



Evaluating and Calculating Borrower Income

FOCUS ON FIXED INCOME

Legal disclaimer

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Although MGIC believes the information set forth in this publication is generally accurate, the information may be outdated due to the rapidly changing nature of the residential mortgage industry, and MGIC does not warrant the accuracy, reliability or completeness of any information contained in this publication.

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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?



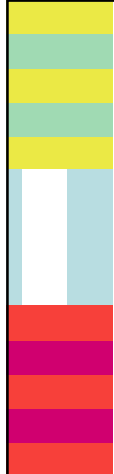
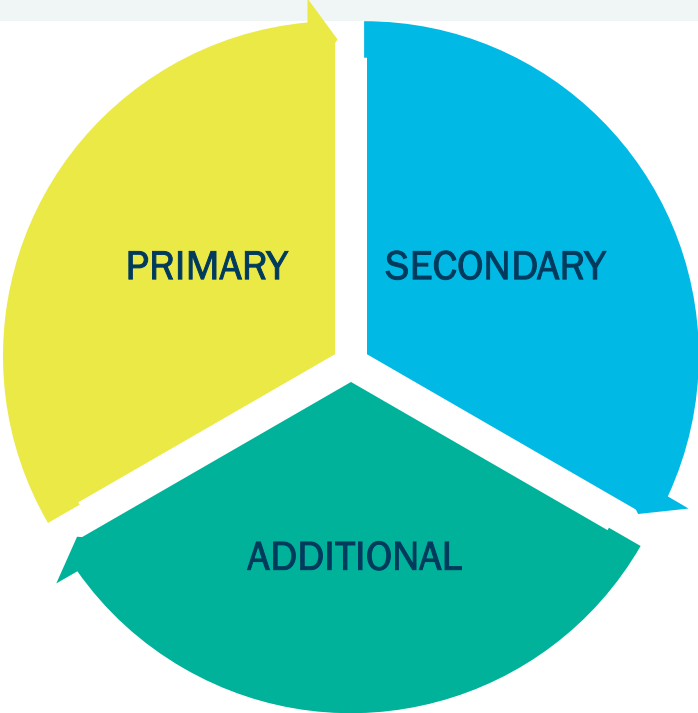
Likely to continue

- 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

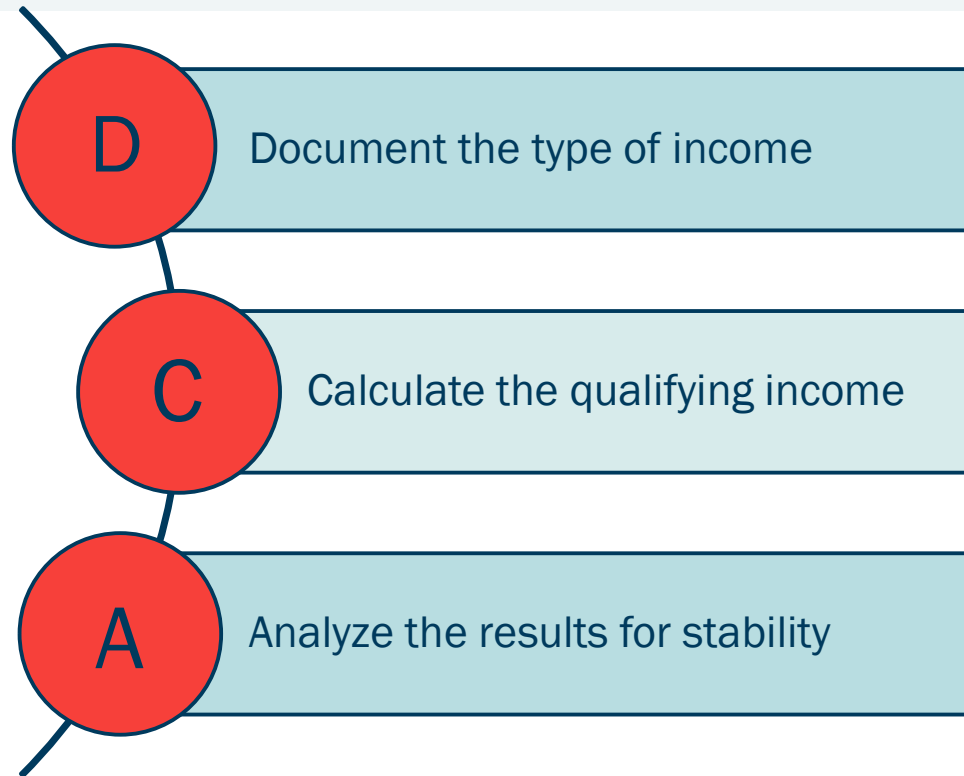
Defined end date

- 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



DCAs of Capacity



Non-variable or fixed income

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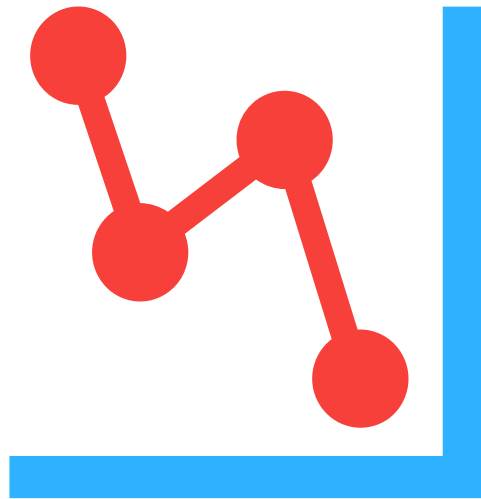
Stable, predictable and likely to continue

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



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

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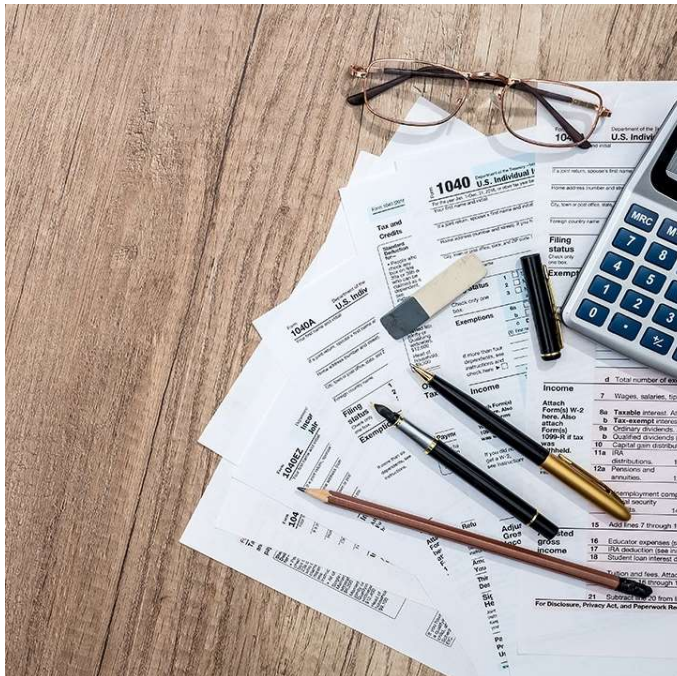
Alternative ways to document income:

- 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



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

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

Meet the borrowers

Peter and Elizabeth Simon





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) _____ - ____ - 2030

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 this loan
 I am applying for this loan as a co-borrower
 Each Borrower

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

Marital Status
 Married
 Separated
 Unmarried (Single, Divorced, Reciprocal)

Current Address
 Street 12 Oak
 City Pleasant
 How Long at _____

If at Current Address
 Street _____
 City _____
 How Long at _____

Mailing Address
 Street _____
 City _____

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		Gross Monthly Income Base \$ 3,708.00 /month Overtime \$ _____ /month Bonus \$ _____ /month Commission \$ _____ /month Military Entitlements \$ _____ /month Other \$ _____ /month TOTAL \$ 3,708.00 /month
Position or Title Music Teacher Start Date 09 / 01 / 2010 (mm/dd/yyyy) How long in this line of work? 20 Years _____ Months		
<input type="checkbox"/> Check if you are the Business Owner or Self-Employed		Check if this statement applies: <input type="checkbox"/> I am employed by a family member, property seller, real estate agent, or other party to the transaction. Monthly Income (or Loss) \$ _____ <input type="checkbox"/> I have an ownership share of less than 25%. <input type="checkbox"/> I have an ownership share of 25% or more.
Monthly Income (or Loss) \$ _____		

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		Gross Monthly Income Base \$ 3,708.00 /month Overtime \$ _____ /month Bonus \$ _____ /month Commission \$ _____ /month Military Entitlements \$ _____ /month Other \$ _____ /month TOTAL \$ 3,708.00 /month
Position or Title Music Teacher Start Date 09 / 01 / 2010 (mm/dd/yyyy) How long in this line of work? 20 Years _____ Months		
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Monthly Income (or Loss) \$ _____		

Uniform Residential Loan Application
 Freddie Mac Form 65 • Fannie Mae Form 1003
 Effective 9/2020



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	Social Security Number (or Individual Taxpayer Identification Number) - - - 9652
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	Date of Birth (mm/dd/yyyy) 08 / 01 / 1974
	Citizenship <input checked="" type="radio"/> U.S. Citizen <input type="radio"/> Permanent Resident Alien <input type="radio"/> Non-Permanent Resident Alien
Type of Credit <input type="checkbox"/> 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	Check if this statement applies: <input type="checkbox"/> I am employed by a family member, property seller, real estate agent, or other party to the transaction.
Start Date 05 / 10 / 2002 (mm/dd/yyyy)	
How long in this line of work? 20 Years Months	
<input type="checkbox"/> Check if you are the Business Owner or Self-Employed <input type="checkbox"/> I have an ownership share of less than 25%. Monthly Income (or Loss) \$ <input type="checkbox"/> I have an ownership share of 25% or more. \$	

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	Check if this statement applies: <input type="checkbox"/> I am employed by a family member, property seller, real estate agent, or other party to the transaction.
Start Date 05 / 10 / 2002 (mm/dd/yyyy)	
How long in this line of work? 20 Years Months	
<input type="checkbox"/> Check if you are the Business Owner or Self-Employed <input type="checkbox"/> I have an ownership share of less than 25%. Monthly Income (or Loss) \$ <input type="checkbox"/> I have an ownership share of 25% or more. \$	

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

A woman in a light-colored blazer and blue shirt is smiling while talking on a mobile phone. She is holding a large sheet of paper, likely a document or report, and looking at it. The background is a bright, clean office setting. To the left of the image is a decorative vertical bar with colorful geometric shapes in shades of red, yellow, green, and blue.

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Validate before you calculate

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

Required components – Paystub



WEB VISION INC.									
314 FOREST AVENUE					CHECK DATE: 6/25/23				
PLEASANT VALLEY, XY 99999					PERIOD ENDING: 6/19/23				
					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				CURRENT NET PAY DISTRN	
401K\$		115.38		1384.56	401(K) LOAN	50.00	600.00	CHECK AMOUNT	1625.75
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	58.00	688.00		
TOTAL		2174.37		26110.39					
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



WEB VISION INC. 314 FOREST AVENUE PLEASANT VALLEY, XY 99999							CHECK DATE: 6/25/23 PERIOD ENDING: 6/19/23 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 MARRIED T2:	EXEMPT 2 2	TAX ADJUSTMENTS FED: DI/UC LOCAL: ST: SEC: LOC5:	STATE AND LOCAL CODES PRI: XY LOC1: LOC3: SEC: LOC2: LOC4:			
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	FED SEC TAX	141.96	1704.69	VAC TAKEN .00
FLEX DOLLARS		175.08		1925.88	EDICARE TAX	33.20	398.68	VAC BALANCE .00
					ED INC TAX	194.42	2333.04	SICK TAKEN .00
					RI-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	
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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		
							CURRENT NET PAY DISTRN	
							CHECK AMOUNT	1625.75
							TOTAL CURRENT NET PAY 1625.75	

Use period ending date

Review of W-2s



		a Employee's social security number xxx-xx-9652		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		OMB No. 1545-0008				
c Employer's name, address, and ZIP code Web Vision Inc. 314 Forest Avenue Pleasant Valley, XY 99999		1 Wages, tips, other compensation 54,530.19		2 Federal income tax withheld 5,536.19		
		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 Allocated tips		
d Control number		9		10 Dependent care benefits		
e Employee's home name and address Elizabeth Simon 12 Oakwood Lane Pleasant Valley, XY 99999		Suff.		11 Nonqualified plans		
		13 Statutory employee <input type="checkbox"/>		12a See instructions for box 12 D 2,870.01		
		Retirement plan <input type="checkbox"/>		12b		
		Third-party sick pay <input type="checkbox"/>		12c		
		14 Other		12d		
f Employee's address and ZIP code						
15 State XY	Employer's state ID number 55571-1	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

W-2 Wage and Tax Statement **2022**
 Department of the Treasury—Internal Revenue Service
 Safe, accurate, FAST! Use **IRS e-file**

Review of W-2s



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 5,536.19			
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	7 Associated tips			
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	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name
XY	555571-1	54,530.19	3,272.19			

Form **W-2** Wage and Tax Statement **2022** Department of the Treasury—Internal Revenue Service
Safe, accurate, FAST! Use **efile**

Max SS wages of
 2023 = \$160,200
 2022 = \$147,000
 2021 = \$142,800
 2020 = \$137,700

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 mortgagee 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 mortgagee 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		14. If Overtime or Bonus is Applicable, is its Continuance Likely?	
<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 _____		Overtime <input type="checkbox"/> Yes <input type="checkbox"/> No Bonus <input type="checkbox"/> Yes <input type="checkbox"/> No	
12B. Gross Earnings				Rations		15. If paid hourly — average hours per week _____	
Type	Year To Date	Past Year	Past Year	Flight or Hazard		16. Date of applicant's next pay increase _____	
Base Pay	\$ _____	\$ _____	\$ _____	Clothing		17. Projected amount of next pay increase _____	
Overtime	\$ _____	\$ _____	\$ _____	Quarters		18. Date of applicant's last pay increase _____	
Commissions	\$ _____	\$ _____	\$ _____	Pro Pay		19. Amount of last pay increase _____	
Bonus	\$ _____	\$ _____	\$ _____	Overseas or Combat			
Total	\$ 0.00	\$ 0.00	\$ 0.00	Variable Housing Allowance			

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



Verification of Employment (VOE)

Optional fields:
11, 14, 15, 16, 17, 18, 19, 24

Determining pay frequency

The MGIC logo is displayed in a bold, dark blue, sans-serif font.

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 1st and the 15th of the month OR the 15th 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"/>
YTD Income	\$ <input type="text"/>
Most recent year's W-2	\$ <input type="text"/>
Prior year's W-2	\$ <input type="text"/>

Work Space

Base income calculation



WEB VISION INC.									
314 FOREST AVENUE									
PLEASANT VALLEY, XY 99999									
					CHECK DATE: 6/25/23 PERIOD ENDING: 6/19/23 PAY FREQUENCY: BI-WEEKLY				
ELIZABETH SIMON		ID NUMBER: 3253	STATUS		EXEMPT	TAX ADJUSTMENTS		STATE AND LOCAL CODES	
12 OAKWOOD LANE		BASE RATE: 2307.70	FED: MARRIED		2	FED:	ST: PRI: XY	LOC1:	LOC3:
PLEASANT VALLEY, XY 99999		SSN: XXX-XX-9652	ST1: MARRIED		2	DI/UC	SEC:	LOC2:	LOC4:
			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	VAC TAKEN	.00
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					PRI-STATE TAX	121.04	1452.48		
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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:

Most recent year's W-2:

Prior year's W-2:

What's the monthly
qualifying income?
Why?



Base income – continued



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 5,536.19		
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 Allocated tips		
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 <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	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 **2022** Department of the Treasury—Internal Revenue Service
Safe, accurate, FAST! Use **IRS e-file**

Base income – continued



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 52,440.70	2 Federal income tax withheld 5,398.64		
c Employer's name, address, and ZIP code Web Vision Inc. 314 Forest Avenue Pleasant Valley, XY 99999		3 Social security wages 55,200.60	4 Social security tax withheld 3,422.44		
		5 Medicare wages and tips 55,200.60	6 Medicare tax withheld 800.41		
		7 Social security tips	8 Allocated tips		
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 2,759.90
		13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	12b		
		14 Other	12c		
			12d		
f Employee's address and ZIP code					
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax
XY	555571-1	52,440.70	3,178.50		
					20 Locality name

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

2021

Department of the Treasury—Internal Revenue Service



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:

Prior year's W-2:

What's the monthly
qualifying income?
Why?



Base income - Peter



FRANKLIN ELEMENTARY SCHOOL
17 BARKER RD., PLEASANT VALLEY XY 99999

SIMON, PETER		SOC SEC NO XXX-XX-2030		PERIOD ENDING 6/15/ 20XX	DEPOSIT DATE 6/15/ 20XX	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-DEB			DENTAL HEP-F	134.82	1483.02
								BENEFIT ADJ	3.75	41.25
								TEACHER PAY	93.69	1030.59
								BOARD PAID	95.57	1051.27
								FICA	99.62	1095.82
								HEALTH HEP-F	672.82	7401.02
								LIFE INSURANCE	13.72	150.92
								MEDICARE	23.30	256.30
								SSION HEP-F	23.82	262.02
<hr/>										
SIMON, PETER										
PAYMENTS	RATE	HOURS	CURR AMT	YTD AMT	DEDUCTIONS	CURR AMT	YTD AMT	BENEFITS	CURR AMT	YTD AMT
GROSS PAY										
NET PAY										
<hr/>										
GROSS PAY - PRE-FED-TAX = FED TX GRS - FED TX										
CURRENT	1854.16	31210	1537.06	13848						
YEAR-TO-DATE	20395.76	3488.10	16907.66	1523.28	7880	550.00		12694.22		



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



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	EDUCTIONS	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 EXI 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	98.62	1095.82	FICA	99.62	1095.82	
					FEDTAX / % 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											
PAYMENTS	RATE	HOURS	CURR AMT	YTD AMT	DEDUCTIONS	CURR AMT	YTD AMT	BENEFITS	CURR AMT	YTD AMT	
					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 - STA 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	FED
YEAR-TO-DATE	20395.76	3488.10	16907.66	1523.28	788.04	1352.12	550.00	12694.22			2/M

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



		a 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 Employer identification number (EIN) 66-6003743		1 Wages, tips, other compensation 41,676.99		2 Federal income tax withheld 5,254.10			
c Employer's name, address, and ZIP code Franklin Elementary School 17 Barker Road Pleasant Valley, XY 99999		3 Social security wages 42,876.99		4 Social security tax withheld 2,658.37			
		5 Medicare wages and tips 42,876.99		6 Medicare tax withheld 621.72			
		7 Social security tips		8 Allocated tips			
d Control number		9		10 Dependent care benefits			
e Employee's first name and initial Peter Last name Simon		Suff.		11 Nonqualified plans		12a See instructions for box 12 D 1,200.00	
12 Oakwood Lane Pleasant Valley, XY 99999		13 Statutory employee <input type="checkbox"/>		Retirement plan <input type="checkbox"/>		12b	
		Third-party sick pay <input type="checkbox"/>		14 Other		12c	
						12d	
f Employee's address and ZIP code							
15 State XY	Employer's state ID number 02345	16 State wages, tips, etc. 41,676.99	17 State income tax 2,499.67	18 Local wages, tips, etc.	19 Local income tax	20 Locality name	

Form **W-2** Wage and Tax Statement **2022** Department of the Treasury—Internal Revenue Service
Safe, accurate, FAST! Use **IRS e-file**

Base income – continued



a 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 Employer identification number (EIN) 66-6003743		1 Wages, tips, other compensation 38,204.04	2 Federal income tax withheld 3,783.00		
c Employer's name, address, and ZIP code Franklin Elementary School 17 Barker Road Pleasant Valley, XY 99999		3 Social security wages 39,300.04	4 Social security tax withheld 2,436.60		
		5 Medicare wages and tips 39,300.04	6 Medicare tax withheld 569.85		
		7 Social security tips	8 Allocated tips		
d Control number		9	10 Dependent care benefits		
e Employee's first name and initial Last name Peter Simon 12 Oakwood Lane Pleasant Valley, XY 99999		Suff.	11 Nonqualified plans		12a See instructions for box 12 D 1,096.00
f Employee's address and ZIP code		13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	12b		
		14 Other	12c		
			12d		
15 State Employer's state ID number XY 02345	16 State wages, tips, etc. 38,204.04	17 State income tax 2,458.04	18 Local wages, tips, etc.	19 Local income tax	20 Locality name

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

2021

Department of the Treasury—Internal Revenue Service

Safe, accurate, FAST! Use **INS e file**

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?



mgic.com/seb



Employment and Other Income Worksheet MGIC

• 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
	\$ 1,854.00	Bi-Weekly (26)		\$ 4,017.00

	Date From:	Date Paid Through:	Total Earnings:	# of Months:	Monthly Earnings:	% Change:
<input type="checkbox"/> YTD 2024	1/1/2024	1/31/2024	\$ 4,230.00	1.00	\$ 4,230.00	+19.93%
<input type="checkbox"/> Year 2023	1/1/2023	12/31/2023	\$ 42,325.00	12.00	\$ 3,527.08	+1.38%
<input type="checkbox"/> Year 2022	1/1/2022	12/31/2022	\$ 41,750.00	12.00	\$ 3,479.17	-

Qualifying Base Pay: \$ 4,017.00

Overtime

Select to include as qualifying income:

	Date From:	Date Paid Through:	Total Earnings:	# of Months:	Monthly Earnings:	% Change:
<input type="checkbox"/> YTD 2024	1/1/2024	1/31/2024	\$ 560.00	1.00	\$ 560.00	+3.38%
<input checked="" type="checkbox"/> Year 2023	1/1/2023	12/31/2023	\$ 6,500.00	12.00	\$ 541.67	-13.33%
<input type="checkbox"/> Year 2022	1/1/2022	12/31/2022	\$ 7,500.00	12.00	\$ 625.00	-

Qualifying Overtime: \$ 541.67

< 2 year employment history – Primary employer

MGIC



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

Employment gap example



Part II – Verification of Present Employment

9. Applicant's Date of Employment 12/01/2022	10. Present Position Quality Control Auditor	11. Probability of Continued Employment Good
---	---	---

12A. Current Gross Base Pay (Enter Amount and Check Period)			13. For Military Personnel Only		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
<input type="checkbox"/> Annual <input type="checkbox"/> Hourly <input checked="" type="checkbox"/> Monthly <input type="checkbox"/> Other (Specify) _____ <input type="checkbox"/> Weekly			Pay Grade		
\$ 6,000.00			Type	Monthly Amount	15. If paid hourly – average hours per week
			Base Pay	\$	
12B. Gross Earnings			Rations	\$	16. Date of applicant's next pay increase
Type	Year To Date	Past Year 2022	Flight or Hazard	\$	17. Projected amount of next pay increase
Base Pay	Thru 8/30/23 \$ 48,000.00	\$ 5,890.00	Clothing	\$	
Overtime	\$	\$	Quarters	\$	18. Date of applicant's last pay increase
Commissions	\$	\$	Pro Pay	\$	19. Amount of last pay increase
Bonus	\$	\$	Overseas or Combat	\$	
Total	\$ 48,000.00	\$ 5,890.00		\$ 0.00	



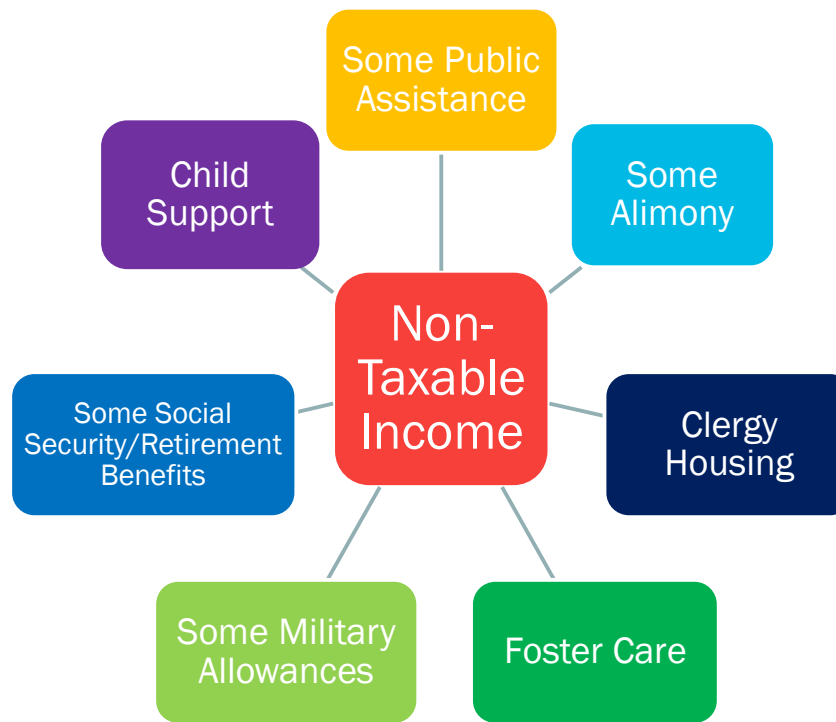
20. Remarks (If employee was off work for any length of time, please indicate)

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 \$ 5500 /month
Street _____ Unit # _____	
City _____ State _____ ZIP _____ Country _____	
Position or Title Analyst - Quality Control	<input type="checkbox"/> Check if you were the Business Owner or Self-Employed
Start Date 3 / 1 / 2015 (mm/dd/yyyy)	
End Date 8 / 15 / 2018 (mm/dd/yyyy)	

Non-taxable income



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



Form **1040** Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return 2022 OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

Filing Status Single Married filing jointly Married filing separately (MFS) Head of household (HOH) Qualifying surviving spouse (QSS)

Check only one box. 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:

Your first name and middle initial _____ Last name _____ Your social security number _____

If joint return, spouse's first name and middle initial _____ Last name _____ Spouse's social security number _____

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 _____

Digital Assets At any time during 2022, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, gift, 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, 1958 Are blind **Spouse:** Was born before January 2, 1958 Is blind

(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
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Income

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 Form(s) W-2	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 election (see instructions)	1i
z	Add lines 1a through 1h	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	If you elect to use the lump-sum election method, check here (see instructions)	7
8	Other income from Schedule 1, line 10	8
9	Add lines 1z, 2b, 3b, 4b, 5b, 6b, 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

Attach Sch. B if required.

Standard Deduction for—

- Single or Married filing separately, \$12,950
- Married filing jointly or Qualifying surviving spouse, \$25,900
- Head of household, \$19,400
- If you checked any box under Standard Deduction, see instructions.

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form **1040** (2022)

6a minus 6b = non-taxable portion

Grossing up non-taxable income – Example #1



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:		Annual Amount	Monthly Amount
<input type="checkbox"/>	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)		<input style="width: 100px;" type="text"/>
	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



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:		Annual Amount	Monthly Amount
<input type="checkbox"/>	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 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

Social Security without taxation documentation			
Select to include as qualifying income:		Annual Amount	Monthly Amount
<input type="checkbox"/>	Gross amount reported on personal tax return or Form 1099	\$ 21,000.00	Gross amount = 100% \$ 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?



SCHEDULE 1
(Form 1040)

Additional Income and Adjustments to Income

Department of the Treasury
Internal Revenue Service

OMB No. 1545-0074
2022
Attachment Sequence No. 01

Go to www.irs.gov/Form1040 for instructions and the latest information.

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

Part I 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 8889	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(l) 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 ()	
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. 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) 2022

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

MGIC



Learn more

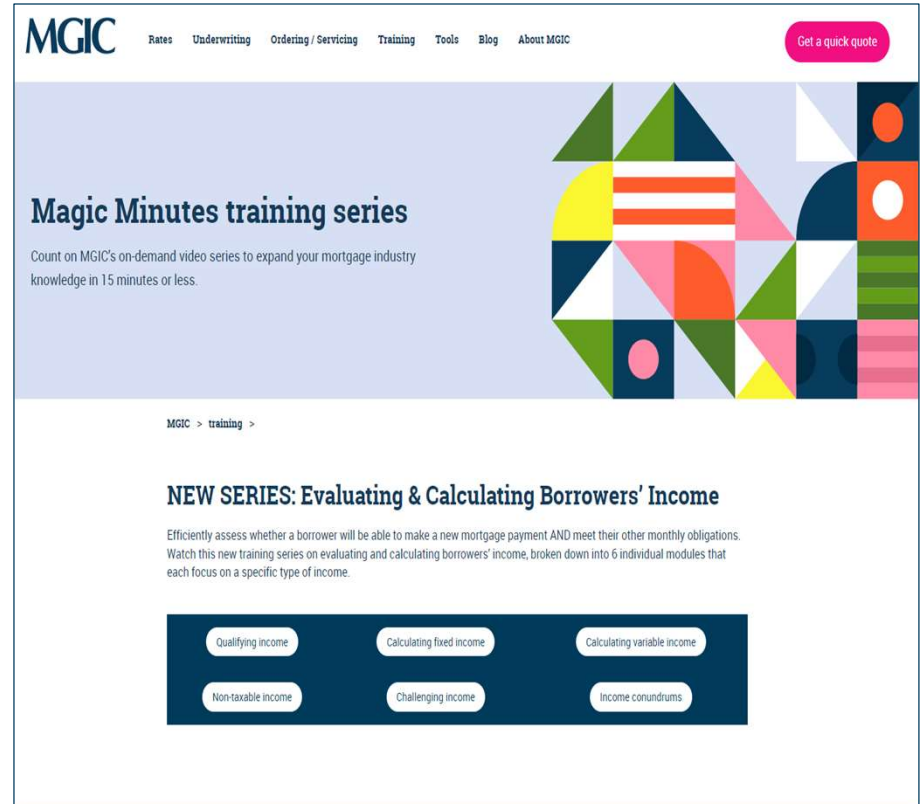
Skill-based

60 minutes

Evaluating and Calculating Borrower Income – Focus on Variable Sources

Recorded Session
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NEW SERIES: 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 new training series on evaluating and calculating borrowers' income, broken down into 6 individual modules that each focus on a specific type of income.

- Qualifying income
- Calculating fixed income
- Calculating variable income
- Non-taxable income
- Challenging income
- Income conundrums

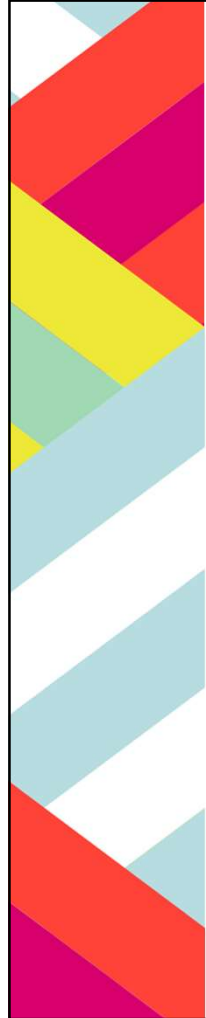
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The MGIC logo is displayed in a bold, dark blue, sans-serif font. It is positioned in the upper right area of the slide, to the right of a decorative graphic.A decorative graphic consisting of several overlapping, diagonal stripes in various colors: red, magenta, yellow, light green, and light blue. The stripes are arranged in a way that creates a sense of depth and movement, resembling a stylized mountain range or a series of steps.

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). **B.** _____

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.

- You were single, a head of household, or a qualifying surviving spouse and line E above is more than \$25,000.
- You were married, would file jointly, and line E above is more than \$32,000.
- 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.

Go to 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



<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?

