

**Part I** defines the type of income

**Part II** identifies the method of calculation with the objective of determining the monthly qualifying income

PART I - INCOME TYPE		
Section	Borrower	Co-Borrower
1) Hourly: See Part II, Section 1a, 1b, 1c or 1d (seasonal worker)		
2) Weekly: See Part II, Section 2		
3) Bi-Weekly: See Part II, Section 3		
4) Semi-Monthly: See Part II, Section 4		
5) Overtime/Bonuses: See Part II, Section 5a or 5b		
6) Commissioned: See Part II, Section 6		
7) Dividends/Interest: See Part II, Section 7		
8) Net Rental Income: See Part II, Section 8a or 8b		
9) Alimony: See Part II, Section 9		
10) Child Support: See Part II, Section 10		
11) Military Income: See Part II, Section 11		
12) Social Security Income: See Part II, Section 12		
13) Non-Taxable Income – Grossed Up: See Part II, Section 13		
14) Self-Employment: See Part II, Section 14		
PART II - CALCULATION METHOD – Complete the appropriate sections, then total all sections to arrive at total monthly income		
Section 1a: Hourly – 40 hrs per week		
Definition: Paid hourly (if the borrower works 40 hours per week)	Subtotal	Total
<b>Step 1</b> Enter Hourly Base rate <input type="text"/> . Annual Income = Hourly rate x 40 (hours) x 52 (weeks)	\$	
<b>Step 2</b> Monthly Income = Annual Income /12		\$
Section 1b: Hourly – Hours vary – Full Doc		
Definition: Paid hourly (if the borrower works more or less than 40 hours per week)	Subtotal	Total
<b>Step 1</b> Enter the current year to date base earnings from VOE	\$	
<b>Step 2</b> Enter the previous years base earnings from the VOE/W2	\$	
<b>Step 3</b> Total of steps 1 and 2	\$	
<b>Step 4</b> Enter the number of months that year to date and past year earnings cover <input type="text"/> . Monthly Income = Subtotal number from step 3 divided by number in box		\$

<b>Section 1c: Hourly – Hours vary – Alternative Doc</b>		
<b>Definition: Paid hourly (if the borrower works more or less than 40 hours per week)</b>	<b>Subtotal</b>	<b>Total</b>
<b>Step 1</b> Enter the current year to date base earnings from paystub	\$	
<b>Step 2</b> Enter the previous years base earnings from prior year W2	\$	
<b>Step 3</b> Total of steps 1 and 2	\$	
<b>Step 4</b> Enter the number of months that year to date and past year earnings cover <input type="text"/> Monthly Income = Subtotal number from step 3 divided by number in box		\$
<b>Section 1d: Hourly – Hourly – Seasonal Worker</b>		
<b>Definition: Paid hourly (if the borrower works more or less than 40 hours per week)</b>	<b>Subtotal</b>	<b>Total</b>
<b>Step 1</b> Enter the current year to date base earnings from paystub/VOE	\$	
<b>Step 2</b> Enter the previous years base earnings from prior year W2	\$	
<b>Step 3</b> Total of steps 1 and 2	\$	
<b>Step 4</b> Enter year one (previous or current year) unemployment income	\$	
<b>Step 5</b> Enter year two (previous year to step 2) unemployment income	\$	
<b>Step 6</b> Total of steps 4 and 5	\$	
<b>Step 7</b> Enter the number of months that year to date or year 1 and year 2 unemployment income cover <input type="text"/>		
<b>Step 8</b> Monthly Base & Unemployment Income = Totals from steps 3 and 6 divided by step 7		\$
<b>Section 2: Weekly</b>		
<b>Definition: Paid every week</b>	<b>Subtotal</b>	<b>Total</b>
<b>Step 1</b> Enter gross base income from a recent paystub	\$	
<b>Step 2</b> Annual Income = Weekly Rate x 52	\$	
<b>Step 3</b> Monthly Income = Subtotal number from step 2 (annual income) divided by 12		\$
<b>Section 3: Bi-Weekly</b>		
<b>Definition: Paid every two weeks, or 26 weeks annually</b>	<b>Subtotal</b>	<b>Total</b>
<b>Step 1</b> Enter gross base income from a recent paystub	\$	
<b>Step 2</b> Annual Income = Subtotal number from step 1 multiplied by 26	\$	
<b>Step 3</b> Monthly Income = Subtotal number from step 2 (annual income) divided by 12		\$
<b>Section 4: Semi-Monthly</b>		
<b>Definition: Paid the first and the fifteenth of the month, or 24 weeks annually</b>	<b>Subtotal</b>	<b>Total</b>
<b>Step 1</b> Enter gross base income from a recent paystub	\$	
<b>Step 2</b> Annual Income = Subtotal number from step 1 (gross base income) multiplied by 24	\$	
<b>Step 3</b> Monthly Income = Subtotal number from step 2 (annual income) divided by 12		\$
<b>Section 5a: Overtime/Bonuses – Full Doc</b>		
<b>Definition: Income will be considered effective income if received for 2 years and continuance can be verified. Qualifying income typically consists of a 2 year average; however, an average of the prior year and year to date income can be used if the income is stable or increasing and the income is likely to increase.</b>		
<b>If overtime or bonus represents 25% of their overall income, tax returns are required to if there are business expenses.</b>	<b>Subtotal</b>	<b>Total</b>
<b>Step 1</b> Enter the current overtime/bonus year to date income	\$	
<b>Step 2</b> Enter the previous years overtime/bonus earnings	\$	
<b>Step 3</b> Totals of steps 1 and 2	\$	
<b>Step 4</b> Enter the number of months that year to date or year 1 and year 2 overtime/bonus income cover <input type="text"/>		\$

**Section 5b: Overtime/Bonuses – Alt Doc**

<b>Definition: Income will be considered effective income if received for 2 years and continuance can be verified. Qualifying income typically consists of a 2 year average; however, an average of the prior year and year to date income can be used if the income is stable or increasing and the income is likely to increase.</b> <b>If overtime or bonus represents 25% of their overall income, tax returns are required to if there are business expenses.</b>			
		<b>Subtotal</b>	<b>Total</b>
<b>Step 1</b>	Enter the current overtime/bonus year to date income (which includes base and overtime)	\$	
<b>Step 2</b>	Enter the previous years overtime/bonus earnings (which includes base and overtime)	\$	
<b>Step 3</b>	Totals of steps 1 and 2	\$	
<b>Step 4</b>	Enter the number of months that year to date or year 1 and year 2 overtime/bonus income cover <input style="width: 50px; height: 20px;" type="text"/>		\$

**Section 6: Commissions**

<b>Definition: Income will be considered effective income if received for 2 years and continuance can be verified. Qualifying income typically consists of a 2 year average; however, an average of the prior year and year to date income can be used if the income is stable or increasing and the income is likely to increase.</b>			
		<b>Subtotal</b>	<b>Total</b>
<b>Step 1</b>	Enter the current year to date commission earnings	\$	
<b>Step 2</b>	Enter the previous years commission earnings	\$	
<b>Step 3</b>	Enter business expenses from tax returns for year 1	\$	
<b>Step 4</b>	Enter business expenses from tax returns for year 2	\$	
<b>Step 5</b>	Total the commission income for qualifying purposes = Totals of steps 1 and 2	\$	
<b>Step 6</b>	Total the commission expenses for qualifying purposes = Totals of steps 3 and 4	\$	
<b>Step 7</b>	Total qualifying income = Subtraction of subtotal in step 6 from subtotal in step 5	\$	
<b>Step 8</b>	Enter the number of months that year to date or year 1 and year 2 commission income cover <input style="width: 50px; height: 20px;" type="text"/>		\$

**Section 7: Dividends & Interest**

<b>Definition: Reasonable income on verified savings/stocks will be accepted. Provide tax returns to verify the most recent 2 years history and verify borrower still has the asset(s) generating the income. Note: deduct from income any dividend or interest earned on assets that will be used for closing.</b>			
		<b>Subtotal</b>	<b>Total</b>
<b>Step 1</b>	Enter annual dividend/interest income for year 1 (from tax return)	\$	
<b>Step 2</b>	Enter annual dividend/interest income for year 2 (from tax return)	\$	
<b>Step 3</b>	Enter dividend/interest income that cannot be used in qualifying (i.e. asset that will be used for closing)	\$	
<b>Step 4</b>	Total qualifying income = Subtraction of subtotal in steps 1 and 2 from subtotal in step 3	\$	
<b>Step 5</b>	Enter the number of months that year to date or year 1 and year 2 dividends and interest income cover <input style="width: 50px; height: 20px;" type="text"/>		\$

**Section 8a: Net Rental Income – Tax Return method**

Definition: Derived from the Schedule of Real Estate Owned on page 3 of the application. Must be supported by a current lease on the property or copies of the past two year’s tax returns. You can also refer to PMI’s Income Analysis Worksheet when calculating rental income from the tax return: <a href="http://www.pmi-us.com/media/pdf/resourcecenter/toolkits/pmi_IncomeAnalysisFormInstr.pdf">http://www.pmi-us.com/media/pdf/resourcecenter/toolkits/pmi_IncomeAnalysisFormInstr.pdf</a>	Subtotal	Total
<b>Step 1</b> Enter year 1 rental income from line 3 on the Schedule E	\$	
<b>Step 2</b> Enter year 2 rental income from line 3 on the Schedule E	\$	
<b>Step 3</b> Add steps 1 and 2 for total rental income	\$	
<b>Step 4</b> Enter year 1 rental expenses from line 19 on the Schedule E	\$	
<b>Step 5</b> Enter year 2 rental expenses from line 19 on the Schedule E	\$	
<b>Step 6</b> Add steps 4 and 5 for total rental expenses	\$	
<b>Step 7</b> Subtraction of subtotal in step 6 from subtotal in step 3	\$	
<b>Step 8</b> Enter the number of months that year to date or year 1 and year 2 rental income cover <input style="width: 50px; height: 15px; border: 1px solid black;" type="text"/>		\$

**Section 8b: Net Rental Income – Net Rental Income method**

Definition: This method to be used if the rental property does not exist on the previous year’s tax returns. Must be supported by a current lease agreement on the property.	Subtotal	Total
<b>Step 1</b> Enter Monthly Gross Rental Income	\$	
<b>Step 2</b> Total Monthly Income used for qualifying = Subtotal from step 1 multiplied by 75%	\$	
<b>Step 3</b> Enter monthly PITI (principal, interest, taxes & insurance)	\$	
<b>Step 4</b> Enter monthly MI (mortgage insurance)	\$	
<b>Step 5</b> Enter monthly HOA (homeowners association) dues	\$	
<b>Step 6</b> Enter other monthly expenses	\$	
<b>Step 7</b> Total Monthly Expenses used for qualifying = Totals of steps 3 to 6	\$	
<b>Step 8</b> Monthly Income/Loss = Subtraction of subtotal in step 5 from subtotal in step 2		\$

**Section 9: Alimony**

Definition: Income must be supported by a divorce decree verifying 3 year continuance and a copy of the court records (or copies of cancelled checks) showing regular receipt of payment for at least 12 months.	Subtotal	Total
<b>Step 1</b> Enter amount of alimony/child support received indicated on the divorce decree		\$

**Section 10: Child Support**

Definition: Income must be supported by a divorce decree verifying 3 year continuance and a copy of the court records (or copies of cancelled checks) showing regular receipt of payment for at least 12 months. To gross up the non-taxable portion of income, see section 13.	Subtotal	Total
<b>Step 1</b> Enter amount of child support received indicated on the divorce decree		\$

<b>Section 11: Military Income</b>		
<b>Definition: Military personnel may be entitled to different types of pay in addition to their base pay. Flight or hazard pay, rations, clothing allowance, quarters' allowance, and proficiency pay are acceptable sources of stable income, as long as the lender can establish that the particular source of income will continue to be received in the future. To gross up the non-taxable portion of income, see section 13.</b>	<b>Subtotal</b>	<b>Total</b>
<b>Step 1</b> Enter Monthly Base Pay	\$	
<b>Step 2</b> Enter Flight Pay	\$	
<b>Step 3</b> Enter Hazard Pay	\$	
<b>Step 4</b> Enter Rations	\$	
<b>Step 5</b> Enter Clothing Allowance	\$	
<b>Step 6</b> Enter Quarters' Allowance	\$	
<b>Step 7</b> Enter Proficiency Pay	\$	
<b>Step 8</b> Monthly Income = Totals of steps 1 through Step 7		\$
<b>Section 12: Social Security Income</b>		
<b>Definition: Social Security Income must be supported by the social security award letter, 2 years 1040s and evidence of continuance for the next three years. To gross up the non-taxable portion of income, see section 13.</b>	<b>Subtotal</b>	<b>Total</b>
<b>Step 1</b> Enter the monthly amount of social security income received as supported on the social security award letter		\$
<b>Section 13: Non-taxable Income – To be grossed up</b>		
<b>Definition: The non-taxable portion of income will be grossed up by 25% which will then be added back to the total income of the source generating the non-taxable income.</b>	<b>Subtotal</b>	<b>Total</b>
<b>Step 1</b> Enter monthly non-taxable portion of income	\$	
<b>Step 2</b> The income in Step 1 will be multiplied by 25% \$(this is a calculated 'Total' field which would take the income in the sub-total field from step one and multiply it by 25%, i.e. \$1000 x .25 = \$1250		\$
<b>Section 14: Self-Employed Income</b>		
Please refer to:		
<ul style="list-style-type: none"> <li>• Tax Form Checklist for self-employment documentation requirements <a href="http://www.pmi-us.com/media/pdf/resourcecenter/toolkits/pmi_070609_TaxFormChk1st.pdf">http://www.pmi-us.com/media/pdf/resourcecenter/toolkits/pmi_070609_TaxFormChk1st.pdf</a></li> <li>• Income Analysis Worksheet for a calculation worksheet for self-employed borrowers <a href="http://www.pmi-us.com/media/pdf/resourcecenter/toolkits/pmi_IncomeAnalysisFormInstr.pdf">http://www.pmi-us.com/media/pdf/resourcecenter/toolkits/pmi_IncomeAnalysisFormInstr.pdf</a></li> </ul>		
<b>GRAND TOTAL</b>		
	<b>Subtotal</b>	<b>Total</b>
<b>Total Qualifying Monthly Income = Totals from all sections</b>		\$

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## PART II - CALCULATION METHOD –

Complete the appropriate sections.

Note: All totals and some sub totals will be automatically calculated.

### Section 1a: Hourly – 40 hrs per week

Definition: Paid hourly (if the borrower works 40 hours per week)

- Step 1: Enter the borrower's hourly rate (box)  
 Step 2: The monthly income will be automatically calculated

### Section 1b: Hourly – Hours vary – Full Doc

Definition: Paid hourly (if the borrower works more or less than 40 hours per week)

- Step 1: Enter the current year to date earnings from VOE  
 Step 2: Enter the previous years earnings from the VOE/W2  
 Step 3: The total income from steps 1 & 2 will be automatically calculated  
 Step 4: Enter the number of months that year to date and past year earnings cover (box).  
 The total monthly income will be automatically calculated

### Section 1c: Hourly – Hours vary – Alternative Doc

Definition: Paid hourly (if the borrower works more or less than 40 hours per week)

- Step 1: Enter the current year to date earnings from paystub  
 Step 2: Enter the previous years earnings from prior year W2  
 Step 3: The total income from steps 1 & 2 will be automatically calculated  
 Step 4: Enter the number of months that year to date and past year earnings cover (box).  
 The total monthly income will be automatically calculated

### Section 1d: Hourly – Hourly – Seasonal Worker

Definition: Paid hourly (if the borrower works more or less than 40 hours per week)

- Step 1: Enter the current year to date earnings from paystub/VOE  
 Step 2: Enter the previous years base earnings from prior year W2  
 Step 3: The totals from steps 1 & 2 will be automatically calculated  
 Step 4: Enter year one (previous or current year) unemployment income  
 Step 5: Enter year two (previous year to step 2) unemployment income  
 Step 6: The total income from steps 4 & 5 will be automatically calculated  
 Step 7: Monthly Unemployment Income will be automatically calculated  
 Step 8: Monthly Base & Unemployment Income will be automatically calculated

### Section 2: Weekly

Definition: Paid every week

- Step 1: Enter gross base income from a recent paystub  
 Step 2: Annual Income will be automatically calculated  
 Step 3: Monthly Income will be automatically calculated

### Section 3: Bi-Weekly

Definition: Paid every two weeks, or 26 weeks annually

- Step 1: Enter gross base income from a recent paystub  
 Step 2: Annual Income will be automatically calculated  
 Step 3: Monthly Income will be automatically calculated

### Section 4: Semi-Monthly

Definition: Paid the first and the fifteenth of the month, or 24 weeks annually

- Step 1: Enter gross base income from a recent paystub  
 Step 2: Annual Income will be automatically calculated  
 Step 3: Monthly Income will be automatically calculated

**Section 5a: Overtime/Bonuses – Full Doc**

**Definition:** Income will be considered effective income if received for 2 years and continuance can be verified. Qualifying income typically consists of a 2 year average; however, an average of the prior year and year to date income can be used if the income is stable or increasing and the income is likely to increase. If overtime or bonus represents 25% of their overall income, tax returns are required to determine if there are business expenses.

- Step 1: Enter the current overtime/bonus year to date income
- Step 2: Enter the previous years overtime/bonus earnings
- Step 3: The total income from steps 1 and 2 will be automatically calculated
- Step 4: Enter the number of months to be averaged

**Section 5b: Overtime/Bonuses – Alt Doc**

**Definition:** Income will be considered effective income if received for 2 years and continuance can be verified. Qualifying income typically consists of a 2 year average; however, an average of the prior year and year to date income can be used if the income is stable or increasing and the income is likely to increase. If overtime or bonus represents 25% of their overall income, tax returns are required to determine if there are business expenses.

- Step 1: Enter the current overtime/bonus year to date income (which includes base and overtime)
- Step 2: Enter the previous years overtime/bonus earnings (which includes base and overtime)
- Step 3: The total income from steps 1 and 2 will be automatically calculated
- Step 4: Enter the number of months to be averaged

**Section 6: Commissions**

**Definition:** Income will be considered effective income if received for 2 years and continuance can be verified. Qualifying income typically consists of a 2 year average; however, an average of the prior year and year to date income can be used if the income is stable or increasing and the income is likely to increase.

- Step 1: Enter the current year to date commission earnings
- Step 2: Enter the previous years commission earnings
- Step 3: Enter business expenses from tax returns for year 1
- Step 4: Enter business expenses from tax returns for year 2
- Step 5: The total commission income for qualifying purposes will be automatically calculated
- Step 6: The total business expenses for qualifying purposes will be automatically calculated
- Step 7: The total qualifying income will be automatically calculated
- Step 8: Enter the number of months to be averaged

**Section 7: Dividends & Interest**

**Definition:** Reasonable income on verified savings/stocks will be accepted. Provide tax returns to verify the most recent 2 years history and verify borrower still has the asset(s) generating the income. Note: deduct from income any dividend or interest earned on assets that will be used for closing.

- Step 1: Enter annual dividend/interest income for year 1 (from tax return)
- Step 2: Enter annual dividend/interest income for year 2 (from tax return)
- Step 3: Enter dividend/interest income that cannot be used in qualifying (i.e. asset that will be used for closing)
- Step 4: The total dividend/interest income for qualifying purposes will be automatically calculated
- Step 5: Enter the number of months to be averaged

**Section 8a: Net Rental Income – Tax Return method**

**Definition:** Derived from the Schedule of Real Estate Owned on page 3 of the application. Must be supported by a current lease on the property or copies of the past two year’s tax returns. You can also refer to PMI’s Income Analysis Worksheet when calculating rental income from the tax return: [http://www.pmi-us.com/media/pdf/resourcecenter/toolkits/pmi\\_IncomeAnalysisFormInstr.pdf](http://www.pmi-us.com/media/pdf/resourcecenter/toolkits/pmi_IncomeAnalysisFormInstr.pdf)

- Step 1: Enter year 1 rental income from line 3 on the Schedule E
- Step 2: Enter year 2 rental income from line 3 on the Schedule E
- Step 3: The total income from steps 1 & 2 will be automatically calculated
- Step 4: Enter year 1 rental expenses from line 19 on the Schedule E
- Step 5: Enter year 2 rental expenses from line 19 on the Schedule E
- Step 6: The total rental expenses from steps 4 & 5 will be automatically calculated
- Step 7: The difference between the income and expenses will be automatically calculated
- Step 8: Enter the number of months to be averaged

**Section 8b: Net Rental Income – Net Rental Income method**

**Definition:** This method to be used if the rental property does not exist on the previous year’s tax returns. Must be supported by a current lease on the property.

- Step 1: Enter the monthly gross rental income
- Step 2: The total monthly gross rental income used for qualifying will be automatically calculated
- Step 3: Enter monthly PITI (principal, interest, taxes & insurance)
- Step 4: Enter monthly MI (mortgage insurance)
- Step 5: Enter monthly HOA (homeowners association) dues

**Section 8b: Net Rental Income – Net Rental Income method (cont.)**

- Step 6: Enter monthly other expenses, then the next steps should be re-numbered
- Step 7: Enter other monthly expenses
- Step 8: The monthly Income/Loss will be automatically calculated

**Section 9: Alimony**

**Definition:** Income must be supported by a divorce decree verifying 3 year continuance and a copy of the court records (or copies of cancelled checks) showing regular receipt of payment for at least 12 months

- Step 1: Enter amount of alimony received indicated on the divorce decree

**Section 10: Child Support**

**Definition:** Income must be supported by a divorce decree verifying 3 year continuance and a copy of the court records (or copies of cancelled checks) showing regular receipt of payment for at least 12 months. To gross up the non-taxable portion of income, see section 13.

- Step 1: Enter amount of child support received indicated on the divorce decree

**Section 11: Military Income**

**Definition:** Military personnel may be entitled to different types of pay in addition to their base pay. Flight or hazard pay, rations, clothing allowance, quarters' allowance, and proficiency pay are acceptable sources of stable income, as long as the lender can establish that the particular source of income will continue to be received in the future. To gross up the non-taxable portion of income, see section 13.

- Step 1: Enter monthly base pay
- Step 2: Enter flight pay
- Step 3: Enter hazard pay
- Step 4: Enter rations
- Step 5: Enter clothing allowance
- Step 6: Enter quarters' allowance
- Step 7: Enter proficiency pay
- Step 8: The total monthly income will be automatically calculated

**Section 12: Social Security Income**

**Definition:** Social Security Income must be supported by the social security award letter, 2 years 1040s and evidence of continuance for the next three years. To gross up the non-taxable portion of income, see section 13

- Step 1: Enter the monthly amount of social security income received as supported on the social security award letter \$

**Section 13: Non-taxable income – Grossed Up**

**Definition:** The non-taxable portion of income will be grossed up by 25% which will then be added back to the total income of the source generating the non-taxable income.

- Step 1: Enter monthly non-taxable portion of income \$ (should be entered into 'Sub-total' field)
- Step 2: The grossed up income will be automatically calculated

**Section 14: Self-Employed Income Link**

Please refer to:

- Tax Form Checklist for self-employment documentation requirements [http://www.pmi-us.com/media/pdf/resourcecenter/toolkits/pmi\\_070609\\_TaxFormChklst.pdf](http://www.pmi-us.com/media/pdf/resourcecenter/toolkits/pmi_070609_TaxFormChklst.pdf)
- Income Analysis Worksheet for a calculation worksheet for self-employed borrowers [http://www.pmi-us.com/media/pdf/resourcecenter/toolkits/pmi\\_IncomeAnalysisFormInstr.pdf](http://www.pmi-us.com/media/pdf/resourcecenter/toolkits/pmi_IncomeAnalysisFormInstr.pdf)

**Grand Total**

The total qualifying monthly income will be automatically calculated

If you have any questions, please email PMI Customer Training at [pmicustomer.training@pmigroup.com](mailto:pmicustomer.training@pmigroup.com).



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