	Fri	Sat	Sun
01	30	31	1	2	3	4	5
02	6	7	8	9	10	11	12
03	13	14	15	16	17	18	19
04	20	21	22	23	24	25	26
05	27	28	29	30	31	1	2

February 2025

WN	Mon	Tue	Wed	Thu	Fri	Sat	Sun
05	27	28	29	30	31	1	2
06	3	4	5	6	7	8	9
07	10	11	12	13	14	15	16
08	17	18	19	20	21	22	23
09	24	25	26	27	28	1	2

March 2025

WN	Mon	Tue	Wed	Thu	Fri	Sat	Sun
09	24	25	26	27	28	1	2
10	3	4	5	6	7	8	9
11	10	11	12	13	14	15	16
12	17	18	19	20	21	22	23
13	24	25	26	27	28	29	30
14	31	1	2	3	4	5	6

April 2025

WN	Mon	Tue	Wed	Thu	Fri	Sat	Sun
14	31	1	2	3	4	5	6
15	7	8	9	10	11	12	13
16	14	15	16	17	18	19	20
17	21	22	23	24	25	26	27
18	28	29	30	1	2	3	4

May 2025

WN	Mon	Tue	Wed	Thu	Fri	Sat	Sun
18	28	29	30	1	2	3	4
19	5	6	7	8	9	10	11
20	12	13	14	15	16	17	18
21	19	20	21	22	23	24	25
22	26	27	28	29	30	31	1

June 2025

WN	Mon	Tue	Wed	Thu	Fri	Sat	Sun
22	26	27	28	29	30	31	1
23	2	3	4	5	6	7	8
24	9	10	11	12	13	14	15
25	16	17	18	19	20	21	22
26	23	24	25	26	27	28	29
27	30	1	2	3	4	5	6

July 2025

WN	Mon	Tue	Wed	Thu	Fri	Sat	Sun
27	30	1	2	3	4	5	6
28	7	8	9	10	11	12	13
29	14	15	16	17	18	19	20
30	21	22	23	24	25	26	27
31	28	29	30	31	1	2	3

August 2025

WN	Mon	Tue	Wed	Thu	Fri	Sat	Sun
31	28	29	30	31	1	2	3
32	4	5	6	7	8	9	10
33	11	12	13	14	15	16	17
34	18	19	20	21	22	23	24
35	25	26	27	28	29	30	31

September 2025

WN	Mon	Tue	Wed	Thu	Fri	Sat	Sun
36	1	2	3	4	5	6	7
37	8	9	10	11	12	13	14
38	15	16	17	18	19	20	21
39	22	23	24	25	26	27	28
40	29	30	1	2	3	4	5

October 2025

WN	Mon	Tue	Wed	Thu	Fri	Sat	Sun
40	29	30	1	2	3	4	5
41	6	7	8	9	10	11	12
42	13	14	15	16	17	18	19
43	20	21	22	23	24	25	26
44	27	28	29	30	31	1	2

November 2025

WN	Mon	Tue	Wed	Thu	Fri	Sat	Sun
44	27	28	29	30	31	1	2
45	3	4	5	6	7	8	9
46	10	11	12	13	14	15	16
47	17	18	19	20	21	22	23
48	24	25	26	27	28	29	30

December 2025

WN	Mon	Tue	Wed	Thu	Fri	Sat	Sun
49	1	2	3	4	5	6	7
50	8	9	10	11	12	13	14
51	15	16	17	18	19	20	21
52	22	23	24	25	26	27	28
01	29	30	31	1	2	3	4

Calculating Base Pay for Wage Earners

Determine how often the Borrower/Occupant is Paid:

- **Weekly?**
- **Bi-Weekly?**
- **Bi-Monthly?**
- **Monthly?**

Calculating Base Pay for Wage Earners

Determine how the Borrower/Spouse/Title Holder is Paid:

- **Hourly? How Many hours per pay period?**
- **Salary?**
- **Overtime?**
- **Bonus?**

Calculating Base Pay for Wage Earners

$$\begin{array}{c} \text{Hourly Rate} \\ \times \\ \text{Hours Per Pay Period} \\ \times \\ \text{\# of Pay Periods} \\ = \\ \text{Annual Base Pay} \end{array}$$

Calculating Overtime, Bonus, etc. for Wage Earners

- **January 1 to June 30:** add the current base pay to any additional income (overtime, bonus, shift differential, commission, etc.) from last year and YTD and project the additional income for the remainder of the year. For new employment, we will average the current base pay and other income by the number of pay-periods they have worked.
- **July 1:*** add the current base pay to any additional income (overtime, bonus, shift differential, etc.) from the current year only and project the additional income for the remainder of the year.*
- All income in excess of Base Pay is considered “Other”

Total Income (Previous Year + YTD or YTD only) – Base Pay = Other Income

* For Full Time Wage Earners on the Same Job

Calculating Compliance Income for Wage Earners

Annual Base Pay

+

Other Income

=

Total Compliance Income

Calculating Income for Self-Employed Borrowers

- Income will be averaged from the previous 2 years Federal Tax Returns + depreciation/depletion +YTD Profit and Loss.
- If 2 years are not available then use previous year & YTD, or YTD if it is a new business.
- The Profit and Loss may be self-prepared but needs to be signed by the borrower.
- Losses are NOT deducted from Family Income. Any loss is reflected as “0” .

Calculating Self-Employed Income

**Previous 2 years Federal Tax Returns
(Or last year and YTD or just YTD)**

+

Depreciation/Depletion

+

YTD Profit and Loss

/

by # of months

=

Compliance Income

Totaling Family Compliance Income

After you have calculated Compliance Income for each Owner Occupant, add together. Don't forget to add other sources of income, like interest, dividends, alimony, child support, etc.

Borrower 1	Compliance Income \$ _____
	+
Borrower 2	Compliance Income \$ _____
	+
Owner Occupant	Compliance Income \$ _____
	+
All other sources of Income	Compliance Income \$ _____
	=
Total Compliance Income \$ _____	

Example Income Calculation

- Assume today is March 15, 2025
- Borrower has been employed with the same employer for 3 years
- Current income is \$22.50 per hour; paid weekly
- Received \$2.00 per hour raise on November 3, 2024 (end of pay period 44)
- Current pay stub dated March 8, 2025 (end of pay period 10) reflects YTD income of \$11,240
- W2 from 2023 reflects total income of \$51,040.

How to Calculate Compliance Income from the Example

Previous Year Rate \$20.50 x 40 per pay period x 44 pay periods (last year at old rate) = \$36,080

New Rate for the remaining pay periods from last year \$22.50 x 40 = \$900 x 8 = \$7200

\$36,080 + \$7,200 = \$43,280 (base income for 2024) – W2 total income \$51,040 = \$7,760 (total other income for 2024)

2025 Base Income \$22.50 x 40 hours = \$900 per pay period x 52 weeks = \$46,800 **Total Annual Base**

2025 YTD Income as of pay period 10 = \$11,240. However, \$900 x 10 pay periods would be \$9,000 so \$11,240 - \$9,000 = \$2,240 2024 other income

Past year Other \$7,760 + YTD Other \$2,240 = \$10,000 total other income / 62 pay periods = \$161.29 x 52 weeks = \$8,837 total projected other income

\$46,800 Base + \$8,387 other income = \$55,187 = Total Compliance Income

Form 08 - UNDERWRITER CERTIFICATION
(Required on NC Home Advantage Loans)

Lender: _____ Underwriter Name: _____

Borrower(s) Name: _____

Co-Borrower Name(s): _____

This is to certify that family income limits meet NCHFA County/Household limits:

COUNTY LIMIT (see NCHFA website): \$ _____

NUMBER OF OCCUPANTS: _____ (# of occupants MUST match Form - 016)

Family Income includes:	Borrower	Co-borrower	Spouse	Titleholder
Base pay	\$ _____	\$ _____	\$ _____	\$ _____
Overtime (is there any?)	\$ _____	\$ _____	\$ _____	\$ _____
Bonus Income (is there any?)	\$ _____	\$ _____	\$ _____	\$ _____
Interest Income (if any)	\$ _____	\$ _____	\$ _____	\$ _____
Pension /Social Security (if any)	\$ _____	\$ _____	\$ _____	\$ _____
Other (see guide for income that we use for compliance)	\$ _____	\$ _____	\$ _____	\$ _____

Add all columns down \$ _____ + \$ _____ + \$ _____ + \$ _____ =
\$ _____ **TOTAL FAMILY INCOME**

Yes ____ or No ____ . Income for all borrowers/co-borrowers and title holders has been verified and all VOE's, pay stubs, tax transcripts/returns are in the submission package.

Has any borrower or occupying co-borrower owned a primary residence in past three (3) years?

____ (Yes or No)

If Yes, they may not be eligible for loan. Please make sure they meet guidelines.

If No, proceed processing loan.

Acreage of subject property per appraisal is _____. *Must be five (5) acres or less.*

Is Borrower or Co-borrower or Title Holder, self-employed? _____ (Yes or No)

If so, verify P & L and Business Use Worksheet in submission file? _____ (Yes or No)

This certifies that I have reviewed and approved this loan based on industry guidelines and NCHFA guidelines:

This form and other documents may be electronically signed and any electronic signatures appearing on this form or such other documents are the same as handwritten signatures for the purposes of validity, enforceability, and admissibility.

Signed by Lenders Underwriter: _____ Date: _____

June 2025

All sections
of this form
must be
completed
by the
underwriter

Use Page 2 of the Form 08 as a guide to prevent you from missing needed documentation

NC Home Advantage Submission Package Checklist

Borrower(s): _____ NCHFA Loan Number: _____
Contact Person: _____ E-mail Address: _____

Use this Checklist to ensure that documents are properly completed and signed where necessary. Submit complete file electronically. UPLOAD via the NCHFA OLS Portal. Copies of all documents and forms are acceptable. E-signatures acceptable on application/submission forms.

Required Forms & Documents – At time of Origination & Underwriting for \$15,000 DPA

- ☐ 1. Form 08- Underwriter Certification (completed by underwriter to show how income calculated)
- ☐ 2. 1003 Final - Uniform Residential Loan Application, unsigned or signed final application
- ☐ 3. AUS Findings - must match final 1003 uploaded with file
- ☐ 4. Form 016 - Mortgage Affidavit and Borrower Certification, completed and signed by anyone expected to occupy the property.
- ☐ 5. Form 015 - Preliminary Notice to Applicants of Potential Recapture of Federal Subsidy
- ☐ 6. Form 013 - Seller Affidavit completed and signed by all owners of subject property
- ☐ 7. Credit Reports for borrowers
- ☐ 8. Current pay stub(s) verifying year-to-date income (within 45 days of pay period end)
- ☐ 9. VoEs for Current and Prior Employment to match last year’s W-2s (written or verbal VOE) and any job held YTD. Prior employment VoE = show termination date only.
- ☐ 10. Income Documentation - other income documentation, if applicable, such as Award letters, Separation Agreements, and P&L for S/E borrowers (may be self-prepared).
- ☐ 11. W-2s and/or 1099s to match the previous year’s tax transcript (all jobs). Jan 30 to Apr 15, provide W-2s and 1099s for both previous year’s tax transcript and year just ended.
- ☐ 12. Tax transcripts/returns (last 3 years) for all occupant titleholders (with attached schedules, if applicable) – (no state tax returns required).
- ☐ 13. Divorce Decree/Separation Agreement/Free Trader/Child Support – if applicable
- ☐ 14. Form 202 - Calculation of Business Use Worksheet – required for all self-employed borrowers. Business use is to be calculated for the home being purchased.
- ☐ 15. Loan Estimate – LE required for both 1st and 2nd (DPA). Max Origination fee cannot exceed 1% + \$1,300 other fees Section A of LE for 1st lien. Fees limited on 2nd LE/DPA (see Guide).
- ☐ 16. Form 026 – Notice to Borrower – MUST be signed by all borrowers/mortgagors if using DPA.
- ☐ 17. Homebuyer Education Certificate – FTHBs must complete a course.

Table 1: Who Is Required to Sign the Forms?

Category of Borrower/Titleholder	Recapture Notice Form - 015	Mortgage Affidavit Form - 016	Notice to Borrower Form - 026
Borrower	Yes	Yes	Yes
Co-Borrower	Yes	Yes	Yes
Spouse (if non-Borrower)	No	Yes	No
Someone Secondarily Liable, Occupant	No	Yes	No
Titleholder, Occupant	No	Yes	No
Titleholder, Non-Occupant	No	Yes	No
Adult Occupant only	No	Yes	No

Best Practice Reminders

- **Double Check** that all information **matches** and is **accurate BEFORE** submitting your loan to the Agency for review.
- Make sure to include the **Business Use Worksheet** for a self-employed borrower and that the **YTD Profit and Loss Statement is signed** by the borrower.
- Follow the Submission Package Checklist (Page 2 of the Form 08) as a reminder of all required documentation and forms, as well as who is required to sign our forms.