

Wage Earner (W-2) Income Calculation Worksheet Job Aid



WHOLESALE LENDING

This job aid provides detailed instructions for completing the Wage Earner Income Calculation Worksheet. The Wage Earner (W-2) Income Calculation Worksheet, which can be found at wholesale.franklinamerican.com under *Forms > Miscellaneous*, is a tool for all loan types.

- The document provides worksheets for up to four (4) employments.
- Each worksheet should represent one job per borrower.
- Use multiple worksheets as needed for additional borrowers and employment.

Use the following links to navigate to different sections of the worksheet within this job aid:

- [Loan Information](#)
- [Current Income - Base Income Calculation](#)
- [Current Income - Miscellaneous Income Sources](#)
- [Determining Monthly Qualifying Income](#)
- [Current and Prior Income](#)
- [Unreimbursed Business Expenses](#) (Conventional Jumbo Non-Conforming Only)

Income Calculation Worksheet for Wage Earner (W-2) Borrowers – All Loan Types				
Borrower's Name:			Loan Number:	
Employer Name:			Underwriter:	

Loan Information

Borrower's Name	Input the name of the borrower for whom the worksheet is being completed.
Loan Number	Input the loan number for which the worksheet is being completed.
Employer Name	Input the name of the employer for which the worksheet is being completed.
Underwriter	For underwriting, input the name of the underwriter completing the worksheet.

Current Income - Base Income Calculation

This section is designated for the borrower's current employment only. Income from previous employment must not be included in this section.

BASE INCOME CALCULATION					
Salary Type	Select the borrowers salary type				
Pay Rate	\$0.00				
Conversion Calculation					
\$ per Month	\$0.00				
Current Year Base Income					
Current Job Only	# Months	# Months Override			
Start Date		0			
End Date					
YTD \$	\$0.00				
\$ per Month	\$0.00				
Year 1 Base Income					
Current Job Only	# Months	# Months Override			
Start Date		0			
End Date					
YTD \$	\$0.00				
\$ per Month	\$0.00				
Year 2 Base Income					
Current Job Only	# Months	# Months Override			
Start Date		0			
End Date					
YTD \$	\$0.00				
\$ per Month	\$0.00				
Base Income Comparisons					
	\$	# Months	# Months Override	\$ per Month	
YTD + Year 1	\$0.00	0		\$0.00	
YTD + Year 1 + Year 2	\$0.00	0		\$0.00	
Year 1 + Year 2	\$0.00	0		\$0.00	
<ul style="list-style-type: none"> • Calculated base income is the lesser of the calculated salary, YTD, or YTD + Year 1 • Calculated miscellaneous income is the lesser of the calculated YTD, YTD + Year 1, or YTD + Year 1 + Year 2 					

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Base Income Salary

This section will calculate the monthly base income for the borrower's current employment by using verified salary and pay rate information.

Salary Type	<p>From the drop-down menu, select one of the following salary types which best describes the frequency with which the borrower is paid and how the income is being documented/verified:</p> <ul style="list-style-type: none"> • Hourly • Weekly • Bi-Weekly (every two weeks) • Semi-Monthly (twice per month) • Monthly • Annually
Pay Rate	Input the rate of pay as documented on a paycheck stub or a written Verification of Employment (VOE). Example: \$20.00 per hour or \$2,500.00 bi-weekly
Hours	This field is only required when <i>Salary Type</i> is "Hourly". Enter the average number of hours worked by the borrower (not to exceed 40). <u>This is base income only</u> ; overtime will be calculated elsewhere.
Conversion Calculation	This is a non-editable field which will display the calculation used to determine the monthly income for the borrower based on the other information provided in this section.
\$ per Month	This field populates with the calculated dollars per month according to the <i>Salary Type</i> , <i>Pay Rate</i> , and <i>Hours</i> (when applicable). This will be used in evaluation by the worksheet to determine the monthly qualifying income.

Current Year Base Income

This section will calculate the monthly base income for the borrower's current employment by using Year-to-Date (YTD) information. This YTD information is for the current year only; prior years will be entered separately. Do not use this section for income from a previous job; do not combine income from multiple jobs.

Start Date	Input the first date of the current calendar year that the borrower was employed with this employer. If the employment carried over from a previous year, this date will be January 1 st of the current year.
End Date	Input the most recent "paid through" date on a pay stub or as noted on a written VOE.
# Months	This field will calculate the number of months that the borrower has been paid for the current year based on the <i>Start Date</i> and <i>End Date</i> entered.
# Months Override	If the calculation for YTD needs to be done using a number of months other than the calculated <i># Months</i> , manually enter the correct number of months in this field to be used in the calculation. Note: An explanation for the override must be added to the <i>Comments</i> section below.
YTD \$	Enter the total base income year-to-date total for the borrower. This can include any paid time off (PTO), holiday, or other pay that might otherwise represent base pay. <u>Do not include overtime, bonus, commission, or other additional income types</u> ; those will be calculated elsewhere on the worksheet.
\$ per Month	This field populates with the calculated dollars per month according to the <i>YTD \$</i> and <i># Months</i> (or <i># Months Override</i> when entered). This will be used in evaluation by the worksheet to determine the monthly qualifying income.

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Year 1 Base Income

This section will calculate the monthly base income for the year prior to the current year as it applies to the borrower's current employment. Do not use this section for income from a previous job; do not combine income from multiple jobs.

When the *Start Date* and *End Date* are entered for Current Year Base Income, the label for this section will update to reflect the year for which the data should be entered.

Example: If the Current Year Base Income shows 1/1/2019 – 11/30/2019, then the label for this section will update to Year – 2018 Base Income.

Start Date	Input the first date of the previous calendar year that the borrower was employed with this employer. If the employment carried over from a previous year, this date will be January 1 st of that year.
End Date	Because this will always be for the current employer, the <i>End Date</i> should be December 31 st of that year.
# Months	This field will populate with the calculated number of months that the borrower was paid for the previous year based on the <i>Start Date</i> and <i>End Date</i> entered.
# Months Override	If the calculation for YTD needs to be done using a number of months other than the calculated # Months, manually enter the correct number of months to be used in the calculation. Note: An explanation for the override must be added to the <i>Comments</i> section below.
YTD \$	Enter the total base income year-to-date total for the borrower. This can include any paid time off (PTO), holiday, or other pay that might otherwise represent base pay. <u>Do not include overtime, bonus, commission, or other additional income types</u> ; those will be calculated elsewhere on the worksheet. This should only come directly from a W-2 if it is known that the amount represents base income only.
\$ per Month	This field populates with the calculated dollars per month according to the <i>YTD \$</i> and # Months (or # Months Override when entered). This will be used in evaluation by the worksheet to determine the monthly qualifying income.

Year 2 Base Income

This section will calculate monthly base income for the year that is two years prior to the current year as it applies to the borrower's current employment. Do not use this section for income from a previous job; do not combine income from multiple jobs.

When the *Start Date* and *End Date* are entered for Current Year Base Income, the label for this section will update to reflect the year for which the data should be entered.

Example: If the Current Year Base Income shows 1/1/2019 – 11/30/2019, then the label for this section will update to Year – 2017 Base Income.

Start Date	Input the first date of the calendar year from two years prior the borrower was employed with this employer. If the employment carried over from a previous year, this date will be January 1 st of that year.
End Date	Because this will always be for the current employer, the <i>End Date</i> should always be December 31 st of that year.
# Months	This field will populate with the calculated number of months that the borrower was paid for the previous year based on the <i>Start Date</i> and <i>End Date</i> entered.
# Months Override	If the calculation for YTD needs to be done using a number of months other than the calculated # Months, manually enter the correct number of months to be used in the calculation. Note: An explanation for the override must be added to the <i>Comments</i> section below

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YTD \$	Enter the total base income year-to-date total for the borrower. This can include any paid time off (PTO), holiday, or other pay that might otherwise represent base pay. <u>Do not include overtime, bonus, commission, or other additional income types</u> ; those will be calculated elsewhere on the worksheet. This should only come directly from a W-2 if it is known that the amount represents base income only.
\$ per Month	This field will populate with the calculated dollars per month according to the YTD \$ and # Months (or # Months Override when entered). This will not be used in evaluation by the worksheet to determine the monthly qualifying income; however, the underwriter should review this amount to establish the history and trends of the borrower's earnings.
Base Income Comparisons	
YTD + Year 1	This row represents a calculation of the current year YTD and the prior year YTD. The \$ per Month for this row will be used in evaluation by the worksheet to determine the monthly qualifying income.
YTD + Year 1 + Year 2	This row represents a calculation of the current year YTD and the YTD for the prior year and two years prior. The \$ per Month for this row will <u>not</u> be used by the worksheet to determine the monthly qualifying income; however, the underwriter should review this amount to establish the history and trends of the borrower's earnings.
Year 1 + Year 2	This row represents a calculation of the YTD for the prior year and two years prior. The \$ per Month for this row will <u>not</u> be used by the worksheet to determine the monthly qualifying income; however, the underwriter should review this amount to establish the history and trends of the borrower's earnings.
\$	This column will display the combined YTD amounts for each row using the YTD amounts entered above.
# Months	This column will display the combined number of months for each row using the calculated number of months determined by the Start Date and End Date entered above. This will not take into consideration any amount entered as a # Months Override for any given year.
# Months Override	This column will permit the user to manually enter a number of months to use in place of the number calculated using the calculated # Months fields. If the # Months was overridden for a given year above, manually add those amounts and enter here as applicable according to the row label. Note: An explanation for the override must be added in the Comments section below.
\$ per Month	This column will display the monthly income average based on the \$ and # Months (or # Months Override, as applicable). Only the first row for YTD + Year 1 will be used in evaluation by the worksheet to determine the monthly qualifying income.

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Current Income - Miscellaneous Income Sources

This section is designated for the borrower's current employment only. Income from previous employment must not be included in this section.

MISCELLANEOUS INCOME SOURCES				
<u>Bonus Income</u>	\$	# Months	# Months Override	\$ per Month
YTD	\$0.00	0		\$0.00
Year 1	\$0.00	0		\$0.00
Year 2	\$0.00	0		\$0.00
YTD + Year 1	\$0.00	0		\$0.00
YTD + Year 1 + Year 2	\$0.00	0		\$0.00
Year 1 + Year 2	\$0.00	0		\$0.00
<u>Overtime Income</u>	\$	# Months	# Months Override	\$ per Month
YTD	\$0.00	0		\$0.00
Year 1	\$0.00	0		\$0.00
Year 2	\$0.00	0		\$0.00
YTD + Year 1	\$0.00	0		\$0.00
YTD + Year 1 + Year 2	\$0.00	0		\$0.00
Year 1 + Year 2	\$0.00	0		\$0.00
<u>Commission Income</u>	\$	# Months	# Months Override	\$ per Month
YTD	\$0.00	0		\$0.00
Year 1	\$0.00	0		\$0.00
Year 2	\$0.00	0		\$0.00
YTD + Year 1	\$0.00	0		\$0.00
YTD + Year 1 + Year 2	\$0.00	0		\$0.00
Year 1 + Year 2	\$0.00	0		\$0.00
<u>Other Income</u>	\$	# Months	# Months Override	\$ per Month
YTD	\$0.00	0		\$0.00
Year 1	\$0.00	0		\$0.00
Year 2	\$0.00	0		\$0.00
YTD + Year 1	\$0.00	0		\$0.00
YTD + Year 1 + Year 2	\$0.00	0		\$0.00
Year 1 + Year 2	\$0.00	0		\$0.00

Bonus, Overtime, and Commission Income

Use each section to separately calculate bonus, overtime, and commission income earned from the borrower's current employment.

YTD	Enter the YTD income per income source as verified by a paystub or written VOE.
Year 1	Enter the total income earned per income source with the current employer in the prior year.
Year 2	Enter the total income earned per income source with the current employer in the year that is two years prior to the current year.
\$	Enter the YTD amounts for each year according to the row labels.
# Months	This column will display the calculated number of months determined by the <i>Start Date</i> and <i>End Date</i> entered for base income.
# Months Override	This column will permit the user to manually enter the number of months to use in place of the number calculated in the <i># Months</i> fields. Note: An explanation for the override must be added in the <i>Comments</i> section below.
\$ per Month	This column will display the monthly income average based on the \$ and <i># Months</i> (or <i># Months Override</i> , as applicable).

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Other Income

Use this section to calculate any other regular income earned from the borrower's current employment. This could include tips, housing or auto allowance, shift differentials, etc. Any "other" income source from the employer must meet underwriting guidelines.

Use the field directly below the *Other Income* section label to provide a short description of the source for the income being calculated.

The remaining fields function the same as they do for the *Bonus*, *Overtime*, and *Commission* income sources.

Miscellaneous Income Sources Comparison

YTD + Year 1	This row represents a calculation of the current year YTD and the prior year YTD. The \$ <i>per Month</i> for this row will be used in evaluation by the worksheet to determine the monthly qualifying income.
YTD + Year 1 + Year 2	This row represents a calculation of the current year YTD and the YTD for the prior year and two years prior. The \$ <i>per Month</i> for this row will be used in evaluation by the worksheet to determine the monthly qualifying income.
Year 1 + Year 2	This row represents a calculation of the YTD for the prior year and two years prior. The \$ <i>per Month</i> for this row will <u>not</u> be used by the worksheet to determine the monthly qualifying income; however, the underwriter should review this amount to establish the history and trends of the borrower's earnings.
\$	This column will display the combined YTD amounts for each row using the YTD amounts entered above.
# Months	This column will display the combined number of months for each row using the calculated number of months determined by the <i>Start Date</i> and <i>End Date</i> entered above. This will take into consideration any amount entered as a # <i>Months Override</i> and use it in place of the # <i>Months</i> for that same year.
\$ per Month	This column will display the monthly income average based on the \$ and # <i>Months</i> . The rows for <i>YTD + Year 1</i> and <i>YTD + Year 1 + Year 2</i> will be used in evaluation by the worksheet to determine the monthly qualifying income.

Determine Monthly Qualifying Income

This section will evaluate the information provided throughout the *Current Income Base* and *Current Income Miscellaneous* sections and provide a suggested income amount to be used as qualifying income. The section allows an opportunity to override the suggested amount and manually provide a different amount to be used, as long as it can be justified. **Note:** If an amount is overridden, an explanation for the override must be added in the *Comments* section below.

Calculated

Base (Calculated)	This field will populate with the lesser of the calculated salary, YTD average, or YTD + Year 1 average.
Bonus (Calculated)	These fields will populate with the lesser of the calculated YTD average, YTD + Year 1 average, or YTD + Year 1 + Year 2 average.
Overtime (Calculated)	
Commission (Calculated)	
Other (Calculated)	
TOTAL	This field is calculated using the calculated amount for each income type when there are no amounts listed in the <i>Override</i> column. For any income type which has an amount listed in the <i>Override</i> column, that amount will be used in place of the calculated amount.

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Override

When an amount other than the amount listed in the *Calculated* column is determined by the underwriter to be the best option for qualifying the loan, the underwriter can enter a different amount in the *Override* column.

When an amount is entered in the *Override* column, that amount will contribute to the *Total* in place of the *Calculated* amount. This includes entering 0.00 in place of a larger amount; when 0.00 is entered, no income will populate for that type in the calculated total.

If the underwriter uses the *Override* column for any income type, comments must be entered into the *Comments* box to provide a written justification for using an amount other than what was calculated by the worksheet.

Comments

This is an open text box for the underwriter to provide commentary or explanation for anything related to the income calculated on the worksheet. This section will primarily be used to justify manually overriding number of months or an income amount to use in place of a calculated amount.

Current and Prior Income

This section is used to provide a complete year over year comparison of income for all jobs and all W-2 income sources. The amounts recorded in this section are all-encompassing, so all base, bonus, overtime, commission, and other income (from the current employment) should be included. The goal of this section is to provide earning history and trends for the underwriter to evaluate while determining the overall stability and reliability of the borrower's income.

Information for prior years and previous employment is generally obtained from the borrower's W-2. A written VOE can also be used.

Calculations in this section are not used in the evaluation of qualifying income for the subject loan transaction.

CURRENT AND PRIOR INCOME			
COMPLETE INCOME YEAR OVER YEAR COMPARISON			
	\$	# Months	\$ per Month
Current YTD Total	\$0.00	0	\$0.00
Year 1 W-2 Total	\$0.00	12	\$0.00
Year 2 W-2 Total	\$0.00	12	\$0.00
YTD + Year 1	\$0.00	12	\$0.00
YTD + Year 1 + Year 2	\$0.00	24	\$0.00
Year 1 + Year 2	\$0.00	24	\$0.00

Enter total W-2 income from ALL jobs in prior years
These calculations are for informational purposes only. To be used to evaluate overall earnings trends for the borrower. The calculations do not factor into the logic used to determine the monthly qualifying income

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Current and Prior Income - First Table

Current YTD Total	This row represents the total YTD for all income earned in the current year from this employment.
Year 1 W-2 Total	This row represents income from the previous year from all W-2 sources, not just the current employment.
Year 2 W-2 Total	This row represents income from two years prior to the current from all W-2 sources, not just the current employment.
\$	<ul style="list-style-type: none"> For the Current YTD Total row, this field calculates the total current YTD for base, bonus, overtime, commission, and other income. For the Year 1 and Year 2 W-2 Total rows, enter the total of all W-2 income earned in the given year from the current employment, second jobs, and previous employment as applicable.
# Months	<ul style="list-style-type: none"> For the Current YTD Total row, this field calculates the number of months using the Start and End Dates from the Base Income section. Note: Override is not available because the actual average monthly income is being reviewed. This will not be used in evaluation for qualifying income. For the Year 1 and Year 2 W-2 Total rows, this field will default to "12" as we are including all income throughout each year.
\$ per Month	<ul style="list-style-type: none"> For the Current YTD Total row, this field calculates the average monthly income based on the amounts populated in the \$ and # Months fields. For the Year 1 and Year 2 W-2 Total rows, this field calculates the average monthly income based on the \$ amount entered and the # Months populated.

Current and Prior Income - Second Table

YTD + Year 1	This row represents the total and income average for the current YTD + the previous year.
YTD + Year 1 + Year 2	This row represents the total and income average for the current YTD + the previous two years.
Year 1 + Year 2	This row represents the total and income average for the previous two years.
\$	The amounts in these fields are calculated from those which are entered in the previous table according to the row label.
# Months	The amounts in these fields are calculated from those which are entered in the previous table according to the row label.
\$ per Month	The averages in these rows are calculated for each row using the \$ and # Months.

Unreimbursed Business Expenses

This section currently only applies to Conventional Non-Conforming Jumbo loans as per investor guidelines.

UNREIMBURSED BUSINESS EXPENSES - Conv Jumbo Non-Conforming Only				
	W-2 Income	Unreimbursed Biz Expenses	Biz Exp / W-2 (%)	Monthly
YTD	\$0.00	\$0.00	0%	\$0.00
Year 1	\$0.00	\$0.00	0%	\$0.00
Year 2	\$0.00	\$0.00	0%	\$0.00

Step 1: Enter Unreimbursed Expenses from Year 1 tax returns
 Step 2: Enter Unreimbursed Expenses from Year 1 tax returns
 Step 3: Evaluate percentage of UBE for two prior years and determine what percentage to apply to YTD
 Step 4: Enter percentage to apply to YTD
 Step 5: Monthly UBE for YTD is can be manually added to the qualifying monthly income below

Qualifying Monthly Income		UBE		Net Qualifying Monthly Income
\$0.00	-		=	\$0.00

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YTD	This row represents calculations based on the current employment only.
W-2 Income	This field displays the current YTD income calculated using the YTD entered for base, bonus, overtime, commission, and other income.
Unreimbursed Biz Expenses	This field will calculate to display an estimated amount of expenses to be used in the calculation for average monthly expenses, when applicable.
Biz Exp / W-2 (%)	Enter the percentage of business expenses to apply to the current YTD earnings once determined after reviewing the calculated percentages from prior years.
Monthly	This field calculates the average monthly expenses which may then be applied as a reduction to the qualifying income.
Year 1	This row represents calculations based on all income provided for the prior year in the W-2 section.
Year 2	This row represents calculations based on all income provided for the year that is two years prior to the current in the W-2 section.
W-2 Income	These income amounts carry down from the W-2 section.
Unreimbursed Biz Expenses	These amounts are manually entered by the user based on review of the borrower's 1040 tax returns and schedules which identify unreimbursed employee expenses.
Biz Exp / W-2 (%)	This field populates with a calculated percentage of expenses as compared to income for prior years. Underwriter should review these to determine a reasonable pattern of percentage of expenses to apply to the current YTD income.
Monthly	This field populates with a calculated monthly expense amount based on an annual average of amount entered.
Qualifying Monthly Income	This field populates with the TOTAL qualifying monthly income as calculated in the <i>Current Income</i> section.
UBE	Manually enter the monthly amount for the YTD calculation of expenses as applicable.
Net Qualifying Monthly Income	This field calculates the <i>Qualifying Monthly Income</i> minus the unreimbursed business expenses (UBE) to reveal the new total. When entering in a loan application, the UBE should be subtracted from the base income amount.

Reset

A reset button has been provided at the bottom of each worksheet to permit the user to clear all data and reset the fields to the default values.