



## **FIRST HOME CLUB<sup>sm</sup> GUIDELINES FOR DETERMINING INCOME ELIGIBILITY**

In accordance with the regulation that governs the Federal Home Loan Bank's ("FHLB-NY") administration of the First Home Club, as promulgated by the Federal Housing Finance Agency and, effective October 8, 2008, relocated in the Federal Register under 12 CFR Part 1291, the FHLB-NY is responsible for verifying all sources of reported annual income for households who are approved to participate in the First Home Club and qualify for First Home Club grants.

The FHLB-NY has established the First Home Club is a non-competitive housing assistance program that is funded through subsidies set aside under its Affordable Housing Program ("AHP"). Although it is not the intention of the FHLB-NY to dictate loan underwriting policies to its stockholder institution ("Members"), the FHLB-NY is responsible for properly verifying all sources of annual income for households who are approved to receive First Home Club grants and therefore qualify for AHP subsidy. As such, the FHLB-NY will implement the following guidelines when evaluating income source documentation in order to confirm that Members have properly determined the annual reported earnings and eligibility of each household who requests First Home Club assistance at time of closing:

### **I. General Guidelines**

1. Acceptable income source documentation (see Section #3 on page 3) must be submitted for the family head and spouse (even if temporarily absent) and by each additional member of the family over the age of 18 years. If an adult family member does not derive any income, a formal affidavit or relevant supporting documentation must be included that affirms the absence of reported earnings.
2. Income determination must be based on a gross, unadjusted wages. For example, when referencing a W-2 Wage Statement, be sure to use Box 3 (Social Security wages) rather than Box 1 (Wages, tips, and salaries).
3. Overtime income and/or bonuses that are earned on a regular basis must be included.
4. Imputed earnings from any assets (e.g., bank deposits, stocks, bonds, etc.) must be included.
5. Income source documentation must be verifiable and issued by a third-party.
  - a) Income documentation should not pre-date time of enrollment by more than 60 days.
  - b) Income documentation should evidence a reliable trend of income, reflective of the household's annual reported earnings for the prior year as well as properly annualized current earnings.
  - c) If a household's eligibility is being determined using pay stubs, at least one calendar month's worth of pay stubs should be included with the First Home Club funding requisition package.
6. Any unusual earning trends should be explained in detail, reflected in the income calculation methodology, and included with all related third-party income source documentation.
7. The FHLB-NY, in its sole discretion, reserves the right to request additional income documentation in order to clarify any discrepancies related to multiple sources of income, concurrent employment income (i.e., multiple jobs), starting and ending dates of employment, and any other factors that may affect a given household's income situation

*Please note that any income earned by a spouse or co-habiting partner must also be verified and included in household income calculations, regardless of their inclusion on a loan application, deed, mortgage agreement, or promissory note.*

## **II. What constitutes “income?”**

According to §5.609 of the U. S. Department of Housing and Urban Development (“HUD”) regulations, annual income shall include, but is not limited to:

- a) Anticipated total income from all sources received by the family head and spouse (even if temporarily absent) and by each additional member of the family over the age of 18 years;
- b) The full unadjusted amount (i.e., before any payroll deductions) of all wages and salaries. This includes all income of overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services. Overtime pay, commissions, fees, tips and bonuses, and the income from other compensation for personal services should be averaged over a two (2) year period;
- c) The reported net income derived from operation of a business or profession. This figure should be an average over a three (3) year period;
- d) Interest, dividends, and other net income of any kind from real or personal property;
- e) The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of period receipts, including a lump sum payment for the delayed start of a periodic payment;
- f) Payments in lieu of earnings, such as unemployment and disability compensation, worker’s compensation, and severance pay;
- g) Welfare Assistance;
- h) Alimony and child support payments;
- i) All regular pay, special pay and allowances of a member of the Armed Forces.

## **III. What does *not* constitute “income?”**

According to §5.609 of the HUD regulations, annual income is *not* to include the following:

- a) Income from the employment of children (including foster children) under the age of 18 years;
- b) Payments received for the care of foster children;
- c) Lump sum additions to family assets (e.g., inheritances, capital gains, insurance policy death benefit payments, settlement for personal/property losses, medical expense reimbursements);
- d) Income of a live-in aide;
- e) Educational scholarships paid directly to a student, educational institution, or a veteran;
- f) Earned income tax credits;
- g) Unreliable and non-recurring income (e.g., gifts, employee stock option buyouts, etc. As indicated above in 1.b, overtime pay, commissions, fees, tips and bonuses do not constitute unreliable and non-recurring income as defined here.) ; and
- h) The value of food stamp allotments (per §913.106 of the HUD regulations).

#### **IV. What are acceptable forms of income source documents?**

Acceptable forms of income source documents may include the following:

- a) Completed U.S. Individual Income Tax Returns (i.e., Internal Revenue Service 1040 Forms), inclusive of Year-end Wage and Tax Statements (i.e., IRS W-2 Forms). *Please note that Income Tax Returns are generally accepted as the sole income source documentation only during the first three calendar months of a given year.*
- b) Paychecks with accompanying earnings/deductions statements
- c) Completed and properly executed verification of employment letters
- d) Social Security Supplemental Income notices
- e) Financial statements verifying payments received from annuities, pensions, insurance policies, etc.
- f) Financial statements verifying stock portfolio earnings, dividends, and other interest income
- g) Letters or case management forms from public assistance agencies
- h) Approved HUD Section 8 certificates
- i) State housing agency (e.g., Department of Community Affairs) verifications of income
- j) Court orders verifying alimony awards and child support payments, with copies of checks or payment records to verify payments.