

Evaluating and Calculating Borrower Income

FOCUS ON VARIABLE INCOME



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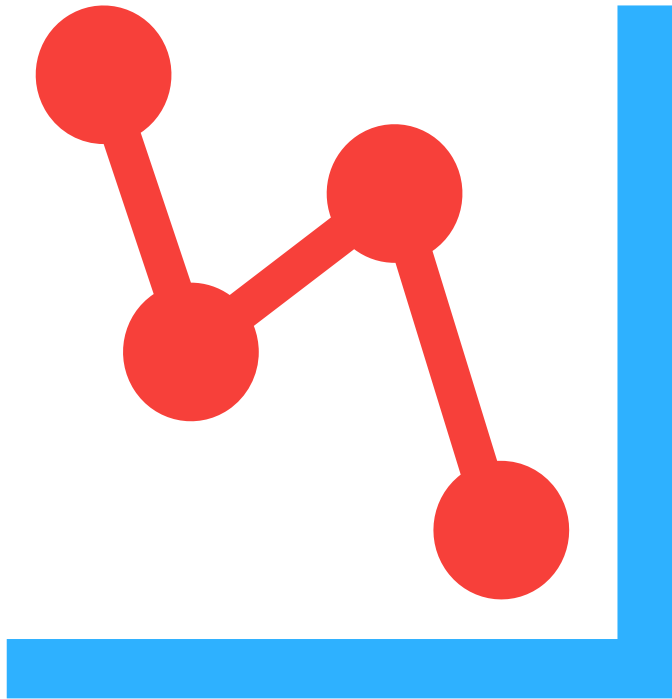
Variable Income - Agenda



- Defining variable income
- Guidelines and rules
- Analyzing overall risk
- Calculation of income
 - Four case studies
 - Secondary or part-time income
 - 1099 Borrowers
- Your questions

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

Examples of Variable Income

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Overtime

Bonus

Commission

Hourly – no set
hours per week

Part-time
employment

Shift or on-call

Calculate by Income Trend

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- When should I average?
- Can I use the YTD income in my calculation?
- Why isn't it always the same in every file?



**RISK
VARIES**

Remember The 4 Cs

Credit

- Borrower's willingness to repay a loan

Capacity

- Borrower's ability to repay based on the amount & stability of income

Capital

- Borrower's investment in the property from savings & other sources

Collateral


- Property's value & marketability to provide adequate security for the loan based on an appraisal

Assessing the Overall Risk




Loan File #1




 **Credit** – includes one credit card account with six-month history


 **Capital** – the LTV is high and the down payment and closing costs are coming from gift funds

 **Collateral** – the appraisal identified deferred maintenance

Loan File #2



 **Credit** – reflects good depth with a stellar payment history

 **Capital** – the LTV is lower and assets to complete the transaction are coming from borrower's own funds

 **Collateral** – the property value is well supported by the appraisal

Variable Income Rules



- 24-month history is recommended – in no event should employment history be less than 12 months
- Calculation of income will be determined based on whether earning trend is consistent, increasing or decreasing
- Additional analysis should be done when the income fluctuates more than 10% from year to year

Freddie Mac – Degree of Fluctuation



≤ 10% fluctuation

The income trend is considered consistent when the increase YTD and prior year(s) is less than or equal to 10%.

No additional analysis or docs are required

10-30% fluctuation

No additional analysis or documentation is required with a documented verification of a pay raise.

>30% fluctuation

If the increase is >30%, additional analysis is required to determine income stability and develop an accurate calculation of income

A decorative vertical bar on the left side of the slide features a series of overlapping diagonal stripes in shades of red, orange, yellow, green, and blue.

Word Bank:

- higher
- averaged
- lower
- disregarded

1. If the trend in the amount of income is stable or increasing, the income amount should be _____.
2. If the trend is declining but has since stabilized and there's no reason to believe the borrower will not continue to be employed at the current level, the _____ amount of income must be used.
3. If the trend is declining the income may not be stable. Additional analysis must be conducted to determine if any income should be used but in no instance may it be _____ over the period when the decline occurred

**Beware of
recent
changes**

Change in compensation

Change in position

Change in employment

Change in pay structure

Can a LOE from employer be used to calculate income with a raise?

Borrower works fluctuating hours and recently received a raise. Can a LOE from the employer which indicates the average hours worked be used to calculate income?

Answers:

- A: Yes, if the employment is arms-length
- B: The earnings should be averaged
- C: Lender should calculate hours worked YTD and prior years and multiply by new hourly rate
- D: Either B or C are acceptable



New job with fluctuating income

Borrower recently started a new job 9/1/24 and has been on their current job for 6 months. Borrower's previous job was in the same field.

Tax Year	Dates	Earnings
Current Job - YTD	01/01/25 – 03/01/25	\$12,750
Current Job – prior year	09/01/24 – 12/31/24	\$23,980
Previous Job – prior year	01/01/24 – 08/30/25	\$38,450

Is additional analysis required?

New job with fluctuating income - MGIC

Earning trends

Tax Year	Dates	Earnings
Current Job - YTD	01/01/25 – 03/01/25	\$12,750
Current Job – prior year	09/01/24 – 12/31/24	\$23,980
Previous Job – prior year	01/01/24 – 08/30/25	\$38,450

- 1 Current job - $\$12,750$ plus $\$23,980 = \$36,730 / 6 = \$6,121.67$
Current job annualized = $\$73,460$
- 2 Prior job = $\$38,450 / 8 = \$4,306.25$
Prior job annualized = $\$51,675$
- 3 Calculate difference = $\$73,460 - \$51,675 = \$21,785$
- 4 Divide the difference by prior year earnings amount x 100
 $\$21,785 / \$51,675 = 42.16\%$

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Employment and Other Income Worksheet

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User Tips:

- Add borrower information in blue-shaded fields
- 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

Reset Workbook

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

☐

Overtime

☐

Bonus

☐

Commission

☐

Other Income

Borrower Name:

Employer Name:

☐

Base Pay

☐

Overtime

☐

Bonus

☐

Commission

☐

Other Income

Borrower Name:

Employer Name:

☐

Base Pay

☐

Overtime

☐

Bonus

>

[Income Calculator](#)

[Instructions](#)

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CASE STUDY #1 – SHIFT DIFFERENTIAL

Case #1: Varied Hours



Borrower is employed in healthcare and has been at their current employment with Any Hospital for 4.5 years.

Paystubs show the borrower does not work set hours and is paid weekend/night shift differential.

- How would you calculate the qualifying income?
- What other questions might you have?



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Lumping All Income Together

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Borrower Name: Employer Name: ANY HOSPITAL

X Base Pay

Select to include as qualifying income:

☐

☒ YTD 2025 1/1/2025 12/31/2025 \$ 86,608.00 12.00 \$ 7,505.45 +3.99%

☒ Year 2024 1/1/2024 12/31/2024 \$ 82,113.00 12.00 \$ 7,217.33 +5.47%

☒ Year 2023 1/1/2023 12/31/2023 \$ 82,113.00 12.00 \$ 6,842.75 -

Qualifying Base Pay: \$ 7,074.57

Employment and Other Income Worksheet

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X

Base Pay

Select to include as qualifying income:

☐

Rate of Pay

Pay Frequency (select from drop down)

Varies

Hours Worked Weekly

Monthly Earnings \$ -

Date Paid

Date From: Through:

Total Earnings: # of Months: Monthly Earnings: % Change:

<input checked="" type="checkbox"/>	YTD 2025	1/1/2025	3/15/2025	\$ 13,545.62	2.48	\$ 5,461.94	+7.10%
<input checked="" type="checkbox"/>	Year 2024	1/1/2024	12/31/2024	\$ 61,200.00	12.00	\$ 5,100.00	+9.50%
<input checked="" type="checkbox"/>	Year 2023	1/1/2023	12/31/2023	\$ 55,888.00	12.00	\$ 4,657.33	-

Qualifying Base Pay:

\$ 4,933.29

X

Overtime

Select to include as qualifying income:

☐

Date Paid

Date From: Through:

Total Earnings: # of Months: Monthly Earnings: % Change:

	YTD 2025	1/1/2025	3/15/2025	\$ 887.21	2.48	\$ 357.75	-33.02%
	Year 2024	1/1/2024	12/31/2024	\$ 6,409.00	12.00	\$ 534.08	-30.68%
	Year 2023	1/1/2023	12/31/2023	\$ 9,245.00	12.00	\$ 770.42	-

Qualifying Overtime:

\$ -

X

Other Income

Type: Shift Differential - Night/Weekend

Select to include as qualifying income:

☒

Date Paid

Date From: Through:

Total Earnings: # of Months: Monthly Earnings: % Change:

<input checked="" type="checkbox"/>	YTD 2025	1/1/2025	3/15/2025	\$ 4,080.00	2.48	\$ 1,645.16	+3.91%
<input checked="" type="checkbox"/>	Year 2024	1/1/2024	12/31/2024	\$ 18,999.00	12.00	\$ 1,583.25	+11.89%
<input checked="" type="checkbox"/>	Year 2023	1/1/2023	12/31/2023	\$ 16,980.00	12.00	\$ 1,415.00	-

Qualifying Other Income:

\$ 1,512.80

Total Qualifying Income from:

\$ 6,446.09





CASE STUDY #2 – COMMISSION INCOME

Case #2: Commissions

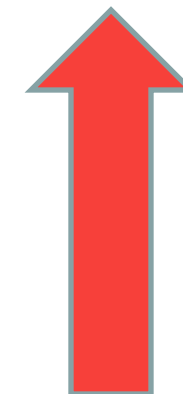


Borrower has been employed in the same position with the same employer for 15+ years. He receives a monthly base income of \$5,500 that is supported by a VOE.

Commission earnings need to be included from his job as an Account Executive for the largest liquor vendor for restaurants in the city.

What concerns would you have based on the following?

Borrower Name:		Employer Name: BEVERAGE AE	
<input checked="" type="checkbox"/> Base Pay			
Select to include as qualifying income: <input checked="" type="checkbox"/>			
		Rate of Pay	Pay Frequency (select from drop down)
		\$ 5,500.00	Monthly (12)
		Hours Worked Weekly	Monthly Earnings
			\$ 5,500.00
		Date Paid	
	YTD 2025	Date From: 1/1/2025 Through: 3/15/2025	Total Earnings: \$ 13,924.00
	Year 2024	Date From: 1/1/2024 Through: 12/31/2024	Total Earnings: \$ 65,750.00
	Year 2023	Date From: 1/1/2023 Through: 12/31/2023	Total Earnings: \$ 49,510.00
		# of Months:	Monthly Earnings: % Change:
		2.48	\$ 5,614.52 +2.47%
		12.00	\$ 5,479.17 +32.80%
		12.00	\$ 4,125.83 -
Qualifying Base Pay:			\$ 5,500.00
<input type="checkbox"/> Overtime			
<input type="checkbox"/> Bonus			
<input checked="" type="checkbox"/> Commission			
Select to include as qualifying income: <input type="checkbox"/>			
		Date Paid	
	YTD 2025	Date From: 1/1/2025 Through: 3/15/2025	Total Earnings: \$ 5,621.00
	Year 2024	Date From: 1/1/2024 Through: 12/31/2024	Total Earnings: \$ 21,577.00
	Year 2023	Date From: 1/1/2023 Through: 12/31/2023	Total Earnings: \$ 37,125.00
		# of Months:	Monthly Earnings: % Change:
		2.48 ^A _Y	\$ 2,266.53 +26.05%
		12.00	\$ 1,798.08 -41.88%
		12.00	\$ 3,093.75 -
Qualifying Commission:			\$ -
<input type="checkbox"/> Other Income			



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Is it okay to average declining income?

Could we use this income without an explanation?

X Commission

Select to include as qualifying income:

☒ ☒ ☒

		Date Paid		# of Months:	Monthly Earnings:	% Change:
YTD	2025	1/1/2025		2.48	\$ 2,266.53	+26.05%
Year	2024	1/1/2024		12.00	\$ 1,798.08	-41.88%
Year	2023	1/1/2023		12.00	\$ 3,093.75	-

Qualifying Commission: \$ 2,429.12

X Commission

Select to include as qualifying income:

☒ ☒ ☐

		Date From:	Through:	Total Earnings:	# of Months:	Monthly Earnings:	% Change:
YTD	2025	1/1/2025	3/15/2025	\$ 5,621.00	2.48	\$ 2,266.53	+26.05%
Year	2024	1/1/2024	12/31/2024	\$ 21,577.00	12.00	\$ 1,798.08	-41.88%
Year	2023	1/1/2023	12/31/2023	\$ 37,125.00	12.00	\$ 3,093.75	-

Qualifying Commission: \$ 1,878.31

X Commission

Select to include as qualifying income:

☐ ☒ ☐

		Date From:	Through:	Total Earnings:	# of Months:	Monthly Earnings:	% Change:
YTD	2025	1/1/2025	3/15/2025	\$ 5,621.00	2.48	\$ 2,266.53	+26.05%
Year	2024	1/1/2024	12/31/2024	\$ 21,577.00	12.00	\$ 1,798.08	-41.88%
Year	2023	1/1/2023	12/31/2023	\$ 37,125.00	12.00	\$ 3,093.75	-

Qualifying Commission: \$ 1,798.08

How Would You Calculate Variable Income With a Gap?

Borrower was on leave due to a surgery in 2024 for two months. Their earnings are 100% commission income.

2024 = \$50,000

2023 = \$60,000



CASE STUDY #3 – BONUS INCOME

Case #3: Bonus Income



Borrower started their current job as a Marketing Specialist 5/20/2020.

Borrower is paid base plus bonus and needs both sources to qualify.

VOE in file shows the following earnings

Would you use bonus income?
If so, how would you calculate it?

Base Plus Bonus

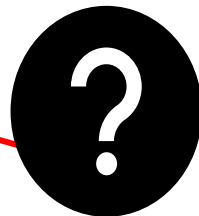


Part II – Verification of Present Employment						
9. Applicant's Date of Employment		10. Present Position			11. Probability of Continued Employment	
09/20/2020		Marketing Specialist			Good	
12A. Current Gross Base Pay (Enter Amount and Check Period)				13. For Military Personnel Only		14. If Overtime 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 type="checkbox"/> Monthly <input type="checkbox"/> Other (Specify) _____ <input checked="" type="checkbox"/> Weekly				Pay Grade _____		
\$ 1,875.00				Type	Monthly Amount	
				Base Pay	\$ _____	
12B. Gross Earnings				Rations	\$ _____	
Type	Year To Date	Past Year 2024	Past Year 2023	Flight or Hazard	\$ _____	
Base Pay	Thru 3/15 \$ 20,312.50	\$ 93,321.21	\$ 88,980.00	Clothing	\$ _____	
Overtime	\$ _____	\$ _____	\$ _____	Quarters	\$ _____	
Commissions	\$ _____	\$ _____	\$ _____	Pro Pay	\$ _____	
Bonus	\$ 10,000.00	\$ 9,000.00	\$ 8,000.00	Overseas or Combat	\$ _____	
Total	\$ 30,312.50	\$ 102,321.21	\$ 96,980.00	Variable Housing Allowance	\$ _____	
20. Remarks (If employee was off work for any length of time, please indicate time period and reason)						
Bonus is paid annually						

Employment and Other Income Worksheet

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Borrower Name:		Employer Name: MARKETING SPECIALIST	
<input checked="" type="checkbox"/> Base Pay			
Select to include as qualifying income: <input checked="" type="checkbox"/>			
		Rate of Pay	Pay Frequency (select from drop down)
		\$ 1,875.00	Weekly (52)
		Hours Worked Weekly	Monthly Earnings
			\$ 8,125.00
		Date Paid	
		Date From: Through:	Total Earnings: # of Months: Monthly Earnings: % Change:
<input type="checkbox"/>	YTD 2025	1/1/2025 3/15/2025	\$ 20,312.50 2.48 \$ 8,190.52 +5.32%
<input type="checkbox"/>	Year 2024	1/1/2024 12/31/2024	\$ 93,321.21 12.00 \$ 7,776.77 +4.88%
<input type="checkbox"/>	Year 2023	1/1/2023 12/31/2023	\$ 88,980.00 12.00 \$ 7,415.00 -
Qualifying Base Pay:			\$ 8,125.00
<input type="checkbox"/> Overtime			
<input checked="" type="checkbox"/> Bonus			
Select to include as qualifying income: <input type="checkbox"/>			
		Date Paid	
		Date From: Through:	Total Earnings: # of Months: Monthly Earnings: % Change:
<input type="checkbox"/>	YTD 2025	1/1/2025 3/1/2025	\$ 10,000.00 2.03 \$ 4,926.11 +556.81%
<input type="checkbox"/>	Year 2024	1/1/2024 12/31/2024	\$ 9,000.00 12.00 \$ 750.00 +12.50%
<input type="checkbox"/>	Year 2023	1/1/2023 12/31/2023	\$ 8,000.00 12.00 \$ 666.67 -
Qualifying Bonus:			\$ -
<input type="checkbox"/> Commission			
<input type="checkbox"/> Other Income			



X Bonus

Select to include as qualifying income:

☒ ☒ ☒

		Date From:	Date To:	Total Earnings:	# of Months:	Monthly Earnings:	% Change:
YTD	2025	1/1/2025	3/1/2025	\$ 10,000.00	2.03	\$ 4,926.11	+556.81%
Year	2024	1/1/2024	12/31/2024	\$ 9,000.00	12.00	\$ 750.00	+12.50%
Year	2023	1/1/2023	12/31/2023	\$ 8,000.00	12.00	\$ 666.67	-

Qualifying Bonus: \$ 1,037.26

X Bonus

Select to include as qualifying income:

☒ ☒ ☒

		Date From:	Date Paid Through:	Total Earnings:	# of Months:	Monthly Earnings:	% Change:
YTD	2025	1/1/2025	3/1/2025	\$ 10,000.00	12.00	\$ 833.33	+11.11%
Year	2024	1/1/2024	12/31/2024	\$ 9,000.00	12.00	\$ 750.00	+12.50%
Year	2023	1/1/2023	12/31/2023	\$ 8,000.00	12.00	\$ 666.67	-

Qualifying Bonus: \$ 750.00

Annualizing option

CASE STUDY #4 – OVERTIME

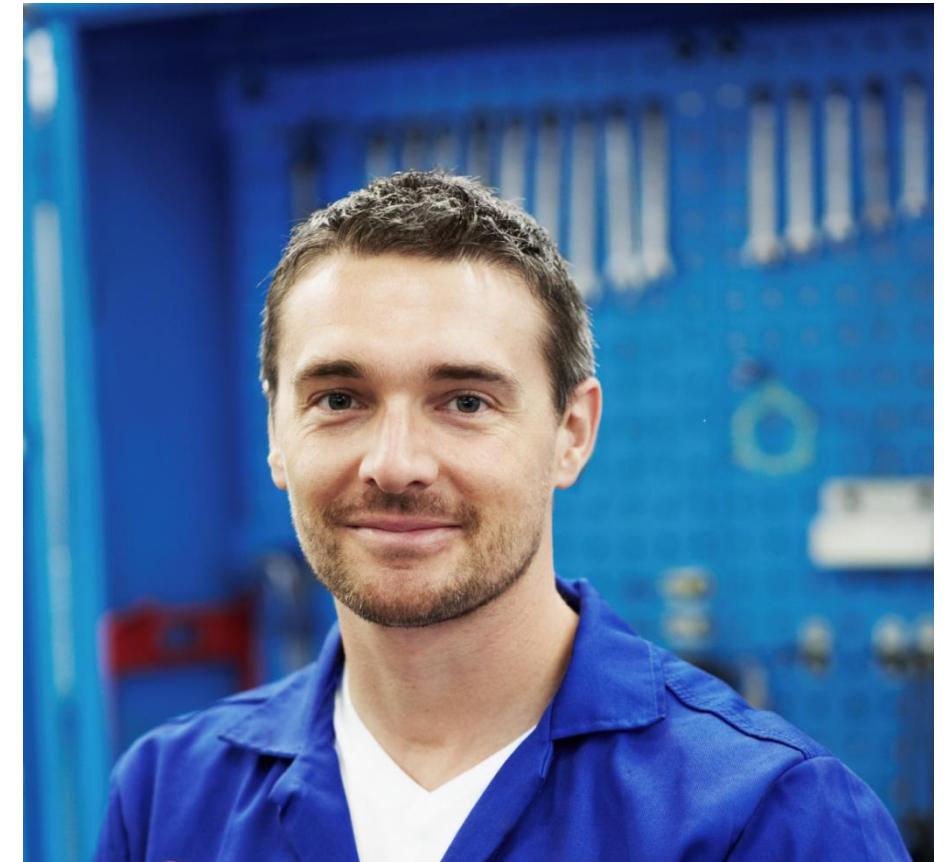
Case #4: Overtime



Borrower started at Amazon 11/30/23 working in inventory control. They worked in a similar position for a previous employer for 10 years. **Borrower is paid base plus overtime and needs both sources to qualify.**

VOE in file shows the following earnings

**Would you use overtime income?
If so, how would you calculate it?**





Employment and Other Income Worksheet

Borrower Name: **Employer Name:** AMAZON

☒ **Base Pay**

Select to include as qualifying income: ☒

			Rate of Pay	Pay Frequency (select from drop down)	Hours Worked Weekly	Monthly Earnings
			\$ 22.79	Hourly (H)	40.00	\$ 3,950.27

Date Paid

		Date From:	Through:	Total Earnings:	# of Months:	Monthly Earnings:	% Change:
<input type="checkbox"/>	YTD 2025	1/1/2025	3/21/2025	\$ 11,454.21	2.68	\$ 4,273.96	+8.84%
<input type="checkbox"/>	Year 2024	1/1/2024	12/31/2024	\$ 47,123.54	12.00	\$ 3,926.96	-2.44%
<input type="checkbox"/>	Year 2023	11/30/2023	12/31/2023	\$ 4,145.73	1.03	\$ 4,024.98	-

Qualifying Base Pay: \$ 3,950.27

☒ **Overtime**

Select to include as qualifying income: ☐

		Date From:	Through:	Total Earnings:	# of Months:	Monthly Earnings:	% Change:
<input type="checkbox"/>	YTD 2025	1/1/2025	3/21/2025	\$ 2,712.00	2.68	\$ 1,011.94	+241.68%
<input type="checkbox"/>	Year 2024	1/1/2024	12/31/2024	\$ 3,554.00	12.00	\$ 296.17	+15.12%
<input type="checkbox"/>	Year 2023	11/30/2023	12/31/2023	\$ 265.00	1.03	\$ 257.28	-

Qualifying Overtime: \$ -

Do you have 24-month history of variable income?

Is the overtime income consistent/stable?

X

Overtime

Select to include as qualifying income:

☒
☐
☐

		Date From:	Date To:	Months:	Monthly Earnings:	% Change:
YTD	2025	1/1/2025	3/21/2025	2.68	\$ 1,011.94	+241.68%
Year	2024	1/1/2024	12/31/2024	12.00	\$ 296.17	+15.12%
Year	2023	11/30/2023	12/31/2023	1.03	\$ 257.28	-

Qualifying Overtime:

\$ 415.72

X

Overtime

Select to include as qualifying income:

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☒

		Date From:	Date Paid Through:	Total Earnings:	# of Months:	Monthly Earnings:	% Change:
YTD	2025	1/1/2025	3/21/2025	\$ 2,712.00	2.68	\$ 1,011.94	+241.68%
Year	2024	1/1/2024	12/31/2024	\$ 3,554.00	12.00	\$ 296.17	+15.12%
Year	2023	11/30/2023	12/31/2023	\$ 265.00	1.03	\$ 257.28	-

Qualifying Overtime:

\$ 293.09

SECONDARY OR PART-TIME INCOME

Secondary or Part-Time Income

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Part II — Verification of Present Employment			
9. Applicant's Date of Employment 02/15/2020		10. Present Position Personal Assistant	
		11. Probability of Continued Employment Excellent	
12A. Current Gross Base Pay (Enter Amount and Check Period) <input type="checkbox"/> Annual <input checked="" type="checkbox"/> Hourly \$ 20.00 <input type="checkbox"/> Monthly <input type="checkbox"/> Other (Specify) <input type="checkbox"/> Weekly		13. For Military Personnel Only Pay Grade Type Monthly Amount Base Pay \$ Rations \$ Flight or Hazard \$ Clothing \$ Quarters \$ Pro Pay \$ Overseas or Combat \$ Variable Housing Allowance \$	
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		15. If paid hourly — average hours per week 20	
16. Date of applicant's next pay increase			
17. Projected amount of next pay increase			
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)			

Borrower Name: Pat Partimer		Employer Name:	
X Base Pay			
Select to include as qualifying income: <input type="checkbox"/>			
Rate		Pay Frequency (select from drop down)	Hours
\$			
Date Paid			Monthly Earnings
			\$ 1,733.33
	Date From:	Through:	of Months:
	YTD 2025	1/1/2025	3/1/2025
	Year 2024	1/1/2024	12/31/2024
	Year 2023	1/1/2023	12/31/2023
			Monthly Earnings: \$ 1,581.28 +34.20%
			Monthly Earnings: \$ 1,178.33 -9.53%
			Monthly Earnings: \$ 1,302.50 -
Qualifying Base Pay:			\$ -

Employment and Other Income Worksheet

User Tips:

- Add borrower information in blue-shaded fields
- 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

Reset Workbook

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:		Pat Partimer		Employer Name:			
<div> <div>X</div> <div>Base Pay</div> </div>							
Select to include as qualifying income: <div> <input type="checkbox"/> </div>		Rate of Pay <div> <div>\$</div> <div>20.00</div> </div>		Pay Frequency (select from drop down) <div> <div>Varies</div> </div>		Hours Worked Weekly <div> <div>Monthly Earnings</div> <div>\$ -</div> </div>	
		Date Paid					
		Date From:	Through:	Total Earnings:	# of Months:	Monthly Earnings:	% Change:
<input type="checkbox"/>		YTD 2025	1/1/2025	3/1/2025	\$ 3,210.00	2.03	\$ 1,581.28 +34.20%
<input type="checkbox"/>		Year 2024	1/1/2024	12/31/2024	\$ 14,140.00	12.00	\$ 1,178.33 -9.53%
<input type="checkbox"/>		Year 2023	1/1/2023	12/31/2023	\$ 15,630.00	12.00	\$ 1,302.50 -
Qualifying Base Pay:						\$ -	

1

Borrower Name: Pat Partimer Employer Name:

X Base Pay

Select to include as qualifying income:

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YTD 2025 1/1/2025 10.00 2.03 \$ 1,581.28 +34.20%

Year 2024 1/1/2024 12.00 12.00 \$ 1,178.33 -9.53%

Year 2023 1/1/2023 12.00 12.00 \$ 1,302.50 -

Qualifying Base Pay: \$ 1,267.00

2

Borrower Name: Pat Partimer Employer Name:

X Base Pay

Select to include as qualifying income:

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☒

YTD 2025 1/1/2025 3/1/2025 \$ 3,210.00 2.03 \$ 1,581.28 +34.20%

Year 2024 1/1/2024 12/31/2024 \$ 14,140.00 12.00 \$ 1,178.33 -9.53%

Year 2023 1/1/2023 12/31/2023 \$ 15,630.00 12.00 \$ 1,302.50 -

Qualifying Base Pay: \$ 1,240.42

3

Borrower Name: Pat Partimer Employer Name:

X Base Pay

Select to include as qualifying income:

☐

☒

☐

YTD 2025 1/1/2025 3/1/2025 \$ 3,210.00 2.03 \$ 1,581.28 +34.20%

Year 2024 1/1/2024 12/31/2024 \$ 14,140.00 12.00 \$ 1,178.33 -9.53%

Year 2023 1/1/2023 12/31/2023 \$ 15,630.00 12.00 \$ 1,302.50 -

Qualifying Base Pay: \$ 1,178.33

Is there anything
else we need to
consider when
using secondary
income?



History of primary employment **MGIC**

Part II — Verification of Present Employment				
9. Applicant's Date of Employment 01/01/2025		10. Present Position Marketing Specialist		11. Probability of Continued Employment Good
12A. Current Gross Base Pay (Enter Amount and Check Period) <input type="checkbox"/> Annual <input type="checkbox"/> Hourly <input checked="" type="checkbox"/> Monthly <input type="checkbox"/> Other (Specify) \$ 4,583.33 <input type="checkbox"/> Weekly			13. For Military Personnel Only Pay Grade Type Monthly Amount Base Pay \$	
12B. Gross Earnings			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	
Type	Year To Date Thru 3/1/2025	Past Year 2024	Past Year 2023	15. If paid hourly — average hours per week
Base Pay	\$ 9,166.66	\$	\$	16. Date of applicant's next pay increase
Overtime	\$ 500.00	\$	\$	17. Projected amount of next pay increase
Commissions	\$	\$	\$	18. Date of applicant's last pay increase
Bonus	\$	\$	\$	19. Amount of last pay increase
Total	\$ 9,666.66	\$ 0.00	\$ 0.00	
20. Remarks (If employee was off work for any length of time, please indicate time period and reason)				

\$4583.33 per month

Part III — Verification of Previous Employment				
21. Date Hired 03/15/2000		23. Salary/Wage at Termination Per (Year) (Month) (Week) Base 19 per hour Overtime Commissions Bonus		
22. Date Terminated 02/15/2025				
24. Reason for Leaving To obtain full-time employment		25. Position Held Marketing Assistant		

2024 W2 shows an average of \$1646.67 per month

Can Secondary Seasonal Income Be Used?

Borrower has worked as a ski instructor during the winter months for the past 3 years. At the time of application, he is currently not working at this job. Can we use this income?



<2 Year History – Secondary

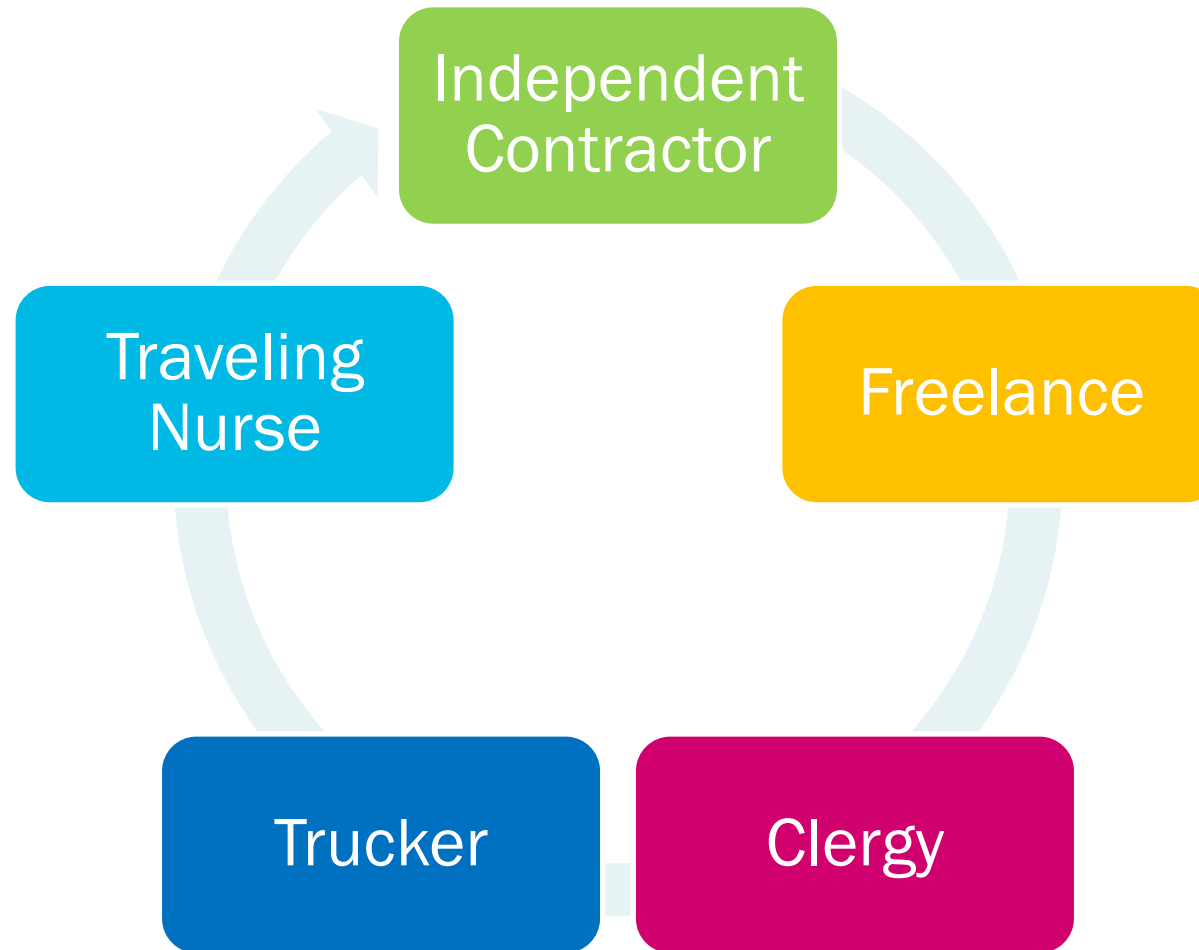
MGIC

- Primary employment
 - Same field
 - Related field



1099 Income Borrowers

MGIC



Income Reported on 1099



<input type="checkbox"/> CORRECTED (if checked)		OMB No. 1545-0115		Miscellaneous Information
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Rents	Form 1099-MISC (Rev. January 2024)	
		\$	For calendar year	
		2 Royalties		Copy B For Recipient
		\$		
		3 Other income	4 Federal income tax withheld	
		\$	\$	
PAYER'S TIN	RECIPIENT'S TIN	5 Fishing boat proceeds	6 Medical and health care payments	This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.
		\$	\$	
RECIPIENT'S name		7 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale <input type="checkbox"/>	8 Substitute payments in lieu of dividends or interest	
Street address (including apt. no.)		9 Crop insurance proceeds	10 Gross proceeds paid to an attorney	
		\$	\$	
City or town, state or province, country, and ZIP or foreign postal code		11 Fish purchased for resale	12 Section 409A deferrals	
		\$	\$	
		13 FATCA filing requirement <input type="checkbox"/>	14 Excess golden parachute payments	
		\$	\$	
15 Nonqualified deferred compensation				
Account number (see instructions)		16 State tax withheld	17 State/Payer's state no.	18 State income
		\$		\$
		\$		\$

Form 1099-MISC (Rev. 1-2024) (keep for your records) www.irs.gov/Form1099MISC Department of the Treasury - Internal Revenue Service

Challenge:

- Borrower receives income via Form 1099 but is not considered an employee or self-employed
- Documentation path is undetermined

Determine how the borrower reports income

- Schedule 1 of 1040s as other income
- On Schedule C

Reported on Schedule 1

MGIC

SCHEDULE 1 (Form 1040)		Additional Income and Adjustments to Income		OMB No. 1545-0074	
Department of the Treasury Internal Revenue Service		Attach to Form 1040, 1040-SR, or 1040-NR. Go to www.irs.gov/Form1040 for instructions and the latest information.		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 .					
Part I Additional Income					
1 Taxable refunds, credits, or offsets of state and local income taxes		1			
2a Alimony received		2a			
b Date of original divorce or separation agreement (see instructions):					
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			
v Digital assets received as ordinary income not reported elsewhere. See instructions		8v			
z Other income. List type and amount: <u>Traveling Nurses</u>		8z		125,000	
9 Total other income. Add lines 8a through 8z		9			
10 Combine lines 1 through 7 and 9. This is your additional income . 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

CORRECTED (if checked)		Miscellaneous Information	
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Rents	OMB No. 1545-0115
SAMPLE BORROWER		\$	Form 1099-MISC
		2 Royalties	(Rev. January 2022)
		\$	For calendar year
		3 Other income	20 22
		\$ 90,000.00	4 Federal income tax withheld
		\$	
PAYER'S TIN	RECIPIENT'S TIN	5 Fishing boat proceeds	6 Medical and health care payments
RECIPIENT'S name		CORRECTED (if checked)	
Street address		Miscellaneous Information	
City or town, state or province, country, and ZIP or foreign postal code		Copy B For Recipient	
Account number			
Form 1099-MISC			
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Rents	OMB No. 1545-0115
		\$	Form 1099-MISC
		2 Royalties	(Rev. January 2024)
		\$	For calendar year
		3 Other income	125000
		\$	4 Federal income tax withheld
		\$	
PAYER'S TIN	RECIPIENT'S TIN	5 Fishing boat proceeds	6 Medical and health care payments
RECIPIENT'S name		7 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale	8 Substitute payments in lieu of dividends or interest
Street address (including apt. no.)		\$	\$
City or town, state or province, country, and ZIP or foreign postal code		9 Crop insurance proceeds	10 Gross proceeds paid to an attorney
		\$	\$
		11 Fish purchased for resale	12 Section 409A deferrals
		\$	\$
		13 FATCA filing requirement	14 Excess golden parachute payments
		\$	\$
Account number (see instructions)		15 Nonqualified deferred compensation	16 State tax withheld
		\$	\$
		17 State/Payer's state no.	18 State income
			\$
			\$
Form 1099-MISC (Rev. 1-2024) (keep for your records) www.irs.gov/Form1099MISC Department of the Treasury - Internal Revenue Service			

Reported on Schedule C

MGIC

SCHEDULE C
(Form 1040)

Profit or Loss From Business
(Sole Proprietorship)

OMB No. 1545-0074
2024
Attachment
Sequence No. **09**

Department of the Treasury
Internal Revenue Service

Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file Form 1065.
Go to www.irs.gov/ScheduleC for instructions and the latest information.

Name of proprietor _____

A Principal business or profession, including product or service (see instructions)
Traveling Nurse

B Enter code from instructions _____

C Business name, if no separate business name, leave blank. _____

D Employer ID number (EIN) (see instr.) _____

E Business address (including suite or room no.)
City, town or post office, state, and ZIP code _____

F Accounting method: (1) ☐ Cash (2) ☐ Accrual (3) ☐ Other (specify) _____

G Did you "materially participate" in the operation of this business during 2024? If "No," see instructions for limit on losses _____ Yes ☐ No ☐

H If you started or acquired this business during 2024, check here _____ Yes ☐ No ☐

I Did you make any payments in 2024 that would require you to file Form(s) 1099? See instructions _____ Yes ☐ No ☐

J If "Yes," did you or will you file required Form(s) 1099? _____ Yes ☐ No ☐

Part I Income

1 Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked ☐ 1 125,000

2 Returns and allowances _____ 2

3 Subtract line 2 from line 1 _____ 3

4 Cost of goods sold (from line 42) _____ 4

5 Gross profit. Subtract line 4 from line 3 _____ 5

6 Other income, including federal and state gasoline or fuel tax credit or refund (see instructions) _____ 6

7 Gross income. Add lines 5 and 6 _____ 7 125,000

Part II Expenses. Enter expenses for business use of your home **only** on line 30.

8 Advertising _____ 8 450

9 Car and truck expenses (see instructions) _____ 9

10 Commissions and fees _____ 10

11 Contract labor (see instructions) _____ 11

12 Depreciation _____ 12

13 Depreciation and section 179 expense deduction (not included in Part III) (see instructions) _____ 13 300

14 Employee benefit programs (other than on line 19) _____ 14

15 Insurance (other than health) _____ 15 1,200

16 Interest (see instructions):
a Mortgage (paid to banks, etc.) _____ 16a

b Other _____ 16b

17 Legal and professional services _____ 17 550

18 Office expense (see instructions) _____ 18 750

19 Pension and profit-sharing plans _____ 19

20 Rent or lease (see instructions):
a Vehicles, machinery, and equipment _____ 20a

b Other business property _____ 20b

21 Repairs and maintenance _____ 21

22 Supplies (not included in Part III) _____ 22 2,500

23 Taxes and licenses _____ 23

24 Travel and meals:
a Travel _____ 24a

b Deductible meals (see instructions) _____ 24b 650

25 Utilities _____ 25

26 Wages (less employment credits) _____ 26

27a Other expenses (from line 48) _____ 27a

b Energy efficient commercial bldgs deduction (attach Form 7205) _____ 27b

28 Total expenses before expenses for business use of home. Add lines 8 through 27b _____ 28 6,100

29 Tentative profit or (loss). Subtract line 28 from line 7 _____ 29

30 Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions.
Simplified method filers only: Enter the total square footage of (a) your home: _____
and (b) the part of your home used for business: _____ Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30 _____ 30

31 Net profit or (loss). Subtract line 30 from line 29.
• If a profit, enter on both **Schedule 1 (Form 1040), line 3**, and on **Schedule SE, line 2**. (If you checked the box on line 1, see instructions.) Estates and trusts, enter on **Form 1041, line 3**.
• If a loss, you **must** go to line 32.

32 If you have a loss, check the box that describes your investment in this activity. See instructions.
• If you checked 32a, enter the loss on both **Schedule 1 (Form 1040), line 3**, and on **Schedule SE, line 2**. (If you checked the box on line 1, see the line 31 instructions.) Estates and trusts, enter on **Form 1041, line 3**.
• If you checked 32b, you **must** attach **Form 6198**. Your loss may be limited.

32a ☐ All investment is at risk.
32b ☐ Some investment is not at risk.

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11334P Schedule C (Form 1040) 2024

☐ CORRECTED (if checked)

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.
SAMPLE BORROWER

1 Rents _____

2 Royalties _____

3 Other income _____

4 Federal income tax withheld _____

5 Fishing boat proceeds _____

6 Medical and health care payments _____

PAYER'S TIN _____

RECIPIENT'S TIN _____

Form 1099-MISC (Rev. January 2022)
For calendar year 20 22

Miscellaneous Information

Copy B For Recipient

☐ CORRECTED (if checked)

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.

1 Rents _____

2 Royalties _____

3 Other income _____

4 Federal income tax withheld _____

5 Fishing boat proceeds _____

6 Medical and health care payments _____

7 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale ☐ _____

8 Substitute payments in lieu of dividends or interest _____

9 Crop insurance proceeds _____

10 Gross proceeds paid to an attorney _____

11 Fish purchased for resale _____

12 Section 409A deferrals _____

13 FATCA filing requirement ☐ _____

14 Excess golden parachute payments _____

15 Nonqualified deferred compensation _____

16 State tax withheld _____

17 State/Payer's state no. _____

18 State income _____

PAYER'S TIN _____

RECIPIENT'S TIN _____

RECIPIENT'S name _____

Street address (including apt. no.) _____

City or town, state or province, country, and ZIP or foreign postal code _____

Account number (see instructions) _____

Form 1099-MISC (Rev. 1-2024) (keep for your records) www.irs.gov/Form1099MISC Department of the Treasury - Internal Revenue Service

Miscellaneous Information

Copy B For Recipient

This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.

Can This Income Be Used?

Borrower was a salaried employee for four years in receipt of a W-2. Borrower changed jobs five months ago and will be paid with a 1099 but is performing similar work in the same industry.

Answers:

A: It depends

B: Yes, because it's in the same industry

C: No, we need at least a 12-month history



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All-in-one calculatorNewAll-in-one self-employed income calculatorFull workbookAll-in-one self-employed income calculator updated for tax year 2024Available in macro-enabled and macro-free versionsThis calculator incorporates 4 worksheets, including SAM cash flow analysis, liquidity, comparative income analysis and P&L statement analysis. (2/10/2025)Download macro-enabled ►Download macro-free ►

All-in-one calculatorNewAll-in-one self-employed income calculatorCondensed versionAll-in-one self-employed income calculator updated for tax year 2024Macro-free short formThis is a condensed version of our macro-free self-employed calculator, with just one of each type of business entity. (2/10/2025)Download macro-free ►

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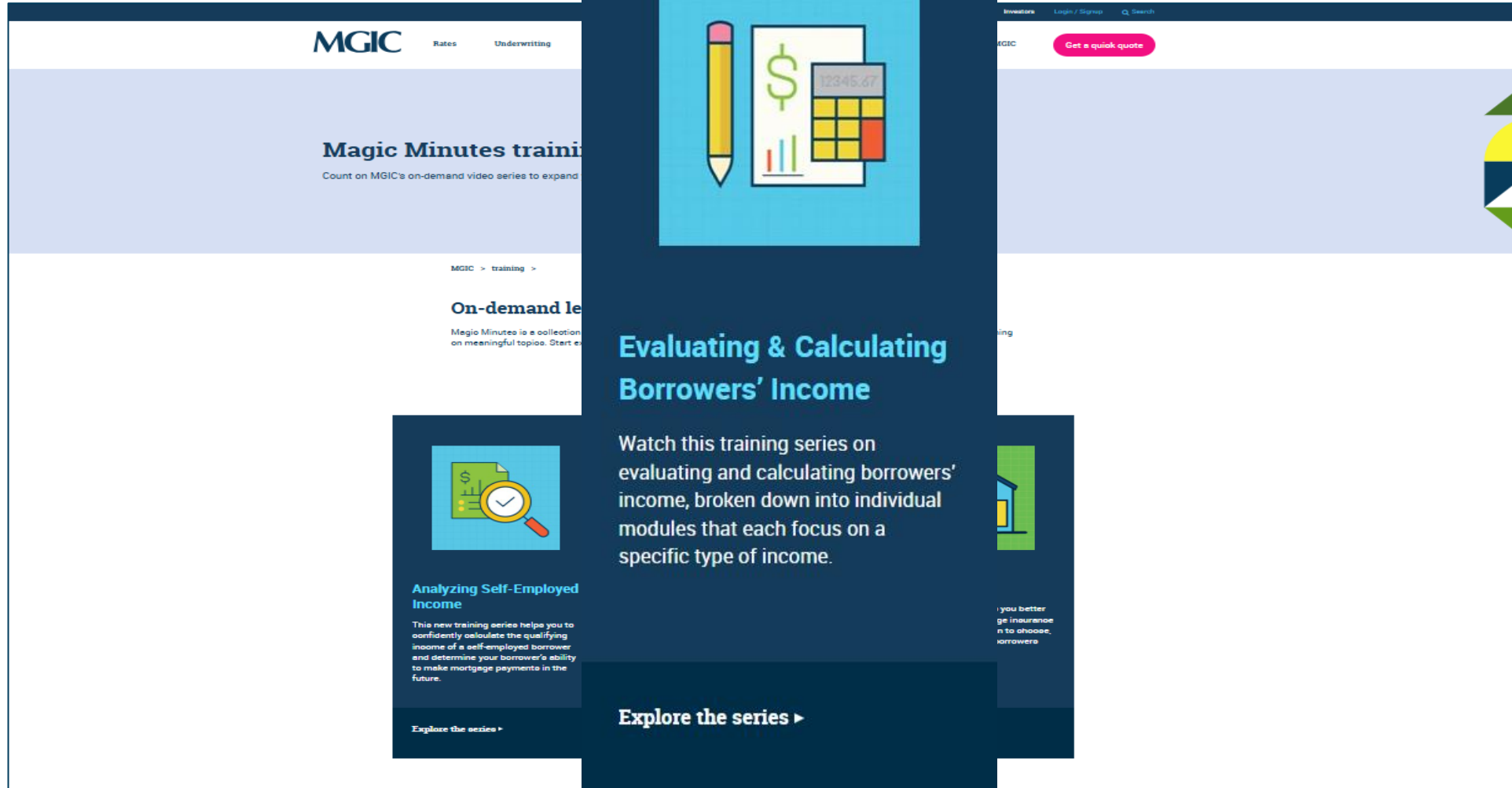
VideoAll-in-one self-employed income calculatorOverview video: All-in-one self-employed income calculatorThis video highlights the features that make our all-in-one self-employed income calculator a powerful tool for assisting you in calculating and analyzing your self-employed borrowers' income.Watch now ►

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Dig deeper



The graphic is a promotional layout for MGIC's Magic Minutes training series. It features a dark blue background with white and light blue text and icons. At the top left, the MGIC logo is displayed. The main heading 'Magic Minutes training' is in a large, bold, white font. Below it, a sub-heading 'On-demand learning' is visible. A central white box contains the title 'Evaluating & Calculating Borrowers' Income' in a bold, dark blue font. To the left of this box is an icon of a magnifying glass over a document with a dollar sign. To the right is an icon of a house. Below the central box, the text 'Watch this training series on evaluating and calculating borrowers' income, broken down into individual modules that each focus on a specific type of income.' is written in white. At the bottom, a white button with the text 'Explore the series' is present. The overall design is clean and professional, with a focus on financial education.

MGIC Rates Underwriting

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Watch this training series on evaluating and calculating borrowers' income, broken down into individual modules that each focus on a specific type of income.

Analyzing Self-Employed Income

This new training series helps you to confidently calculate the qualifying income of a self-employed borrower and determine your borrower's ability to make mortgage payments in the future.

Explore the series >

Get a quick quote

www.mgic.com/training/magic-minutes-training-series

Magic Minutes training series



Qualifying income

Learn how to analyze borrowers' qualifying income and review documentation for eligibility based on the type of income (fixed or variable).

Watch it on YouTube ►



Calculating fixed income

Get tips to determine the difference between bi-weekly and semi-monthly pay and learn the importance of validating income documentation.

Watch it on YouTube ►



Calculating variable income

Assess a file's overall risk and discover some helpful rules and guidelines for calculating changing income: commissions, overtime, shift differential and bonuses.

Watch it on YouTube ►



Non-taxable income

Increase qualifying income by exploring non-taxable income, like Social Security, child support and alimony, and learn how to "gross up" non-taxable portions.

Watch it on YouTube ►



Challenging income

Prepare yourself for calculating the income of borrowers who are teachers, seasonal and union workers, postal workers, or military personnel.

Watch it on YouTube ►



Income conundrums

Calculate unusual scenarios: 1099 income (travel nurses, clergy, truck drivers), temporary leave, unemployed with job offer, or ineligible income.

Watch it on YouTube ►




Restricted stock units (RSUs)

Discover how to document, analyze and calculate RSU income. Learn how to identify income eligibility, then follow along with 2 case studies.

Watch it on YouTube ►
RSU review and calculation tool ►



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Webinar series: Analyzing Self-Employed Borrowers

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Getting Started & the Sole Proprietor

75 minutes

We'll cover the foundational concepts you'll need in your analysis of your borrower's qualifying income, with a focus on the sole proprietor (Schedule C).

[View details >](#)




Concentrating on S Corporations

60 minutes

Learn to document, calculate and analyze income from an S corporation (Form 1120-S). Uncover the important difference between ordinary income and distributions.

[View details >](#)




Zeroing in on Partnerships & LLCs

60 minutes

Take your SEB knowledge to the next step and zero in on evaluating partnerships (Form 1065). Help solve a K-1 mystery and learn what makes LLCs unique.

[View details >](#)




Focusing on Corporations & Financial Statements

60 minutes

Discover how corporations are different than any other business entity (Form 1120). Learn what a balance sheet and a profit and loss statement tell us about the health and profitability of a business.

[View details >](#)




Looking at Income from Farming

45 minutes

Dig further into the mystery behind farming income and learn how to cash flow income from a Schedule F and partnership return.

[View details >](#)




Evaluating & Calculating Rental Income

60 minutes

Join us as we calculate income from our sample borrower's 3 rental properties. Discover when a lease agreement can be used or when a review of Schedule E is required.

[View details >](#)




Using Rental Income from a Business-Owned Property

30 minutes

We'll discuss using rental income from a property owned by your borrower's business and what to do when your borrower is personally liable for the associated mortgage.

[View details >](#)



Overcoming Tough Challenges

60 minutes

Test your knowledge in this advanced class that tackles tricky SEB scenarios with unusual and atypical circumstances. Our trainer will answer complex SEB questions.

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Thank you!

Answer – Slide 11



Word Bank:

- higher
- averaged
- lower
- disregarded

1. If the trend in the amount of income is stable or increasing, the income amount should be averaged.
2. If the trend is declining but has since stabilized and there's no reason to believe the borrower will not continue to be employed at the current level, the lower amount of income must be used.
3. If the trend is declining the income may not be stable. Additional analysis must be conducted to determine if any income should be used but in no instance may it be averaged over the period when the decline occurred

Answer – Slide 25

How Would You Calculate Variable Income With a Gap?

Borrower was on leave due to a surgery in 2024 for two months. Their earnings are 100% commission income.

2024 = \$50,000

2023 = \$60,000

Answers:

A: $\$110,000 / 22 = \$5,000.00$

B: $\$110,000 / 24 = \$4,583.33$



Answer – Slide 41

Can Secondary Seasonal Income Be Used?

Borrower has worked as a ski instructor during the winter months for the past 3 years. At the time of application, he is currently not working at this job. Can we use this income?

Answers:

A: No, he would need to currently be working

B: Yes, with verification of earnings for the previous 2 years along with confirmation that he is hired for the upcoming season

