



# Evaluating and Calculating Borrower Income

**FOCUS ON FIXED INCOME**



## Legal disclaimer



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# Objectives

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Learn about what  
income can be used  
for qualifying  
purposes



Understand some  
common income  
types and review  
documentation  
requirements



Discuss how to review  
income to calculate  
qualifying income and  
to determine eligibility



## Agenda

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- Risk assessment of income
- Three income trios
- General documentation requirements
- Calculation of base income
- Less than 2-year history of employment
- Non-taxable income

## Risk assessment and income

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Do the borrowers demonstrate the capacity to repay the mortgage and other monthly obligations?

- How long have they been in their current job or field?
- Will there be the potential for increased earnings?
- Do they have residual income?
- Will the housing payment remain about the same?
- Was the borrower's income impacted by extenuating circumstances (i.e. COVID-19)?



# Income Analysis

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## History –

Do the borrowers have a history of being employed for the last 2 years?



## Consistency/stability –

Has the borrower's income been stable in the last 2 years?



## Continuance –

Will the borrower's income continue for at least 3 years?

## Is the income likely to continue?



### Likely to continue

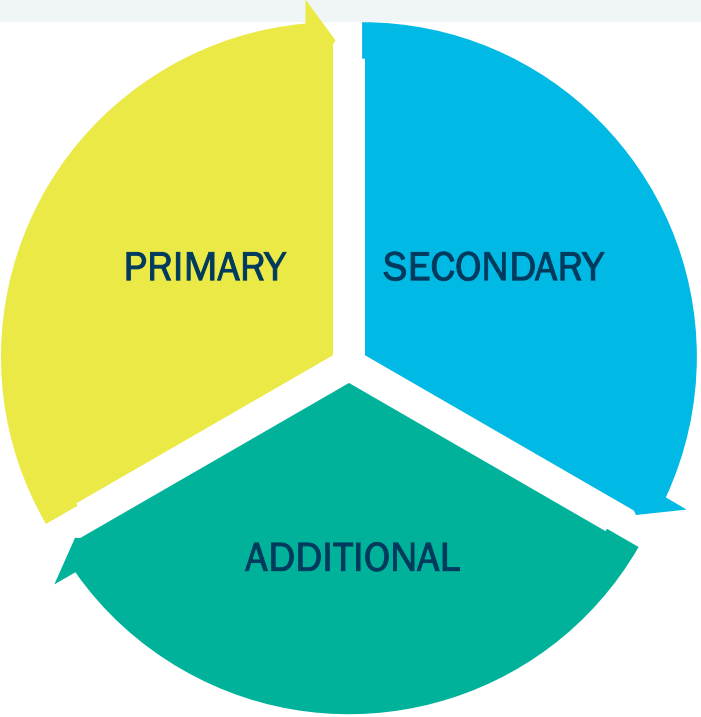
- Base salary
- Bonus, overtime, commission or tip income
- Corporate retirement or pension
- Disability income (long-term)
- Foster-care income
- Military income
- Rental income
- Self-employment income
- Social Security, VA or other government retirement or annuity

### Defined end date

- Alimony, child support or separate maintenance
- Distributions from a retirement account – e.g., 401(k), IRA, SEP, Keogh
- Notes receivable
- Public assistance
- Royalty payment income
- Social Security (not including retirement or long-term disability)
- Trust income
- VA benefits (not including retirement or long-term disability)

Income sources

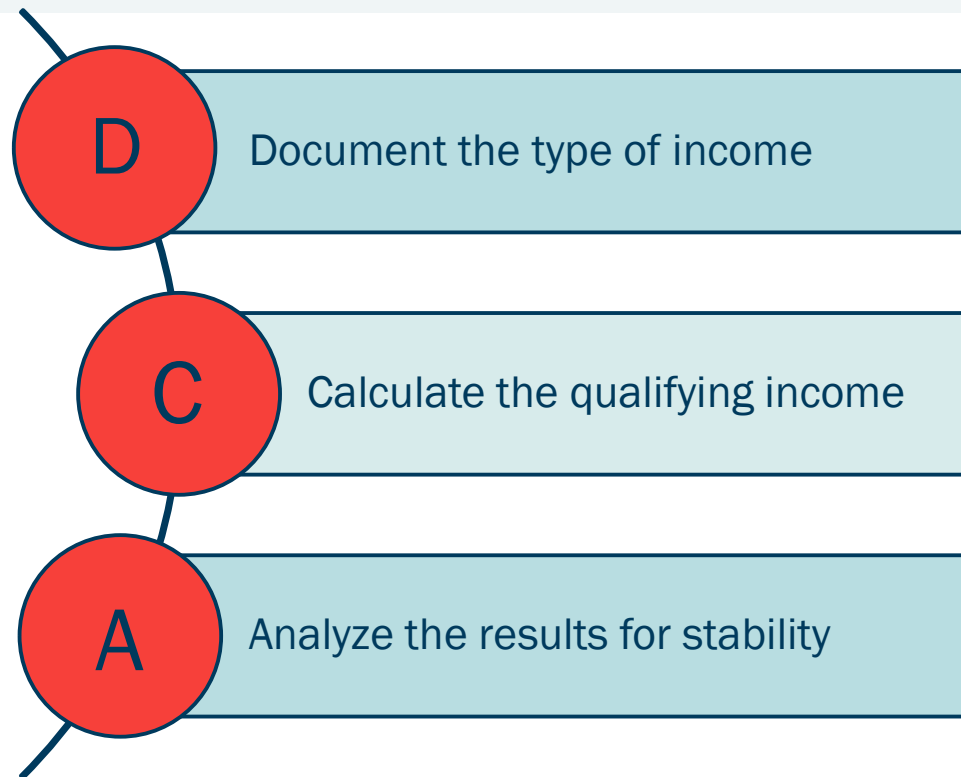
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## DCAs of Capacity

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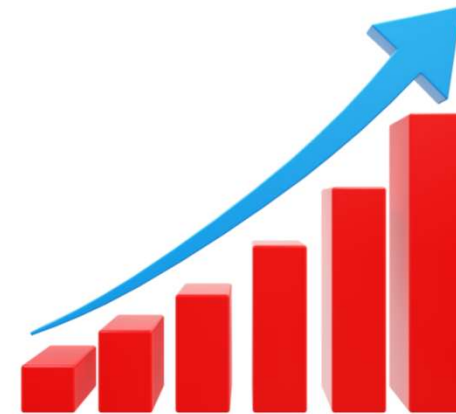


## Non-variable or fixed income

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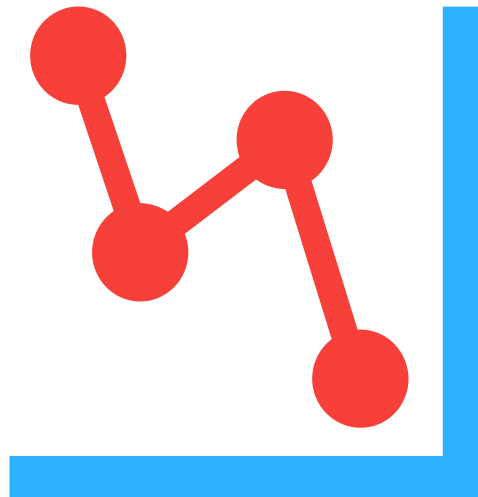
Stable, predictable and likely to continue

Income with a predetermined amount that occurs with a regular frequency and has a defined documentable term



## Variable income

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### Fluctuating earnings

Amount is NOT predetermined,  
does NOT occur with regular  
frequency and a definite  
amount is NOT documentable



## Income documentation

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- Paystub dated within 30 days of initial loan application
- W-2s for the prior 2 years

OR

- Verification of employment (VOE), including year-to-date and prior year's earnings

Pay attention to expiration dates.  
No more than 120 days old at time of Note date.



## Income documentation

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Verbal VOE for each borrower must be obtained within 10 business days prior to the note date

### Alternative methods:

- An email exchange
- Obtain most recent paystub  
(dated 15 business days prior to the note date)
- Bank statements with direct deposit allowed by Fannie Mae  
(dated 15 business days prior to the note date)



## Income documentation

**MGIC**

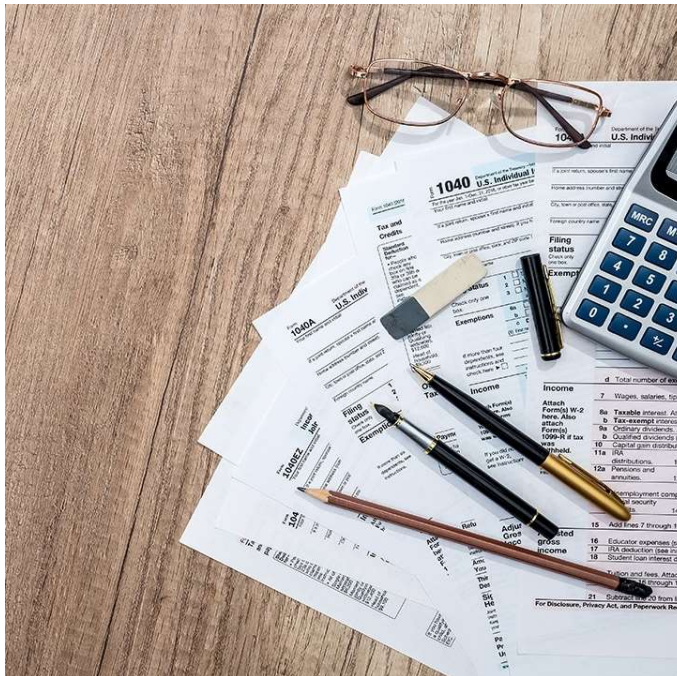
### Alternative ways to document income:

- Third party vendors
- Through AUS systems
  - Desktop Underwriter® Day 1 Certainty®
  - Loan Product Advisor® AIM

Tax returns may be required for certain income types

# Income requiring tax returns

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- Employed by family
- Employed by interested party to the transaction
- Self-employed
- Interest/dividend income
- Foreign income
- Rental income

# Clues from the loan application

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1b. Current Employment/Self-Employment and Income		<input type="checkbox"/> Does not apply
<b>Employer or Business Name</b> _____ Phone ( ) - <b>Street</b> _____ <b>Unit #</b> _____ <b>City</b> _____ <b>State</b> _____ <b>ZIP</b> _____ <b>Country</b> _____		<b>Gross Monthly Income</b> Base \$ _____ /month Overtime \$ _____ /month Bonus \$ _____ /month Commission \$ _____ /month Military Entitlements \$ _____ /month Other \$ _____ /month
<b>Position or Title</b> _____ <b>Start Date</b> ____ / ____ / ____ (mm/dd/yyyy) How long in this line of work? ____ Years ____ Months	<b>Check if this statement applies:</b> <input type="checkbox"/> I am employed by a family member, property seller, real estate agent, or other party to the transaction.	
<input type="checkbox"/> <b>Check if you are the Business Owner or Self-Employed</b>	<input type="radio"/> I have an ownership share of less than 25%. <b>Monthly Income (or Loss)</b> \$ _____ <input type="radio"/> I have an ownership share of 25% or more. \$ _____	<b>TOTAL \$</b> _____ <b>0.00/month</b>

Uniform Residential Loan Application  
 Freddie Mac Form 65 • Fannie Mae Form 1003  
 Effective 1/2021



## Meet the borrowers

Peter and Elizabeth Simon

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**Section 1: Borrower Information.** This section asks about your personal information and your income from employment and other sources, such as retirement, that you want considered to qualify for this loan.

### 1a. Personal Information

Name (First, Middle, Last, Suffix)

Peter Simon

Alternate Names – List any names by which you are known or any names under which credit was previously received (First, Middle, Last, Suffix)

Social Security Number

(or Individual Taxpayer Identification Number)

Date of Birth

(mm/dd/yyyy)

03 / 06 / 1970

Citizenship

☒ U.S. Citizen

☐ Permanent Resident Alien

☐ Non-Permanent Resident Alien

Type of Credit

☐ I am applying for credit

☒ I am applying for credit

Each Borrower

List Name(s) of Other Borrower(s) Applying for this Loan

### 1b. Current Employment/Self-Employment and Income

☐ Does not apply

Marital Status

☒ Married

☐ Separated

☐ Unmarried

(Single, Divorced, Reciprocal)

Current Address

Street 12 Oak

City Pleasant

How Long at

If at Current

Street

City

How Long at

Mailing Address

Street

City

Employer or Business Name Franklin Elementary School

Phone ( 713 ) 497 -

Street 17 Barker Rd

Unit #

City Pleasant Valley

State

ZIP 99999

Country USA

Position or Title Music Teacher

Start Date 09 / 01 / 2010 (mm/dd/yyyy)

How long in this line of work? 20 Years Months

Check if this statement applies:

☐ I am employed by a family member, property seller, real estate agent, or other party to the transaction.

☐ Check if you are the Business

☐ I have an ownership share of less than 25%.

Monthly Income (or Loss)

Owner or Self-Employed

☐ I have an ownership share of 25% or more. \$

### Gross Monthly Income

Base \$ 3,708.00 /month

Overtime \$ /month

Bonus \$ /month

Commission \$ /month

Military Entitlements \$ /month

Other \$ /month

TOTAL \$ 3,708.00 /month

Uniform Residential Loan Application

Freddie Mac Form 65 • Fannie Mae Form 1003

Effective 9/2020

### 1b. Current Employment/Self-Employment and Income

☐ Does not apply

Employer or Business Name Franklin Elementary School

Phone ( 713 ) 497 -

Street 17 Barker Rd

Unit #

City Pleasant Valley

State

ZIP 99999

Country USA

Position or Title Music Teacher

Start Date 09 / 01 / 2010 (mm/dd/yyyy)

How long in this line of work? 20 Years Months

Check if this statement applies:

☐ I am employed by a family member, property seller, real estate agent, or other party to the transaction.

☐ Check if you are the Business

☐ I have an ownership share of less than 25%.

Monthly Income (or Loss)

Owner or Self-Employed

☐ I have an ownership share of 25% or more. \$

### Gross Monthly Income

Base \$ 3,708.00 /month

Overtime \$ /month

Bonus \$ /month

Commission \$ /month

Military Entitlements \$ /month

Other \$ /month

TOTAL \$ 3,708.00 /month

Uniform Residential Loan Application

Freddie Mac Form 65 • Fannie Mae Form 1003

Effective 9/2020

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**Section 1: Borrower Information.** This section asks about your personal information and your income from employment and other sources, such as retirement, that you want considered to qualify for this loan.

**1a. Personal Information**

Name (First, Middle, Last, Suffix)

Elizabeth Simon

Alternate Names – List any names by which you are known or any names under which credit was previously received (First, Middle, Last, Suffix)

Elizabeth Jones

Social Security Number

– – 9652

(or Individual Taxpayer Identification Number)

Date of Birth (mm/dd/yyyy)

08 / 01 / 1974

Citizenship

☒ U.S. Citizen

☐ Permanent Resident Alien

☐ Non-Permanent Resident Alien

Type of Credit

☒ I am applying for individual credit.

List Name(s) of Other Borrower(s) Applying for this Loan

(First, Middle, Last, Suffix) – Use a separator between names

**1b. Current Employment/Self-Employment and Income**

☐ Does not apply

Employer or Business Name Web Vision Inc.

Phone ( 713 ) 493 –

Street 314 Forest Ave

Unit #

City Pleasant Valley

State

ZIP 99999

Country USA

Position or Title Program Designer Technology

Start Date 05 / 10 / 2002 (mm/dd/yyyy)

How long in this line of work? 20 Years Months

Check if this statement applies:

☐ I am employed by a family member, property seller, real estate agent, or other party to the transaction.

☐ Check if you are the Business

Owner or Self-Employed

☐ I have an ownership share of less than 25%.

☐ I have an ownership share of 25% or more.

Monthly Income (or Loss)

\$

**Gross Monthly Income**

Base \$ 5,000.00/month

Overtime \$ /month

Bonus \$ /month

Commission \$ /month

Military

Entitlements \$ /month

Other \$ /month

**TOTAL \$ 5,000.00/month**

Uniform Residential Loan Application — Additional Borrower

Freddie Mac Form 65 • Fannie Mae Form 1003

Effective 9/2020

**1b. Current Employment/Self-Employment and Income**

☐ Does not apply

Employer or Business Name Web Vision Inc.

Phone ( 713 ) 493 –

Street 314 Forest Ave

Unit #

City Pleasant Valley

State

ZIP 99999

Country USA

Position or Title Program Designer Technology

Start Date 05 / 10 / 2002 (mm/dd/yyyy)

How long in this line of work? 20 Years Months

Check if this statement applies:

☐ I am employed by a family member, property seller, real estate agent, or other party to the transaction.

☐ Check if you are the Business

Owner or Self-Employed

☐ I have an ownership share of less than 25%.

☐ I have an ownership share of 25% or more.

Monthly Income (or Loss)

\$

**TOTAL \$ 5,000.00/month**

Uniform Residential Loan Application — Additional Borrower



## Validate before you calculate

- Verification complete?
- Any discrepancies?
- Any red flags?
- Any questions?
- Supporting documentation needed?





# Required components – Paystub

# MGIC

WEB VISION INC.									
314 FOREST AVENUE									
PLEASANT VALLEY, XY 99999									
					CHECK DATE: 6/25/XX				
					PERIOD ENDING: 6/19/XX				
					PAY FREQUENCY: BI-WEEKLY				
		STATUS		EXEMPT	TAX ADJUSTMENTS		STATE AND LOCAL CODES		
ELIZABETH SIMON	ID NUMBER: 3253	FED: MARRIED	2	FED:	ST:	PRI: XY	LOC1:	LOC3:	
12 OAKWOOD LANE	BASE RATE: 2307.70	ST1: MARRIED	2	DI/UC		SEC:	LOC2:	LOC4:	
PLEASANT VALLEY, XY 99999	SSN: XXX-XX-9652	ST2:		LOCAL:				LOC5:	
IMPORTANT MESSAGE									
HOURS AND EARNINGS					TAXES AND DEDUCTIONS			SPECIAL INFORMATION	
		CURRENT	Y-T-D				CURRENT	Y-T-D	
DESCRIPTION	HOURS/UNITS	EARNINGS	HOURS/UNITS	EARNINGS	DESCRIPTION	AMOUNT	AMOUNT		
REGULAR	75	2307.70	900.00	27692.40	SO SEC TAX	141.96	1704.69	VAC TAKEN	.00
FLEX DOLLARS		175.08		1925.88	MEDICARE TAX	33.20	398.68	VAC BALANCE	.00
					FED INC TAX	194.42	2333.04	SICK TAKEN	.00
					PRI-STATE TAX	121.04	1452.48	SICK BALANCE	.00
TOTAL H/E	75	2482.78	900.00	29618.28	TOTAL TAXES	490.62	5888.89		
PRE-TAX ITEMS					AFTER-TAX ITEMS				
401K\$		115.38		1384.56	401(K) LOAN	50.00	600.00		
DENTAL INS		15.85		174.35	AFTER TAX LTD	8.00	88.00		
EE LIFE/ADD		10.20		112.20					
LTD		10.38		114.18					
HEALTH INS		156.60		1722.60					
TOTAL PRETAX		308.41		3507.89					
TOTAL		2174.37		26110.39	TOTAL	58.00	688.00		
		GROSS	PRE-TAX	TAXABLE WGS	LESS TAXES	LESS DEDS	EQ NET PAY		
CURRENT		2482.78	308.41	2174.37	490.62	58.00	1625.75		
Y - T - D		29618.28	3507.89	26110.39	5888.89	688.00	19533.50	TOTAL CURRENT NET PAY 1625.75	

1. Employer ID
2. Borrower ID
3. Pay Rate
4. Pay Frequency
5. Period ending date
6. YTD earnings
7. Deductions

# Validate paystub

# MGIC

<b>WEB VISION INC.</b> 314 FOREST AVENUE PLEASANT VALLEY, XY 99999						CHECK DATE: 6/25/XX PERIOD ENDING: 6/19/XX PAY FREQUENCY: BI-WEEKLY	
ELIZABETH SIMON 12 OAKWOOD LANE PLEASANT VALLEY, XY 99999		ID NUMBER: 3253 BASE RATE: 2307.70 SSN: XXX-XX-9652		STATUS MARRIED 2 T1: MARRIED 2 T2:		EXEMPT 2 2	
TAX ADJUSTMENTS FED: DI/UC LOCAL:		STATE AND LOCAL CODES PRI: XY ST: SEC: LOC1: LOC2: LOC3: LOC4: LOC5:					
<b>IMPORTANT MESSAGE</b>							
<b>HOURS AND EARNINGS</b>				<b>TAXES AND DEDUCTIONS</b>		<b>SPECIAL INFORMATION</b>	
CURRENT		Y-T-D		CURRENT		Y-T-D	
DESCRIPTION	HOURS/UNITS	EARNINGS	HOURS/UNITS	EARNINGS	DESCRIPTION	AMOUNT	AMOUNT
REGULAR	75	2307.70	900.00	27692.40	SO SEC TAX	141.96	1704.69
FLEX DOLLARS		175.08		1925.88	MEDICARE TAX	33.20	398.68
					FED INC TAX	194.42	2333.04
					PRI-STATE TAX	121.04	1452.48
TOTAL H/E	75	2482.78	900.00	29618.28	TOTAL TAXES	490.62	5888.80
<b>PRE-TAX ITEMS</b>				<b>AFTER-TAX ITEMS</b>			
401K\$		115.38		1384.56	401(K) LOAN	50.00	600.00
DENTAL INS		15.85		174.35	AFTER TAX LTD	8.00	88.00
EE LIFE/ADD		10.20		112.20			
LTD		10.38		114.18			
HEALTH INS		156.60		1722.60			
TOTAL PRETAX		308.41		3507.89			
TOTAL		2174.37		26110.39	TOTAL	58.00	688.00
<b>GROSS</b>		<b>PRE-TAX</b>		<b>TAXABLE WGS</b>		<b>LESS TAXES</b>	
CURRENT	2482.78	308.41	2174.37	490.62	58.00	1625.75	
Y - T - D	29618.28	3507.89	26110.39	5888.89	688.00	19533.50	
						<b>CURRENT NET PAY DISTRN</b>	
						CHECK AMOUNT 1625.75	
						TOTAL CURRENT NET PAY 1625.75	

Use \_\_\_\_\_  
date

# Review of W-2s

# MGIC

		<b>a Employee's social security number</b> xxx-xx-9652		OMB No. 1545-0008		This information is being furnished to the Internal Revenue Service. If you are required to file a tax return, a negligence penalty or other sanction may be imposed on you if this income is taxable and you fail to report it.	
<b>b Employer identification number (EIN)</b> 12-3456789				<b>1 Wages, tips, other compensation</b> 54,530.19		<b>2 Federal income tax withheld</b> 5,536.19	
<b>c Employer's name, address, and ZIP code</b> Web Vision Inc. 314 Forest Avenue Pleasant Valley, XY 99999				<b>3 Social security wages</b> 57,400.20		<b>4 Social security tax withheld</b> 3,558.81	
				<b>5 Medicare wages and tips</b> 57,400.20		<b>6 Medicare tax withheld</b> 832.31	
				<b>7 Social security tips</b>		<b>8 Allocated tips</b>	
<b>d Control number</b>				<b>9</b>		<b>10 Dependent care benefits</b>	
<b>e Employee's first name and initial</b> Elizabeth Simon 12 Oakwood Lane Pleasant Valley, XY 99999		<b>Suff.</b>		<b>11 Nonqualified plans</b>		<b>12a See instructions for box 12</b> D 2,870.01	
				<b>13 Statutory employee</b> <input type="checkbox"/>		<b>12b</b>	
				<b>Retirement plan</b> <input type="checkbox"/>		<b>12c</b>	
				<b>Third-party sick pay</b> <input type="checkbox"/>		<b>12d</b>	
				<b>14 Other</b>			
<b>f Employee's address and ZIP code</b>							
<b>15 State</b> XY	<b>Employer's state ID number</b> 555571-1	<b>16 State wages, tips, etc.</b> 54,530.19	<b>17 State income tax</b> 3,272.19	<b>18 Local wages, tips, etc.</b>	<b>19 Local income tax</b>	<b>20 Locality name</b>	

Form **W-2** **Wage and Tax Statement** **2024**

Department of the Treasury—Internal Revenue Service

Safe, accurate, FAST! Use **efile**

# Review of W-2s

# MGIC

a Employee's social security number xxx-xx-9652		OMB No. 1545-0008		This information is being furnished to the Internal Revenue Service. If you are required to file a tax return, a negligence penalty or other sanction may be imposed on you if this income is taxable and you fail to report it.	
b Employer identification number (EIN) 12-3456789		1 Wages, tips, other compensation 54,530.19	2 Federal income tax withheld 5,536.10		
c Employer's name, address, and ZIP code Web Vision Inc. 314 Forest Avenue Pleasant Valley, XY 99999		3 Social security wages 57,400.20	4 Social security tax withheld 3,558.81		
		5 Medicare wages and tips 57,400.20	6 Medicare tax withheld 832.31		
		7 Social security tips	8		
d Control number		9	10 Dependent care benefits		
e Employee's first name and initial Last name Elizabeth Simon 12 Oakwood Lane Pleasant Valley, XY 99999		Suff. 11 Nonqualified plans	12a See instructions for box 12 D 2,870.01		
		13 Statutory employee Retirement plan Third-party sick pay	12b		
		14 Other	12c		
			12d		
f Employee's address and ZIP code					
15 State XY	Employer's state ID number 555571-1	16 State wages, tips, etc. 54,530.19	17 State income tax 3,272.19	18 Local wages, tips, etc.	19 Local income tax
					20 Locality name

Form **W-2** Wage and Tax Statement **2024**

Department of the Treasury—Internal Revenue Service

Safe, accurate, FAST! Use **IRS e-file**

Max SS wages of

2024 = \$168,600

2023 = \$160,200

2022 = \$147,000

2021 = \$142,800

Social Security withholding (box 4) should reflect 6.2% of total gross income,

Medicare withholding (box 6) should reflect 1.45% of total gross income (no cap on income)





## Request for Verification of Employment

**Privacy Act Notice:** This information is to be used by the agency collecting it or its assignees in determining whether you qualify as a prospective mortgagor under its program. It will not be disclosed outside the agency except as required and permitted by law. You do not have to provide this information, but if you do not your application for approval as a prospective mortgagor or borrower may be delayed or rejected. The information requested in this form is authorized by Title 38, USC, Chapter 37 (if VA); by 12 USC, Section 1701 et. seq. (if HUD/FHA); by 42 USC, Section 1452b (if HUD/CPD); and Title 42 USC, 1471 et. seq., or 7 USC, 1921 et. seq. (if USDA/FmHA).

**Instructions:** Lender — Complete items 1 through 7. Have applicant complete item 8. Forward directly to employer named in item 1.  
Employer — Please complete either Part II or Part III as applicable. Complete Part IV and return directly to lender named in item 2.  
The form is to be transmitted directly to the lender and is not to be transmitted through the applicant or any other party.

### Part I — Request

1. To (Name and address of employer)		2. From (Name and address of lender)	
I certify that this verification has been sent directly to the employer and has not passed through the hands of the applicant or any other interested party.			
3. Signature of Lender	4. Title	5. Date	6. Lender's Number (Optional)
I have applied for a mortgage loan and stated that I am now or was formerly employed by you. My signature below authorizes verification of this information.			
7. Name and Address of Applicant (include employee or badge number)		8. Signature of Applicant	

### Part II — Verification of Present Employment

9. Applicant's Date of Employment		10. Present Position		11. Probability of Continued Employment	
12A. Current Gross Base Pay (Enter Amount and Check Period)			13. For Military Personnel Only		
<input type="checkbox"/> Annual <input type="checkbox"/> Hourly <input type="checkbox"/> Monthly <input type="checkbox"/> Other (Specify) <input type="checkbox"/> Weekly			Pay Grade _____ Type _____ Monthly Amount _____ Base Pay \$ _____ Rations \$ _____ Flight or Hazard \$ _____ Clothing \$ _____ Quarters \$ _____ Pro Pay \$ _____ Overseas or Combat \$ _____ Variable Housing Allowance \$ _____		
12B. Gross Earnings			14. If Overtime or Bonus is Applicable, Is Its Continuance Likely?		
Type	Year To Date	Past Year	Past Year	Overtime	<input type="checkbox"/> Yes <input type="checkbox"/> No
Base Pay	\$ _____	\$ _____	\$ _____	Bonus	<input type="checkbox"/> Yes <input type="checkbox"/> No
Overtime	\$ _____	\$ _____	\$ _____	15. If paid hourly — average hours per week	
Commissions	\$ _____	\$ _____	\$ _____	16. Date of applicant's next pay increase	
Bonus	\$ _____	\$ _____	\$ _____	17. Projected amount of next pay increase	
Total	\$ 0.00	\$ 0.00	\$ 0.00	18. Date of applicant's last pay increase	
			19. Amount of last pay increase		
20. Remarks (if employee was off work for any length of time, please indicate time period and reason)					

### Part III — Verification of Previous Employment

21. Date Hired	23. Salary/Wage at Termination Per (Year) (Month) (Week)			
22. Date Terminated	Base	Overtime	Commissions	Bonus
24. Reason for Leaving	25. Position Held			

**Part IV — Authorized Signature** - Federal statutes provide severe penalties for any fraud, intentional misrepresentation, or criminal connivance or conspiracy purposed to influence the issuance of any guaranty or insurance by the VA Secretary, the U.S.D.A., FmHA/FHA Commissioner, or the HUD/CPD Assistant Secretary.

26. Signature of Employer	27. Title (Please print or type)	28. Date
29. Print or type name signed in item 26	30. Phone No.	

Fannie Mae  
Form 1005 July 96

# MGIC

## Verification of Employment (VOE)

Optional fields:

11, 14, 15, 16, 17, 18, 19, 24

## Determining pay frequency



Pay period	Calculation
Hourly	(Hourly rate x number of hours per week) x 52) divided by 12
Weekly	(Weekly amount x 52) divided by 12
Bi-Weekly	(Bi-weekly amount x 26) divided by 12
Semi-Monthly	(Semi-monthly amount x 24) divided by 12
Annual	Annual salary divided by 12

## Calculating monthly income example

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Bi-weekly  
 $\$3,000 \times 26 / 12$

= \$6,500

Semi-monthly  
 $\$3,000 \times 24 / 12$

= \$6,000

\$500  
difference

## Semi-monthly clues

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A paycheck will be received twice each month. One check will come in the middle of the month, and the other check will come at the end of that month or the beginning of the next month.

Typical semimonthly pay schedules are the 1<sup>st</sup> and the 15<sup>th</sup> of the month OR the 15<sup>th</sup> and the last day of the month.

Odd hours may be listed on paystub for hours worked (i.e. 86.67 hours)

If the YTD does not support the monthly qualified income, question your determination of frequency of pay.

# Let's calculate income



## Let's Calculate Income

Monthly Income	<input type="text" value="\$"/>
YTD Income	<input type="text" value="\$"/>
Most recent year's W-2	<input type="text" value="\$"/>
Prior year's W-2	<input type="text" value="\$"/>

Work Space

# Base income calculation

# MGIC

WEB VISION INC.  
314 FOREST AVENUE  
PLEASANT VALLEY, XY 99999

CHECK DATE: 6/25/XX  
PERIOD ENDING: 6/19/XX  
PAY FREQUENCY: BI-WEEKLY

ELIZABETH SIMON  
12 OAKWOOD LANE  
PLEASANT VALLEY, XY 99999

ID NUMBER: 3253  
BASE RATE: 2307.70  
SSN: XXX-XX-9652

STATUS  
FED: MARRIED  
ST1: MARRIED  
ST2:

EXEMPT  
2  
2

TAX ADJUSTMENTS  
FED:  
DI/UC  
LOCAL:

STATE AND LOCAL CODES  
ST: PRI: XY LOC1:  
SEC: LOC2: LOC4:  
LOC5:

IMPORTANT MESSAGE

HOURS AND EARNINGS					TAXES AND DEDUCTIONS			SPECIAL INFORMATION	
CURRENT		Y-T-D			CURRENT		Y-T-D		
DESCRIPTION	HOURS/UNITS	EARNINGS	HOURS/UNITS	EARNINGS	DESCRIPTION	AMOUNT	AMOUNT		
REGULAR	75	2307.70	900.00	27692.40	SO SEC TAX	141.96	1704.69	VAC TAKEN .00	
FLEX DOLLARS		175.08		1925.88	MEDICARE TAX	33.20	398.68	VAC BALANCE .00	
					FED INC TAX	194.42	2333.04	SICK TAKEN .00	
					PRI-STATE TAX	121.04	1452.48	SICK BALANCE .00	
TOTAL H/E	75	2482.78	900.00	29618.28	TOTAL TAXES	490.62	5888.89		
PRE-TAX ITEMS					AFTER-TAX ITEMS				
401K\$		115.38		1384.56	401(K) LOAN	50.00	600.00		
DENTAL INS		15.85		174.35	AFTER TAX LTD	8.00	88.00		
EE LIFE/ADD		10.20		112.20					
LTD		10.38		114.18					
HEALTH INS		156.60		1722.60					
TOTAL PRETAX		308.41		3507.89					
TOTAL		2174.37		26110.39	TOTAL	58.00	688.00		
GROSS		PRE-TAX	TAXABLE WGS	LESS TAXES	LESS DEDS	EQ NET PAY			
CURRENT	2482.78	308.41	2174.37	490.62	58.00	1625.75			
Y - T - D	29618.28	3507.89	26110.39	5888.89	688.00	19533.50	TOTAL CURRENT NET PAY	1625.75	

## Calculate Elizabeth's:

- Monthly income
- YTD average

## Let's calculate income

**MGIC**

Monthly income:

YTD income:

What's the monthly  
qualifying income?  
Why?



# Base income – continued

# MGIC

<b>a</b> Employee's social security number xxx-xx-9652		OMB No. 1545-0008		This information is being furnished to the Internal Revenue Service. If you are required to file a tax return, a negligence penalty or other sanction may be imposed on you if this income is taxable and you fail to report it.	
<b>b</b> Employer identification number (EIN) 12-3456789		<b>1</b> Wages, tips, other compensation 54,530.19		<b>2</b> Federal income tax withheld 5,536.19	
<b>c</b> Employer's name, address, and ZIP code Web Vision Inc. 314 Forest Avenue Pleasant Valley, XY 99999		<b>3</b> Social security wages 57,400.20		<b>4</b> Social security tax withheld 3,558.81	
		<b>5</b> Medicare wages and tips 57,400.20		<b>6</b> Medicare tax withheld 832.31	
		<b>7</b> Social security tips		<b>8</b> Allocated tips	
<b>d</b> Control number		<b>9</b>		<b>10</b> Dependent care benefits	
<b>e</b> Employee's first name and initial Last name Elizabeth Simon 12 Oakwood Lane Pleasant Valley, XY 99999		Suff. <b>11</b> Nonqualified plans		<b>12a</b> See instructions for box 12 D 2,870.01	
		<b>13</b> Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		<b>12b</b>	
		<b>14</b> Other		<b>12c</b>	
				<b>12d</b>	
<b>f</b> Employee's address and ZIP code					
<b>15</b> State XY	<b>Employer's state ID number</b> 555571-1	<b>16</b> State wages, tips, etc. 54,530.19	<b>17</b> State income tax 3,272.19	<b>18</b> Local wages, tips, etc.	<b>19</b> Local income tax
				<b>20</b> Locality name	

Form **W-2** Wage and Tax Statement 2024

Department of the Treasury—Internal Revenue Service

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# Base income – continued

# MGIC

<b>a</b> Employee's social security number xxx-xx-9652		OMB No. 1545-0008		This information is being furnished to the Internal Revenue Service. If you are required to file a tax return, a negligence penalty or other sanction may be imposed on you if this income is taxable and you fail to report it.	
<b>b</b> Employer identification number (EIN) 12-3456789		<b>1</b> Wages, tips, other compensation 52,440.70	<b>2</b> Federal income tax withheld 5,398.64		
<b>c</b> Employer's name, address, and ZIP code Web Vision Inc. 314 Forest Avenue Pleasant Valley, XY 99999		<b>3</b> Social security wages 55,200.60	<b>4</b> Social security tax withheld 3,422.44		
		<b>5</b> Medicare wages and tips 55,200.60	<b>6</b> Medicare tax withheld 800.41		
		<b>7</b> Social security tips	<b>8</b> Allocated tips		
<b>d</b> Control number		<b>9</b>	<b>10</b> Dependent care benefits		
<b>e</b> Employee's first name and initial Last name Elizabeth Simon 12 Oakwood Lane Pleasant Valley, XY 99999		Suff. <b>11</b> Nonqualified plans	<b>12a</b> See instructions for box 12 D 2,759.90		
		<b>13</b> Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<b>12b</b>		
		<b>14</b> Other	<b>12c</b>		
			<b>12d</b>		
<b>f</b> Employee's address and ZIP code					
<b>15</b> State	Employer's state ID number XY 555571-1	<b>16</b> State wages, tips, etc. 52,440.70	<b>17</b> State income tax 3,178.50	<b>18</b> Local wages, tips, etc.	<b>19</b> Local income tax
					<b>20</b> Locality name

Form **W-2** Wage and Tax Statement **2023**

Department of the Treasury—Internal Revenue Service

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## Let's calculate income

**MGIC**

Monthly income:

YTD income:

Most recent year's W-2:

Prior year's W-2:

What's the monthly  
qualifying income?  
Why?



## MGIC

[illegible]

# Teachers

MGIC

**Challenge:** Determine whether a teacher is a 12-month or 10-month employee.

Verify by:

- VOE
- Teacher's contract
- County website
- HR department



**Income calculation for 10-month employee:**

If paid semi-monthly:  $(\text{Base} \times 2) \times 10 / 12 = \text{monthly qualifying income}$

If paid bi-weekly:  $(\text{Base} \times 22) / 12 = \text{monthly qualifying income}$

# Base income calculation

**MGIC**

FRANKLIN ELEMENTARY SCHOOL 17 BARKER RD., PLEASANT VALLEY XY 99999										
SIMON, PETER	SOC SEC NO XXX-XX-2030		PERIOD ENDING 6/15/20 XX		DEPOSIT DATE 6/15/20 XX		DEPOSIT NO 930712			
PAYMENTS	RATE	HOURS	CURR AMT	YTD AMT	DEDUCTIONS	CURR AMT	YTD AMT	BENEFITS	CURR AMT	YTD AMT
REGULAR SALARY			1854.16	20395.76	FLX-DEP CARE			DENTAL HEP-F	134.82	1483.02
					FLX-HLTH CONTR	16.81	184.91	BENEFIT ADJ	3.75	41.25
					FLX-MED EX) 20xx	250.29	2953.19	1 20xx	93.69	1030.59
					AETNA LIF INS	50.00	550.00	BOARD PAID	95.57	1051.27
					FICA	93.62	1095.82	FICA	99.62	1095.82
					FED TAX / % GROSS			HEALTH HEP-F	672.82	7401.02
					FED WITH TAX	138.48	1523.28	LIFE INSURANCE	13.72	150.92
					HLTH INS			MEDICARE	23.30	256.30
					LTS INS DED	12.25	134.75	VISION HEP-F	23.82	262.02
					MEDICARE	23.30	256.30			
SIMON, PETER	RATE		HOURS		DEDUCTIONS		YTD AMT		BENEFITS	
PAYMENTS					OE A DUES	31.27	343.97			
					XY TAX % GROSS					
					XY STATE TAX	71.64	788.04			
	GROSS PAY - PRE-FED-TAX = FED TX GRS - FED TAX - ST A TAX - FICA/MED - OTH DED = NET PAY LOC MAR FED									
CURRENT	1854.16	317.10	1537.06	138.48	71.64	122.92	50.00	1154.02	HIG	M 2/M
YEAR-TO-DATE	20395.76	3488.10	16907.66	1523.28	788.04	1352.12	550.00	12694.22		

**Calculate Peter's:**

- Monthly income
- YTD average

## Let's calculate income

**MGIC**

Monthly income:

YTD income:

Most recent year's W-2:

\$

Prior year's W-2:

\$

What's the monthly  
qualifying income?  
Why?



# Base income – continued

# MGIC

<b>a</b> Employee's social security number xxx-xx-2030		OMB No. 1545-0008		This information is being furnished to the Internal Revenue Service. If you are required to file a tax return, a negligence penalty or other sanction may be imposed on you if this income is taxable and you fail to report it.	
<b>b</b> Employer identification number (EIN) 66-6003743		<b>1</b> Wages, tips, other compensation 41,676.99		<b>2</b> Federal income tax withheld 5,254.10	
<b>c</b> Employer's name, address, and ZIP code Franklin Elementary School 17 Barker Road Pleasant Valley, XY 99999		<b>3</b> Social security wages 42,876.99		<b>4</b> Social security tax withheld 2,658.37	
		<b>5</b> Medicare wages and tips 42,876.99		<b>6</b> Medicare tax withheld 621.72	
		<b>7</b> Social security tips		<b>8</b> Allocated tips	
<b>d</b> Control number		<b>9</b>		<b>10</b> Dependent care benefits	
<b>e</b> Employee's first name and initial Last name Peter Simon 12 Oakwood Lane Pleasant Valley, XY 99999		Suff. <b>11</b> Nonqualified plans		<b>12a</b> See instructions for box 12 D 1,200.00	
		<b>13</b> Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		<b>12b</b>	
		<b>14</b> Other		<b>12c</b>	
				<b>12d</b>	
<b>f</b> Employee's address and ZIP code					
<b>15</b> State XY	Employer's state ID number 02345	<b>16</b> State wages, tips, etc. 41,676.99	<b>17</b> State income tax 2,499.67	<b>18</b> Local wages, tips, etc.	<b>19</b> Local income tax
					<b>20</b> Locality name

Form **W-2** Wage and Tax Statement

2024

Department of the Treasury—Internal Revenue Service

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# Base income – continued

# MGIC

		<b>a Employee's social security number</b> xxx-xx-2030		OMB No. 1545-0008		This information is being furnished to the Internal Revenue Service. If you are required to file a tax return, a negligence penalty or other sanction may be imposed on you if this income is taxable and you fail to report it.	
<b>b Employer identification number (EIN)</b> 66-6003743				<b>1 Wages, tips, other compensation</b> 38,204.04		<b>2 Federal income tax withheld</b> 3,783.00	
<b>c Employer's name, address, and ZIP code</b> Franklin Elementary School 17 Barker Road Pleasant Valley, XY 99999				<b>3 Social security wages</b> 39,300.04		<b>4 Social security tax withheld</b> 2,436.60	
				<b>5 Medicare wages and tips</b> 39,300.04		<b>6 Medicare tax withheld</b> 569.85	
				<b>7 Social security tips</b>		<b>8 Allocated tips</b>	
<b>d Control number</b>				<b>9</b>		<b>10 Dependent care benefits</b>	
<b>e Employee's first name and initial</b> <b>Last name</b>  Peter                      Simon  12 Oakwood Lane  Pleasant Valley, XY 99999				<b>Suff.</b>		<b>11 Nonqualified plans</b>	
						<b>12a See instructions for box 12</b> each D 1,096.00	
				<b>13 Statutory employee</b> <input type="checkbox"/> <b>Retirement plan</b> <input type="checkbox"/> <b>Third-party sick pay</b> <input type="checkbox"/>		<b>12b</b>	
				<b>14 Other</b>		<b>12c</b>	
<b>f Employee's address and ZIP code</b>						<b>12d</b>	
<b>15 State</b> <b>Employer's state ID number</b> XY      02345		<b>16 State wages, tips, etc.</b> 38,204.04		<b>17 State income tax</b> 2,458.04		<b>18 Local wages, tips, etc.</b>	
						<b>19 Local income tax</b>	
						<b>20 Locality name</b>	

Form **W-2** Wage and Tax Statement

2023

Department of the Treasury—Internal Revenue Service

Safe, accurate,  
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## Let's calculate income

**MGIC**

Monthly income:

YTD income:

Most recent year's W-2:

Prior year's W-2:

What's the monthly  
qualifying income?  
Why?



[mgic.com/seb](https://mgic.com/seb)

**MGIC**

**Employment and Other Income Worksheet** **MGIC**

**User Tips:**

- Add new rows when information is given in a new section.
- Click the "O" button to expand income source section.
- Populate YTD Monthly Earnings for variable income sources:
  - Select "A" for Annualized YTD Monthly Earnings
  - Select "Y" for YTD Monthly Earnings (default)
  - Select the Reset Workbook button on top to clear all information

Income analysis may vary by investor. FOLLOW INVESTOR GUIDELINES.

File Name:  Prepared by:  Date:

[Before you can use the worksheet, you must make it a Trusted Document. Click here for instructions.](#)

**Borrower Name:**  **Employer Name:**

☒ **Base Pay**

Select to include as qualifying income:

☒ ☐ ☐ ☐

		Rate of Pay	Pay Frequency (select from drop down)	Hours Worked Weekly	Monthly Earnings
		\$ 1,525.00	Weekly (52)		\$ 6,608.33
		Date Paid			
		Date From:	Through:	Total Earnings:	# of Months:
	YTD 2025	1/1/2025	3/15/2025	\$ 16,120.00	2.48
	Year 2024	1/1/2024	12/31/2024	\$ 75,235.00	12.00
	Year 2023	1/1/2023	12/31/2023	\$ 72,564.00	12.00
					Monthly Earnings:
					\$ 6,500.00
					\$ 6,269.58
					\$ 6,047.00
					% Change:
					+3.68%
					+3.68%
					-

Qualifying Base Pay: \$ 6,608.33

☐ Overtime

☐ Bonus

☐ Commission

☐ Other Income

Total Qualifying Income from: \$ 8,121.13

## < 2 year employment history – Primary employer

**MGIC**



- New to the workforce
- Returning after extended absence
- Recent employment gap

# Employment gap example

# MGIC

Part II — Verification of Present Employment									
9. Applicant's Date of Employment 11/07/2024			10. Present Position Quality Control Auditor				11. Probability of Continued Employment Good		
12A. Current Gross Base Pay (Enter Amount and Check Period) <input type="checkbox"/> Annual <input type="checkbox"/> Hourly \$ 8,700.00 <input checked="" type="checkbox"/> Monthly <input type="checkbox"/> Other (Specify) <input type="checkbox"/> Weekly			13. For Military Personnel Only Pay Grade Type Monthly Amount Base Pay \$			14. If Overtime or Bonus is Applicable, Is Its Continuance Likely? Overtime <input type="checkbox"/> Yes <input type="checkbox"/> No Bonus <input type="checkbox"/> Yes <input type="checkbox"/> No			
12B. Gross Earnings			15. If paid hourly — average hours per week			16. Date of applicant's next pay increase			
Type	Year To Date	Past Year 2024	Past Year	Rations	\$	17. Projected amount of next pay increase			
Base Pay	Thru 2/28/25 \$ 17,400.00	\$ 15,225.00	\$	Flight or Hazard	\$	18. Date of applicant's last pay increase			
Overtime	\$	\$	\$	Clothing	\$	19. Amount of last pay increase			
Commissions	\$	\$	\$	Quarters	\$				
Bonus	\$	\$	\$	Pro Pay	\$				
Total	\$ 17,400.00	\$ 15,225.00	\$ 0.00	Overseas or Combat	\$				
				Variable Housing Allowance	\$				
20. Remarks (If employee was off work for any length of time, please indicate time period and reason)									

# LOX

## 1d. IF APPLICABLE, Complete Information for Previous Employment/Self-Employment and Income

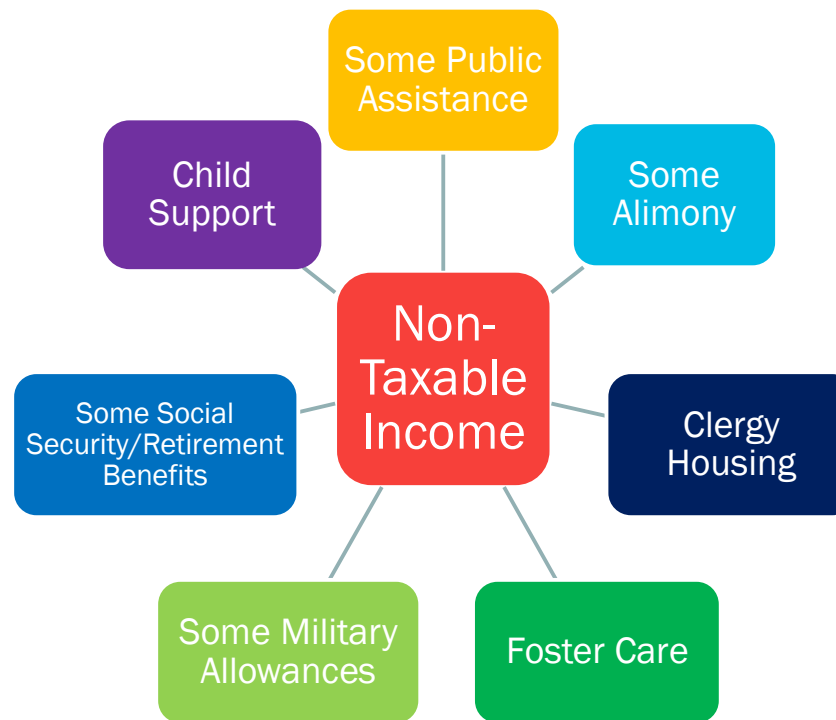
☐ Does not apply

Provide at least 2 years of current and previous employment and income.

Employer or Business Name 123 Business				Previous Gross Monthly Income \$ 7800 /month	
Street		Unit #			
City		State		ZIP Country	
Position or Title Analyst - Quality Control					
Start Date 3 / 15 / 2015 (mm/dd/yyyy)					
End Date 8 / 15 / 2020 (mm/dd/yyyy)					
<input type="checkbox"/> Check if you were the Business Owner or Self-Employed					

# Non-taxable income

**MGIC**



## Documenting and calculating non-taxable income

**MGIC**

Tax-exempt portion may be grossed up by 25%

Shortcut for Social Security income: Lender may gross up 15% of this income by 25% without additional documentation

Verify source is non-taxable with tax returns, award letters, policy agreements or other documentation



## Determining non-taxable portion

**MGIC**

Income is **all**  
non-taxable

A **portion** of  
the income  
is tax-exempt

**Some**  
benefits are  
non-taxable

## Grossing up non-taxable income

**MGIC**



# Determining non-taxable portion

# MGIC

**Form 1040** Department of the Treasury—Internal Revenue Service **2024** OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2024, or other tax year beginning 2024, ending 20

Your first name and middle initial Last name  
If joint return, spouse's first name and middle initial Last name

Home address (number and street). If you have a P.O. box, see instructions. Apt. no.  
City, town, or post office. If you have a foreign address, also complete spaces below. State ZIP code  
Foreign country name Foreign province/state/country Foreign postal code

**Filing Status** Check only one box.  
☐ Single ☐ Head of household (HOH) ☐ Married filing jointly (even if only one had income) ☐ Married filing separately (MFS) ☐ Qualifying surviving spouse (QSS)  
If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QSS box, enter the child's name if the qualifying person is a child but not your dependent.  
☐ If treating a nonresident alien or dual-status alien spouse as a U.S. resident for the entire tax year, check the box and enter their name (see instructions and attach statement if required):

**Digital Assets** At any time during 2024, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.) ☐ Yes ☐ No

**Standard Deduction** Someone can claim: ☐ You as a dependent ☐ Your spouse as a dependent  
☐ Spouse itemizes on a separate return or you were a dual-status alien

**Age/Blindness** You: ☐ Were born before January 2, 1960 ☐ Are blind ☐ Spouse: ☐ Was born before January 2, 1960 ☐ Is blind

**Dependents** (see instructions):  
If more than four dependents, see instructions and check ☐ here.

(1) First name	Last name	(2) Social security number	(3) Relationship to you	(4) Check the box if qualifies for (see instructions): Child tax credit	Credit for other dependents

**Income** Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-AT if tax was withheld. If you did not get a Form W-2, see instructions.

1a	Total amount from Form(s) W-2, box 1 (see instructions)	1a
b	Household employee wages not reported on Form(s) W-2	1b
c	Tip income not reported on line 1a (see instructions)	1c
d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)	1d
e	Taxable dependent care benefits from Form 2441, line 26	1e
f	Employer-provided adoption benefits from Form 8839, line 29	1f
g	Wages from Form 9919, line 6	1g
h	Other earned income (see instructions)	1h
i	Nontaxable combat pay (see instructions)	1i
z	Add lines 1a through 1i	1z
2a	Tax-exempt interest	2a
3a	Qualified dividends	3a
4a	IRA distributions	4a
5a	Pensions and annuities	5a
6a	Social security benefits	6a
7	Capital gain or (loss). Attach Schedule D if required. If not required, check here	7
8	Additional income from Schedule 10	8
9	Add lines 1z, 2a, 3a, 4a, 5a, 6a, 7, and 8. This is your total income	9
10	Adjustments to income from Schedule 1, line 26	10
11	Subtract line 10 from line 9. This is your adjusted gross income	11
12	Standard deduction or itemized deductions (from Schedule A)	12
13	Qualified business income deduction from Form 8995 or Form 8995-A	13
14	Add lines 12 and 13	14
15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your taxable income	15

**Standard Deduction for—**  
• Single or Married filing separately: \$14,000  
• Married filing jointly or Qualifying surviving spouse: \$28,000  
• Head of household: \$21,000  
• If you checked any box under Standard Deduction, see instructions.

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 152008 Form 1040 (2024)

6a minus 6b = non-taxable portion

## Grossing up non-taxable income – Example #1

**MGIC**

Attach Sch. B if required.	2a	Tax-exempt interest	2a		b	Taxable interest	2b	
	3a	Qualified dividends	3a		b	Ordinary dividends	3b	
	4a	IRA distributions	4a		b	Taxable amount	4b	
	5a	Pensions and annuities	5a		b	Taxable amount	5b	
	6a	Social security benefits	6a	20,000	b	Taxable amount	6b	8,000
Standard Deduction for								

Non-taxable Income with Documentation					
Select to include as qualifying income:					
<input type="checkbox"/>			Annual Amount		Monthly Amount
	Gross amount reported on personal tax return or Form 1099	\$	20,000.00	Gross amount = 100%	\$ 1,666.67
	Taxable amount reported on personal tax return	\$	8,000.00	Taxable portion = 40.00%	\$ 666.67
	Amount eligible for gross-up	25%	\$ 12,000.00	Non-taxable portion = 60.00%	\$ 1,250.00
<input checked="" type="checkbox"/>	Total Adjusted Income				\$ 1,916.67
<input type="checkbox"/>	Current MONTHLY amount (to gross-up; enter personal tax return information above)				
	Taxable amount (based on entry above)				\$ -
	Amount eligible for gross-up (based on entry above)				\$ -
<input type="checkbox"/>	Total Adjusted Income				\$ -
Qualifying Income from:					\$ 1,916.67

## Grossing up SSA benefits – Example #2

**MGIC**

Attach Sch. B if required.	2a	Tax-exempt interest	2a		b	Taxable interest	2b	
	3a	Qualified dividends	3a		b	Ordinary dividends	3b	
	4a	IRA distributions	4a		b	Taxable amount	4b	
	5a	Pensions and annuities	5a		b	Taxable amount	5b	
	6a	Social security benefits	6a	20,000	b	Taxable amount	6b	8,000
Standard Deduction for								

Non-taxable Income with Documentation					
Select to include as qualifying income:					
<input type="checkbox"/>	Gross amount reported on personal tax return or Form 1099	Annual Amount	\$ 20,000.00	Gross amount = 100%	Monthly Amount
	Taxable amount reported on personal tax return		\$ 8,000.00	Taxable portion = 40.00%	\$ 666.67
	Amount eligible for gross-up	25%	\$ 12,000.00	Non-taxable portion = 60.00%	\$ 1,250.00
<input type="checkbox"/>	Total Adjusted Income				\$ 1,916.67
<input type="checkbox"/>	Current MONTHLY amount (to gross-up; enter personal tax return information above)				\$ 1,750.00
	Taxable amount (based on entry above)				\$ 700.00
	Amount eligible for gross-up (based on entry above)				\$ 1,312.50
<input checked="" type="checkbox"/>	Total Adjusted Income				\$ 2,012.50
Qualifying Income from:					\$ 2,012.50

## Grossing up SSA benefits – Shortcut Example #3

**MGIC**

Social Security without taxation documentation				
Select to include as qualifying income:				
<input type="checkbox"/>	Gross amount reported on personal tax return or Form 1099	Annual Amount \$ 21,000.00	Gross amount = 100%	Monthly Amount \$ 1,750.00
	15% of gross Social Security	\$ 3,150.00	x 25%	\$ 65.63
<input checked="" type="checkbox"/>	Total Adjusted Income	\$ 21,787.50		\$ 1,815.63
Qualifying Income from:				\$ 1,815.63

# What about alimony?

# MGIC

**SCHEDULE 1**  
**(Form 1040)**  
Department of the Treasury  
Internal Revenue Service

**Additional Income and Adjustments to Income**  
Attach to Form 1040, 1040-SR, or 1040-NR.  
Go to [www.irs.gov/Form1040](https://www.irs.gov/Form1040) for instructions and the latest information.

OMB No. 1545-0074  
**2024**  
Attachment  
Sequence No. **01**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR \_\_\_\_\_ Your social security number \_\_\_\_\_

For 2024, enter the amount reported to you on Form(s) 1099-K that was included in error or for personal items sold at a loss . . . . .

**Note:** The remaining amounts reported to you on Form(s) 1099-K should be reported elsewhere on your return depending on the nature of the transaction. See [www.irs.gov/1099k](https://www.irs.gov/1099k).

**Part 1 Additional Income**

1	Taxable refunds, credits, or offsets of state and local income taxes . . . . .	1
2a	Alimony received . . . . .	2a
3	Business income or (loss). Attach Schedule C . . . . .	3
4	Other gains or (losses). Attach Form 4797 . . . . .	4
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E . . . . .	5
6	Farm income or (loss). Attach Schedule F . . . . .	6
7	Unemployment compensation . . . . .	7
8	Other income:	
a	Net operating loss . . . . .	8a
b	Gambling . . . . .	8b
c	Cancellation of debt . . . . .	8c
d	Foreign earned income exclusion from Form 2555 . . . . .	8d
e	Income from Form 8853 . . . . .	8e
f	Income from Form 8899 . . . . .	8f
g	Alaska Permanent Fund dividends . . . . .	8g
h	Jury duty pay . . . . .	8h
i	Prizes and awards . . . . .	8i
j	Activity not engaged in for profit income . . . . .	8j
k	Stock options . . . . .	8k
l	Income from the rental of personal property if you engaged in the rental for profit but were not in the business of renting such property . . . . .	8l
m	Olympic and Paralympic medals and USOC prize money (see instructions) . . . . .	8m
n	Section 951(a) inclusion (see instructions) . . . . .	8n
o	Section 951A(a) inclusion (see instructions) . . . . .	8o
p	Section 461(i) excess business loss adjustment . . . . .	8p
q	Taxable distributions from an ABL account (see instructions) . . . . .	8q
r	Scholarship and fellowship grants not reported on Form W-2 . . . . .	8r
s	Nontaxable amount of Medicaid waiver payments included on Form 1040, line 1a or 1d . . . . .	8s
t	Pension or annuity from a nonqualified deferred compensation plan or a nongovernmental section 457 plan . . . . .	8t
u	Wages earned while incarcerated . . . . .	8u
v	Digital assets received as ordinary income not reported elsewhere. See instructions . . . . .	8v
z	Other income. List type and amount: . . . . .	8z
9	Total other income. Add lines 8a through 8z . . . . .	9
10	Combine lines 1 through 7 and 9. This is your <b>additional income</b> . Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8 . . . . .	10

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 71479F Schedule 1 (Form 1040) 2024

- Alimony payments:  
Not tax-deductible
- Receipt of alimony:  
Not taxable as income  
for divorces entered  
after Dec. 31, 2018

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# Learn more

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## Evaluating & Calculating Variable Income

60 minutes

Evaluating variable income can be challenging due to its fluctuating nature. Plus, you have to understand all the Agency guidelines for analyzing variable income. Learn how to analyze income trends along with other factors so you can make the best underwriting decisions when calculating variable income.

During this webinar, we will examine specific case studies involving:

- Commission
- Overtime
- Bonus
- Shift differential

Note: This class does not include evaluating self-employed borrowers (SEB). MGIC offers specific SEB classes for analyzing returns for corporations, sole proprietors, partnerships, S corporations and rental income.



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## Magic Minutes training series

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## Evaluating & Calculating Borrowers' Income

Efficiently assess whether a borrower will be able to make a new mortgage payment AND meet their other monthly obligations. Watch this training series on evaluating and calculating borrowers' income, broken down into individual modules that each focus on a specific type of income.

Video	Video	Video	Video
<p><b>Magic Minutes</b> by MGIC</p> <p>How to qualify income</p>	<p><b>Magic Minutes</b> by MGIC</p> <p>How to calculate fixed income</p>	<p><b>Magic Minutes</b> by MGIC</p> <p>How to calculate variable income</p>	<p><b>Magic Minutes</b> by MGIC</p> <p>How to calculate non-taxable income</p>
<p><b>Qualifying income</b></p> <p>This introductory video in the training series explores how to review and analyze employment and income for stability and continuance to determine if it can be used for qualifying. You'll learn the difference between fixed and variable income, and how to review income documentation for eligibility.</p> <p>Watch it on YouTube ►</p>	<p><b>Calculating fixed income</b></p> <p>Did you know that when a borrower gets paid plays as crucial a role as how much they get paid? You'll learn tips to determine the difference between bi-weekly and semi-monthly pay, and you'll discover the importance of validating the income documentation before you begin calculating your borrower's qualifying income.</p> <p>Watch it on YouTube ►</p>	<p><b>Calculating variable income</b></p> <p>Calculating variable income, such as commissions, overtime, shift differential and bonuses, can be perplexing. In this training series video, you'll learn how assessing the overall risk present in a file plays an important role in income calculation, and you'll discover some helpful rules and guidelines.</p> <p>Watch it on YouTube ►</p>	<p><b>Non-taxable income</b></p> <p>This short training series video explores the different types of non-taxable income, like Social Security, child support and alimony, and explains how to "gross up" the non-taxable portion of your borrower's income to arrive at the adjusted gross income.</p> <p>Watch it on YouTube ►</p>

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**Thank you!**

**Notice 703**

(Rev. October 2022)

Department of the Treasury  
Internal Revenue Service**Read This To See if Your Social Security Benefits May Be Taxable**

If your social security and/or SSI (supplemental security income) benefits were your only source of income for 2022, you probably will not have to file a federal income tax return. See IRS Pub. 501, Dependents, Standard Deduction, and Filing Information, or your tax return instructions to find out if you have to file a return.

We developed this worksheet for you to see if your benefits may be

taxable for 2022. Fill in lines A through E.

**Do not** use the worksheet below if **any** of the following apply to you; instead, go directly to IRS Pub. 915, Social Security and Equivalent Railroad Retirement Benefits.

- You received Form RRB-1099, Form SSA-1042S, or Form RRB-1042S.

- You exclude income from sources outside the United States or foreign housing, income earned by bona fide residents of American Samoa or Puerto Rico, interest income from series EE or I U.S. savings bonds issued after 1989, or employer-provided adoption benefits.

**Note.** If you plan to file a joint income tax return, include your spouse's amounts, if any, on lines A, C, and D.

**A.** Enter the total amount from **box 5 of ALL your 2022 Forms SSA-1099.**

Include the full amount of any lump-sum benefit payments received in 2022, for 2022 and earlier years. . . . . **A.** \_\_\_\_\_ **B.** \_\_\_\_\_

**B.** Multiply line A by 50% (0.50). . . . .

**C.** Enter your **total income** that is taxable (excluding line A), such as pensions, wages, interest, ordinary dividends, and capital gain distributions. **Do not** reduce your income by any deductions, exclusions, or exemptions. . . . . **C.** \_\_\_\_\_

**D.** Enter any tax-exempt interest, such as interest on municipal bonds. . . . . **D.** \_\_\_\_\_

**E.** Add lines B, C, and D, and enter the total here. **Then, read the information below.** . . . . . **E.** \_\_\_\_\_

Part of your social security benefits may be taxable if, for 2022, item 1, 2, or 3 below applies to you.

1. You were single, a head of household, or a qualifying surviving spouse and line E above is more than \$25,000.

2. You were married, would file jointly, and line E above is more than \$32,000.

3. You were married, would file separately, and line E above is more than zero (more than \$25,000 if you lived apart from your spouse for all of 2022).

If your figures show that part of your benefits may be taxable, see IRS Pub. 915 and *Social Security Benefits* in your 2022 federal income tax return instructions.

If **none** of your benefits are taxable, but you must otherwise file a tax return, do the following.

- Enter the total amount from line A above on Form 1040 or 1040-SR, line 6a, and enter -0- on Form 1040 or 1040-SR, line 6b.

- If you were married, file separately, and lived apart from your spouse for all of 2022, enter "D" to the right of the word "benefits" on Form 1040 or 1040-SR, line 6a.

**Note.** If your figures show that part of your benefits may be taxable and you received benefits in 2022 that were for a prior year, see IRS Pub. 915, Social Security and Equivalent

Railroad Retirement Benefits, for rules on a lump-sum election you can make that may reduce the amount of your taxable benefits.

**Get More Information From the IRS**

If you still have questions about whether your social security benefits are taxable, see IRS Pub. 915 or your 2022 federal income tax return instructions, or visit [www.irs.gov/SSB](http://www.irs.gov/SSB).

Go to [www.irs.gov/Forms](http://www.irs.gov/Forms) to view, download, or print all of the forms and publications you may need.

**Do not return this notice to the SSA or the IRS. Keep it with your records.**

IRS.gov

Catalog No. 61879N

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<https://www.irs.gov/pub/irs-pdf/n703.pdf>

## Answer – Slide 31

### Let's calculate income

**MGIC**

Monthly income: $\$2,308 \times 26 / 12$	\$5,001
YTD income: $\$27,692 / 5.63$ months	\$4,919

Period decimal calculation = days in period / days in month

For this example: 19 days into June / 30 days in June = .63 of June

What's the monthly  
qualifying income?  
Why?



**Answer – Slide 34****Let's calculate income****MGIC**

Monthly income: $\$2,308 \times 26 / 12$	\$5,001
YTD income: $\$27,692 / 5.63$ months	\$4,919
Most recent year's W-2: $\$57,400 / 12$	\$4,783
Prior year's W-2: $\$55,201 / 12$	\$4,600

What's the monthly  
qualifying income?  
Why?



## Answer – Slide 38

### Let's calculate income

**MGIC**

Monthly income:  $\$1,854 \times 24 / 12$

**\$3,708**

YTD income:  $\$20,396 / 5.50$  months

**\$3,708**

Most recent year's W-2:

**\$**

Prior year's W-2:

**\$**

What's the monthly  
qualifying income?  
Why?





## Answer – Slide 41

### Let's calculate income

**MGIC**

Monthly income: $\$1,854 \times 24 / 12$	\$3,708
YTD income: $\$20,396 / 5.50$ months	\$3,708
Most recent year's W-2: $\$42,877 / 12$	\$3,573
Prior year's W-2: $\$39,300 / 12$	\$3,275

What's the monthly  
qualifying income?  
Why?

