

Calculating Income for the  
NC Home Advantage Tax  
Credit (MCC) and the NC 1<sup>st</sup>  
Home Advantage Down  
Payment \$8,000

# Special Rules for the NC 1<sup>st</sup> Home Advantage Down Payment

- The NC 1<sup>st</sup> Home Advantage Down Payment is anticipated to have funds for several years.
- Available in all 100 NC Counties
- Anticipated Depletion Date: Unknown
- MUST follow NC Home Advantage AND MRB/MCC Rules
- New or Existing properties
- First Time Buyer or meet exceptions
- Sales price max \$345,000
- **INCOME LIMITS APPLY**

Family  
Income  
Limits  
Apply

- Go To:

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

- For current income and sales price limits

# What Is Family Income?

- **All** of the income received by **All** Borrowers, spouses, & owner occupants must be considered.
  - Base Pay
  - 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

Family Income:  
Who is  
Counted?  
What  
Documentation  
is needed?

Category of Borrower/Titleholder	Income Counted?	Income Documents Required?	Federal Tax Returns or Transcripts	FTHB?	Credit Report Required
Borrower	Yes	Yes	Yes	Yes	Yes
Co-Borrower	Yes	Yes	Yes	Yes	Yes
Spouse (not on loan)	Yes	Yes	Yes	Yes	No
Someone Secondarily Liable, Occupant	Yes	Yes	Yes	Yes	No
Titleholder, Occupant	Yes	Yes	Yes	Yes	No
Titleholder, Non-Occupant	No	No	No	No	No
Adult Occupant only	No	No	No	No	No

## Calculating Base Pay for Wage Earners

- How often is the borrower/Occupant Paid?
  - Weekly? \_\_\_\_\_
  - Bi-Weekly? \_\_\_\_\_
  - Bi-Monthly \_\_\_\_\_
  - Monthly? \_\_\_\_\_

## Calculating Base Pay for Wage Earners

- How is the Borrower/Occupant paid?
  - Hourly?
    - If so, how many hours per pay period?
  - Salary ?
  - Overtime?
  - Bonus?

Calculating  
Base Pay for  
Wage Earners

$$\begin{aligned} &\text{Hourly Rate} \\ &\quad \times \\ &\text{Hours per pay period} \\ &\quad \times \\ &\text{\# of pay periods} \\ &\quad = \\ &\text{Annual Base Pay} \end{aligned}$$

## Calculating Overtime or Bonus for Wage Earners

- **January 1 to June 30:** for all pay period ending dates June 30 or earlier, combine all income for previous tax year and Year to Date.
- **July 1:** pay period ending dates July 1 or later, take current year income only.\*
- All income in excess of Base Pay is considered “**Other**”

Total Income [Previous Yr + YTD or YTD only]

Subtract - Base Pay

**Equals = Other Income**

- Divide the result by the appropriate pay periods/months & multiply by 12 months.

\* For Full Time wage earners on same job

Calculating  
Compliance  
Income for  
Wage Earners

Combine Annual Base Pay &  
Other Income

Annual Base Pay

+

Other Income

=

Total Compliance Income

# How to Handle Raises

- When a customer has received a raise within the calculation period you must determine the income **before** the raise and calculate base pay before and after the date of the raise.
  - How many pay periods in the calculation period before the raise?
  - Multiply Hourly rate x Hours per pay pd x # of pay periods up to the raise date
  - Multiply new Hourly rate x Hours per pay pd x # of pay periods from the raise date to the date of the paystub or VOE
  - Add the two results for TOTAL BASE PAY

# How to Handle Raises

## Calculate PRE Raise Base Pay:

- Hourly rate Before Raise
- x Hrs per pay period
- x # of pay pds before Raise
- = Total Base Pay Pre Raise

## Calculate POST Raise Base Pay:

- Hourly Rate After Raise
- x Hrs per pay period
- x # of pay pds After Raise
- = Total Base Pay After Raise

# How to Handle Raises

Combine Total PRE & POST  
Raise Income

$$\begin{aligned} &\text{Total Base Pay Pre Raise} \\ &\quad + \\ &\text{Total Base Pay After Raise} \\ &\quad = \\ &\text{Total Base Pay} \end{aligned}$$

Deduct Total Base Pay from  
Total Income

$$\begin{aligned} &\text{Total Income} \\ &\quad - \\ &\text{Total Base Pay} \\ &\quad = \\ &\text{Total OTHER Income} \end{aligned}$$

# How to Handle Raises

- Now, Multiply Your NEW Base Pay after the Raise for Total Annual Income.
- Multiply Total OTHER Income x 12 months
- Combine for Compliance Income

(New Base Pay x 12 months)

+

(Other Income x 12 months)

=

**Total Compliance Income**

## Calculating Income for Self-Employed Borrowers

- Income will be averaged from the previous 2 years Federal Tax Returns plus a Year to Date 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.
- Losses are NOT deducted from Family Income. Any loss is reflected as "0" .

## Calculating Self Employed Income

$$\begin{aligned} & \text{Previous 2 years tax returns} \\ & + \\ & \text{Plus depreciation/depletion} \\ & + \\ & \text{YTD Profit and Loss} \\ & / \\ & \text{by \# of months} \\ & = \\ & \text{Compliance Income} \end{aligned}$$

# 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 \$ _____
	=	
<b>Total Compliance Income \$ _____</b>		

# Example

- Assume today is March 15, 2021:
- Borrower employed 3 years with same employer.
- Current salary is \$22.50 per hour; paid weekly
- Received \$2.00 per hour raise on 11/01/20 (end of pay period #44).
- Current pay stub to 03-08-21 (end of pay period #10) shows total YTD income of \$11,240
- W-2 earnings for 2020 of \$51,040.

## Example: Compliance Income Worksheet

### Previous Year Rate

Old Rate \$20.50 x 40 per P/P x 44 # of P/P =  
 Subtotal #1 \$36,080\*

Base Pay \$22.50  
 X of Hours 40  
 Total per P/Pd = \$900  
 X # P/P's/yr 52  
**TOTAL = \$46,800.00**

Base per P/Pd \$ 900  
 X # P/Pd 10  
 = TOTAL \$9,000  
 - P/S YTD \$11,240  
 = **YTD other** \$ 2,240

Base per P/Pd \$ 900  
 X # P/Pd 8  
 = Subtotal 2 \$ 7,200  
 + Subtotal 1 \$ 36,080 \*  
 = TOTAL \$ 43,280  
 - 2020 W-2 \$ 51,040  
 = **2020 other** \$ 7,760

\$2,240 + \$7,760 = \$10,000 ÷ 62 = \$161.29 x 52 = \$ 8,387  
 YTD Other Past Year Other Total Other Periods Covered per Pay Period periods per/yr **TOTAL OTHER INCOME**

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

# Contact Us

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