

# Evaluating Self-Employed Borrowers **TAX YEAR 2024**

Focusing on Corporations & Financial Statements

**MGIC**



## Legal disclaimer

The materials included in this presentation are intended for general information only. This presentation is not intended to be complete or all-inclusive regarding the matters discussed herein, and nothing contained in this presentation is intended, or should be relied upon, as legal, accounting, compliance or other professional advice.

Although MGIC believes the information set forth in this publication is generally accurate, the information may be outdated due to the rapidly changing nature of the residential mortgage industry, and MGIC does not warrant the accuracy, reliability or completeness of any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

The information in this publication is culled from a variety of business and mortgage industry sources. Attribution is given where deemed necessary. Opinions and insights expressed herein do not necessarily represent the views of MGIC.

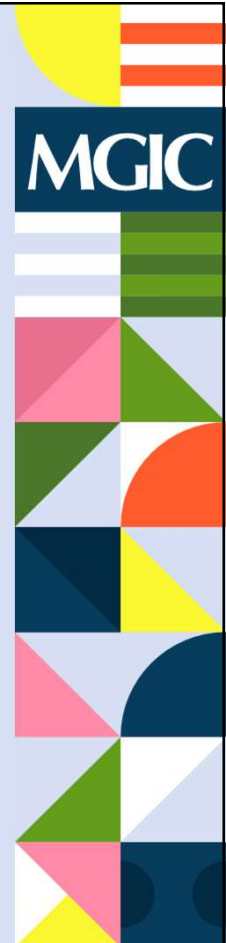
**mortgage guaranty  
insurance corporation**



## Objectives

- Convert tax entries into cash flow:
  - Corporation
    - 1120 Corporation Form
    - SEB W-2
- Review components of financial statements
- Trend Analysis using Comparative Income Analysis tool
- Your questions

mortgage guaranty  
insurance corporation



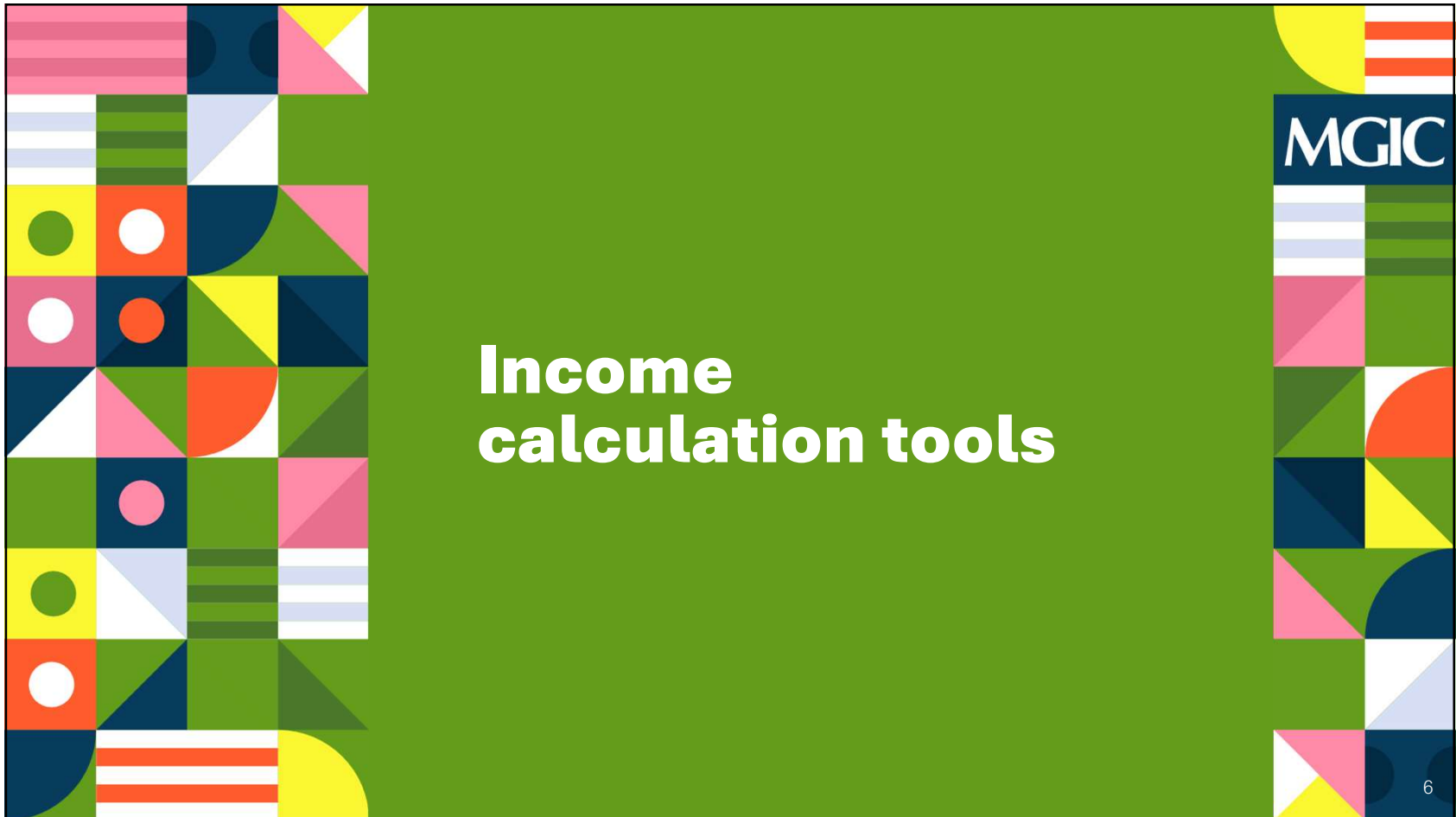
# How do you become an SEB expert?





**One step at a time!**





# What do I need to start?

## Loan application

- Tells borrower's story

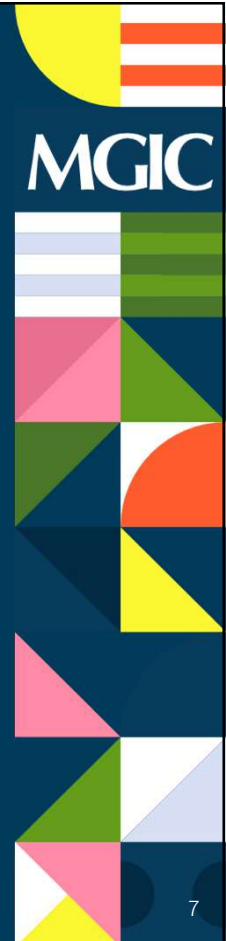
## Tax returns

- Personal
- Business
- 1 or 2 years of each

## Worksheet


- Documents your decisions

mortgage guaranty  
insurance corporation



# Cash flow worksheets

mortgage guaranty  
insurance corporation

 Fannie Mae

Cash Flow Analysis (Form 1084)

Borrower Name: \_\_\_\_\_

Business Name (optional): \_\_\_\_\_

This worksheet may be used to prepare a written evaluation of the analysis of income related to self-employment. The purpose of this written analysis is to determine the amount of stable and continuous income that will be available to the borrower for loan qualifying purposes.

IRS Form 1040 – Individual Income Tax Return

Year: \_\_\_\_\_

Year: \_\_\_\_\_

1. W-2 Income from Self-Employment

(+) \_\_\_\_\_

(+) \_\_\_\_\_

2. Schedule B – Interest and Ordinary Dividends

a. Interest Income from Self-Employment (+) \_\_\_\_\_ (+) \_\_\_\_\_

b. Dividends from Self-Employment (+) \_\_\_\_\_ (+) \_\_\_\_\_

3. Schedule C – Profit or Loss from Business: Sole Proprietorship

a. Net Profit or (Loss) (+/-) \_\_\_\_\_ (+/-) \_\_\_\_\_

b. Nonrecurring Other (Income) Loss/Expenses (+/-) \_\_\_\_\_ (+/-) \_\_\_\_\_

c. Depreciation (+) \_\_\_\_\_ (+) \_\_\_\_\_

d. Depreciation (+) \_\_\_\_\_ (+) \_\_\_\_\_

e. Non-deductible Travel and Meals Expenses (-) \_\_\_\_\_ (-) \_\_\_\_\_

f. Business Use of Home (+) \_\_\_\_\_ (+) \_\_\_\_\_

g. Amortization/Casualty Loss (+) \_\_\_\_\_ (+) \_\_\_\_\_

4. Schedule D – Capital Gains and Losses

a. Recurring Capital Gains (+) \_\_\_\_\_ (+) \_\_\_\_\_

5. Schedule E – Supplemental Income and Loss

Note: A lender may use Fannie Mae Rental Income Worksheets (Form 1037 or Form 1038) to calculate individual rental income (loss) reported on Schedule E.

a. Royalties Received (+) \_\_\_\_\_ (+) \_\_\_\_\_

b. Total Expenses (-) \_\_\_\_\_ (-) \_\_\_\_\_

c. Depreciation (+) \_\_\_\_\_ (+) \_\_\_\_\_

6. Schedule F – Profit or Loss from Farming

a. Net Farm Profit or (Loss) (+/-) \_\_\_\_\_ (+/-) \_\_\_\_\_

b. Non-Tax Portion Ongoing Coop and CCC Payments (+/-) \_\_\_\_\_ (+/-) \_\_\_\_\_

c. Nonrecurring Other (Income) Loss (+/-) \_\_\_\_\_ (+/-) \_\_\_\_\_

d. Depreciation (+) \_\_\_\_\_ (+) \_\_\_\_\_

e. Amortization/Casualty Loss/Depletion (+) \_\_\_\_\_ (+) \_\_\_\_\_


f. Business Use of Home (+) \_\_\_\_\_ (+) \_\_\_\_\_

Note: IRS Form 4797 (Sales of Business Property) is not included on this worksheet due to its infrequent use. If applicable, a lender may include analysis of the sale and related recurring capital gains.

© 2019 Fannie Mae. Trademarks of Fannie Mae.

Form 1084 June 2019

Page 1 of 8

 Freddie Mac

Form 91

Borrower Name: \_\_\_\_\_

Income Calculations  
(Schedule Analysis Method)

Form 91 is to be used to document the Seller's calculation of the income for a self-employed Borrower. This form is a tool to help the Seller calculate the income for a self-employed Borrower; the Seller's calculations must be based on the requirements and guidance for the determination of stable monthly income in Topic 5300. This form does not replace the requirements and guidance for the analysis and treatment of the income for self-employed Borrowers as described in Chapters 5304 and 5305.

I. Income Calculations from IRS Form 1040

IRS Form 1040 Federal Individual Income Tax Return

Year: \_\_\_\_\_

Year: \_\_\_\_\_

1. W-2 Income from self-employment (reported on IRS Forms 1040 and 1120 or 1120S)

Name of business: \_\_\_\_\_

IRS Form 1040, W-2 Income – Officer Compensation (Section 5304.1(d))<sup>1</sup> (+) \_\_\_\_\_ (+) \_\_\_\_\_

Subtotal of W-2 income from self-employment \$ \_\_\_\_\_ \$ \_\_\_\_\_

<sup>1</sup>Validate with business returns and IRS Form 1125-E, Compensation of Officers, as applicable.

2. Schedule B – Interest and Ordinary Dividends

Recurring interest income (Chapter 5305) (+) \_\_\_\_\_ (+) \_\_\_\_\_

Recurring dividend income (Chapter 5305) (+) \_\_\_\_\_ (+) \_\_\_\_\_

Dividend income from self-employment reported on IRS Form 1120 (-) \_\_\_\_\_ (-) \_\_\_\_\_

Subtotal of dividends and interest \$ \_\_\_\_\_ \$ \_\_\_\_\_

Freddie Mac Single-Family Seller/Service Guide

05/01/19

Bulletin 2019-9  
Page P91-1

# All-in-one self-employed income calculator

Excel XLSM – macro-enabled

Excel XLSX – macro-free

Excel XLSX – macro-free short

mortgage guaranty  
insurance corporation

**SAM Worksheet - Help Document**

The SAM Worksheet is a cash flow analysis tool. This help document provides instructions on how to use the tool.

**Profit and Loss Statement Analysis**

**User Tips:**

- Add business information to the top of the sheet.
- Click the "Calculate" button to update the results.
- Use the "Reset" button to clear the sheet.

**Comparative Income Analysis Worksheet**

Cost of Goods Sold (COGS) \$ - \$

**Liquidity Worksheet**

Determine business liquidity using tax return or interim balance sheet and entering the applicable line item.

**Cash Flow Analysis Summary**

**In general:**

- Use the Current Year data.
- Use the Quarterly data.

Typically, a result is provided in the Investor guide.

**NOTE:** If there is a change in the business name, select the box to the left of the dollar amount.

Subtotal \$ 10,000.00

**SAM Cash Flow Analysis Worksheet**

**User Tips:**

- Add business information in blue-shaded fields.
- Select the tax year(s) being reviewed.
- Click the "Calculate" button to update income source section.
- Use the "Reset" button to clear the sheet.
- For negative entries, please type "-" prior to number.
- For the instructions, hover over red triangles.
- For guidance, see the "Help" button.
- Select the "Save Worksheet" button on top to clear all information.
- To print several worksheet tabs into one PDF, hold down the Command or Control key and click on the tabs that should be included, then print the document.

**BORROWER NAME:**  **DATE:**

**Input the Year(s):**

**Before you start, make the assumptions and check the "Assumptions" and "Check" buttons to ensure accuracy.**

**SCHEDULE D - INTEREST AND DIVIDENDS FROM SELF-EMPLOYMENT**

**SCHEDULE E - SOLE PROPRIETORSHIP**

**Income:**

Line Item	2023	2024	2025
1 Net Profit (Loss) (Line 1)			
2 Deduct non-recurring income (Line 2)			
3 Depreciation (Line 3)			
4 Depreciation (Line 4)			
5 Non-Deductible Meals and Entertainment Exclusions (Line 5)			
6 Business Use of Home (Line 6)			
7 Business Miles (Part 1, Line 1) (Line 7) (Part 2, Line 1)			
8 Depreciation (Line 8) (Line 8)			
9 Total Mortgage Depreciation (Line 9)			
10 Amortization/Cashout Loss (only if rented) (page 1, part 1)			
<b>SUBTOTAL</b>	\$ -	\$ -	\$ -

**SCHEDULE E - CAPITAL GAINS AND LOSSES**

**SCHEDULE E - SUPPLEMENTAL INCOME AND LOSS**

# SAM Cash Flow Analysis Summary

mortgage guaranty  
insurance corporation

## Cash Flow Analysis Summary

Each business subtotals

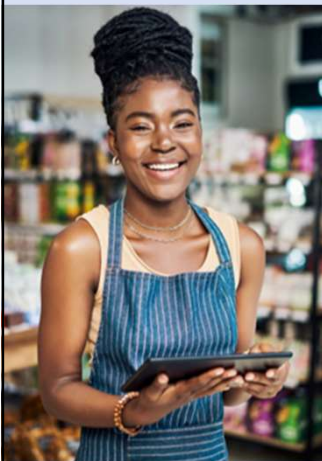
- To modify the Total No. of Months select the applicable number from the # mo. drop-down box.
- To exclude a Subtotal from Qualifying Income, select the box to the left of the dollar amount.

PERSONAL CASH FLOW SUBTOTALS:		2024		2023		Qualifying Income	Total No. of Months
		Subtotal	# mo.	Subtotal	# mo.		
<input type="checkbox"/>	Schedule B	\$ 7,600.00	12	<input type="checkbox"/> \$ 3,700.00	12	\$ 470.83	24
<input type="checkbox"/>	Schedule C Property Maintenance Ninjas	\$ 59,285.00	12	<input checked="" type="checkbox"/> \$ 69,350.00	0	\$ 4,940.42	12
PARTNERSHIP & S CORPORATION CASH FLOW SUBTOTALS:							
<input type="checkbox"/>	Schedule K-1 Hide Away Storage/ James	\$ 8,000.00	12	<input type="checkbox"/> \$ (2,400.00)	12	\$ 233.33	24
<input type="checkbox"/>	W-2 Wages Hide Away Storage/ James	\$ -	12	<input type="checkbox"/> \$ -	12	\$ -	24
<input type="checkbox"/>	Form 1065 Hide Away Storage/ James	\$ (6,625.00)	12	<input type="checkbox"/> \$ 3,275.00	12	\$ (139.58)	24
	Partnership Hide Away Storage/ James Subtotal	\$ 1,375.00		\$ 875.00		\$ 93.75	
<input type="checkbox"/>	Schedule K-1 Equitable Property Group - Jessica	\$ 26,000.00	12	<input type="checkbox"/> \$ 22,000.00	12	\$ 2,000.00	24
<input type="checkbox"/>	W-2 Wages Equitable Property Group - Jessica	\$ -	12	<input type="checkbox"/> \$ -	12	\$ -	24
<input type="checkbox"/>	Form 1065 Equitable Property Group - Jessica	\$ 1,200.00	12	<input type="checkbox"/> \$ 1,100.00	12	\$ 95.83	24
	Partnership Equitable Property Group - Jessica Subt	\$ 27,200.00		\$ 23,100.00		\$ 2,095.83	
<input type="checkbox"/>	Schedule K-1 J & J Property Solutions - James	\$ 61,000.00	12	<input type="checkbox"/> \$ 57,500.00	12	\$ 4,937.50	24
<input type="checkbox"/>	W-2 Wages J & J Property Solutions - James	\$ -	12	<input type="checkbox"/> \$ -	12	\$ -	24
<input type="checkbox"/>	Form 1120S J & J Property Solutions - James	\$ 6,750.00	12	<input type="checkbox"/> \$ 6,365.00	12	\$ 546.46	24
	S Corporation J & J Property Solutions - James Subtc	\$ 67,750.00		\$ 63,865.00		\$ 5,483.96	
CORPORATION CASH FLOW SUBTOTALS:							
<input checked="" type="checkbox"/>	W-2 Wages Creative Design Concepts, Inc	\$ 74,500.00	0	<input type="checkbox"/> \$ 54,000.00	12	\$ 4,500.00	12
<input checked="" type="checkbox"/>	Form 1120 Creative Design Concepts, Inc	\$ 12,930.00	0	<input type="checkbox"/> \$ 13,826.00	12	\$ 1,152.17	12
	Corporation Creative Design Concepts, Inc Subtotal	\$ -		\$ 67,826.00		\$ 5,652.17	
	Average Monthly Cash Flow (Total)					\$ 18,736.96	

10



## 5 business structures



**Sole  
Proprietorship**



**Partnership**



**Limited Liability  
Company**



**S Corporation**



**Corporation**



# Infographic: Characteristics of 5 common self-employed businesses

mortgage guaranty  
insurance corporation

## CHARACTERISTICS OF 5 COMMON SELF-EMPLOYED BUSINESSES

**Sole Proprietorship**

- An unincorporated business with one owner
- Unlimited liability
- All profits flow directly to owner
- Taxed at an individual rate
- **Individual:** Files IRS Schedule C
- **Business:** No returns are filed

**Partnership**

- A business arrangement between two or more people/partners
- Profit/loss is passed to individual partners
- Each partner pays tax on their share of income
- **Partner:** Receives Schedule K-1 and may receive guaranteed payments
- **Business:** Files IRS Form 1065

**S Corporation**

- A legal entity that has a limited number of stockholders
- Profit/loss is passed to individual stockholders
- Each stockholder pays tax on their share of income
- **Stockholder:** Receives Schedule K-1 and may receive W-2 income
- **Business:** Files IRS Form 1120-S

**Corporation**

- A legal entity that exists separate from owners who are shareholders
- Profits are distributed to shareholders via dividends
- The corporation pays taxes
- **Shareholder:** Can receive 1099-DIV and/or W-2 income
- **Business:** Files IRS Form 1120

**LLC**

- A limited liability company is a hybrid business
- No associated tax forms
- Can file using any of the structure-based IRS forms

In mortgage lending, a self-employed borrower is a person who owns 25% or more in an active business.\* Review, analysis and calculation of a self-employed borrower's income can be tricky, but understanding business structures is an important first step.

**TAKE THE NEXT STEP:** Attend an MGIC webinar to gain the critical skills you need to evaluate self-employed borrowers' income.

**Register now at**  
**[mgic.com/training/seb](https://mgic.com/training/seb)**

71-43866 2/23

\*Fannie Mae Selling Guide, December 2022

# Corporation



## Definition

A legal entity that exists separate from its owners, who are shareholders

## Liability

Owners are not personally liable for the debts of the corporation

Losses are limited to amount of investment in company stock

## Taxation

Business files Form 1120

The business pays the taxes for the business

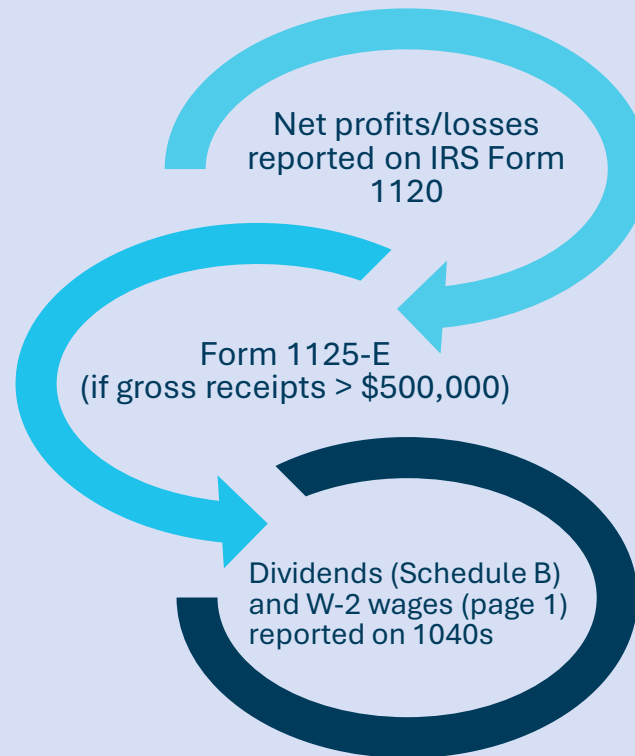
The owner is taxed at their individual tax rate for their earnings

## Considerations

Generally, the borrower must be 100% owner to utilize business cash flow for qualifying income

Stockholders are considered employees of the business and can receive W-2 wages and dividends

## Corporation income flow



mortgage guaranty  
insurance corporation



# Ownership percentage

mortgage guaranty  
insurance corporation

15

# Form 1125-E

## Missing Form 1125-E? Try these options:

- Articles of incorporation
- Secretary of State website
- Follow YOUR internal guidance

**mortgage guaranty  
insurance corporation**

[illegible]





 Fannie Mae®

 Freddie Mac

**Can I use income from the Corporation cash-flow?**

mortgage guaranty insurance corporation

17



Freddie Mac Home Single-Family Division Multifamily Division Capital Markets Division Renters, Buyers and Owners

Freddie Mac Single-Family Seller/Service Guide Guide Home Seller/Service Relationship **Selling** Servicing Search the Guide View All

Search The Single-Family Seller Service Guide

What can we help you find? Search

Glossary →  
AllRegs 1/8  
Uniform Instruments 1/7

Featured Resources Browse Guide Recent Bulletins Forms & Documents Upcoming Changes Archives

5304.1 < Prev Next >

**Stable monthly income and documentation requirements for self-employed Borrowers**

Effective 02/07/2024

**Access to business income**

Documentation is not required to verify access to business income for the following:

- Sole proprietorships
- Ordinary income, net rental real estate income, other net rental income and guaranteed payments received from partnerships and S corporations
- W-2 income received from S corporations and corporations,
- Corporations, if the Borrower holds 100% ownership interest

If business income not reported on the Borrower's federal individual income tax returns is being used to qualify and none of the categories above apply, then the Seller must verify that the Borrower's legal right to the business income that is used as stable monthly income is not encumbered, restricted or prevented by the corporate resolution, partnership agreement, or other comparable document.







# SEB Documentation Matrix

mortgage guaranty  
insurance corporation

MGIC

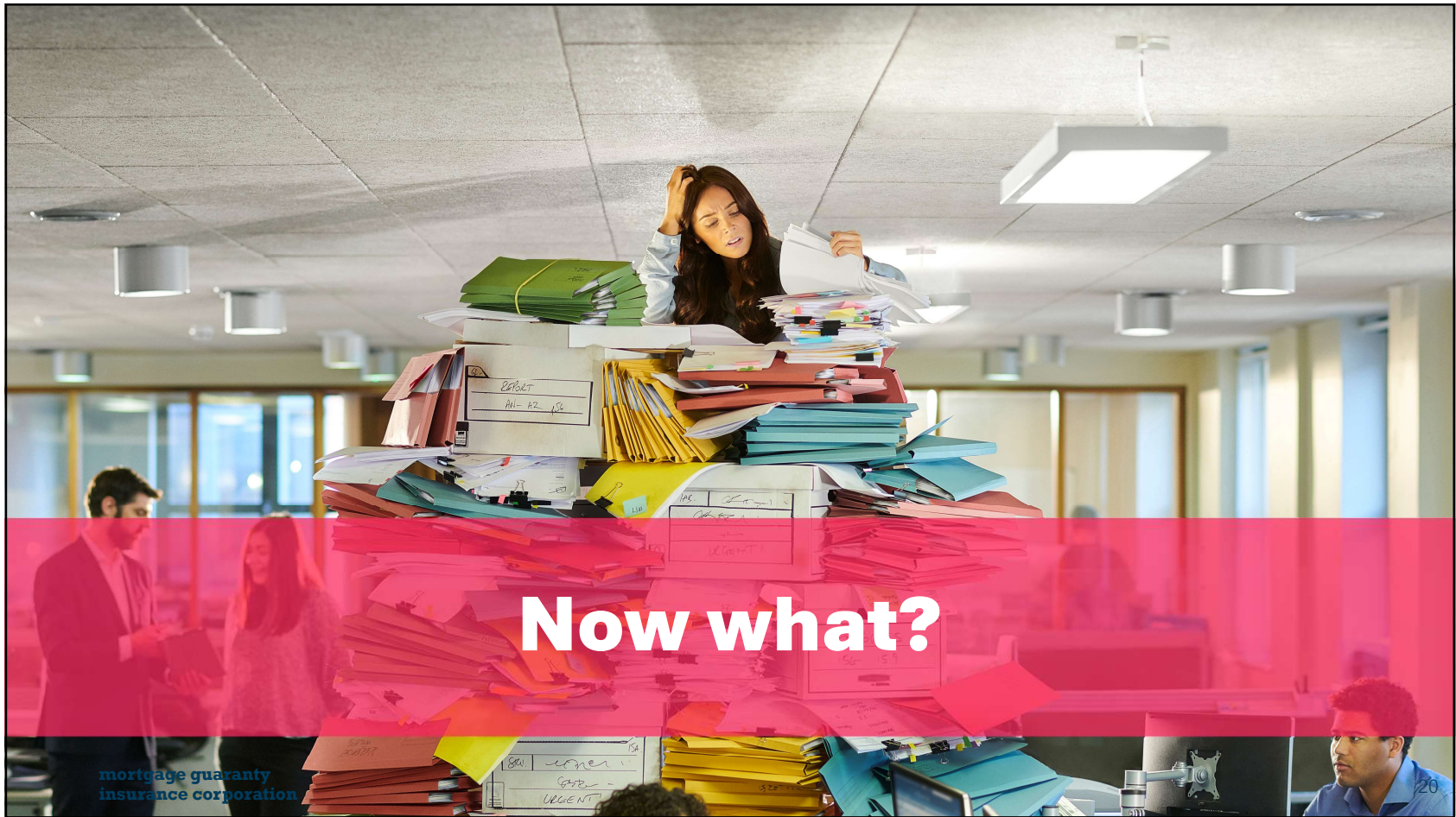
## Self-Employed Borrower Documentation Matrix

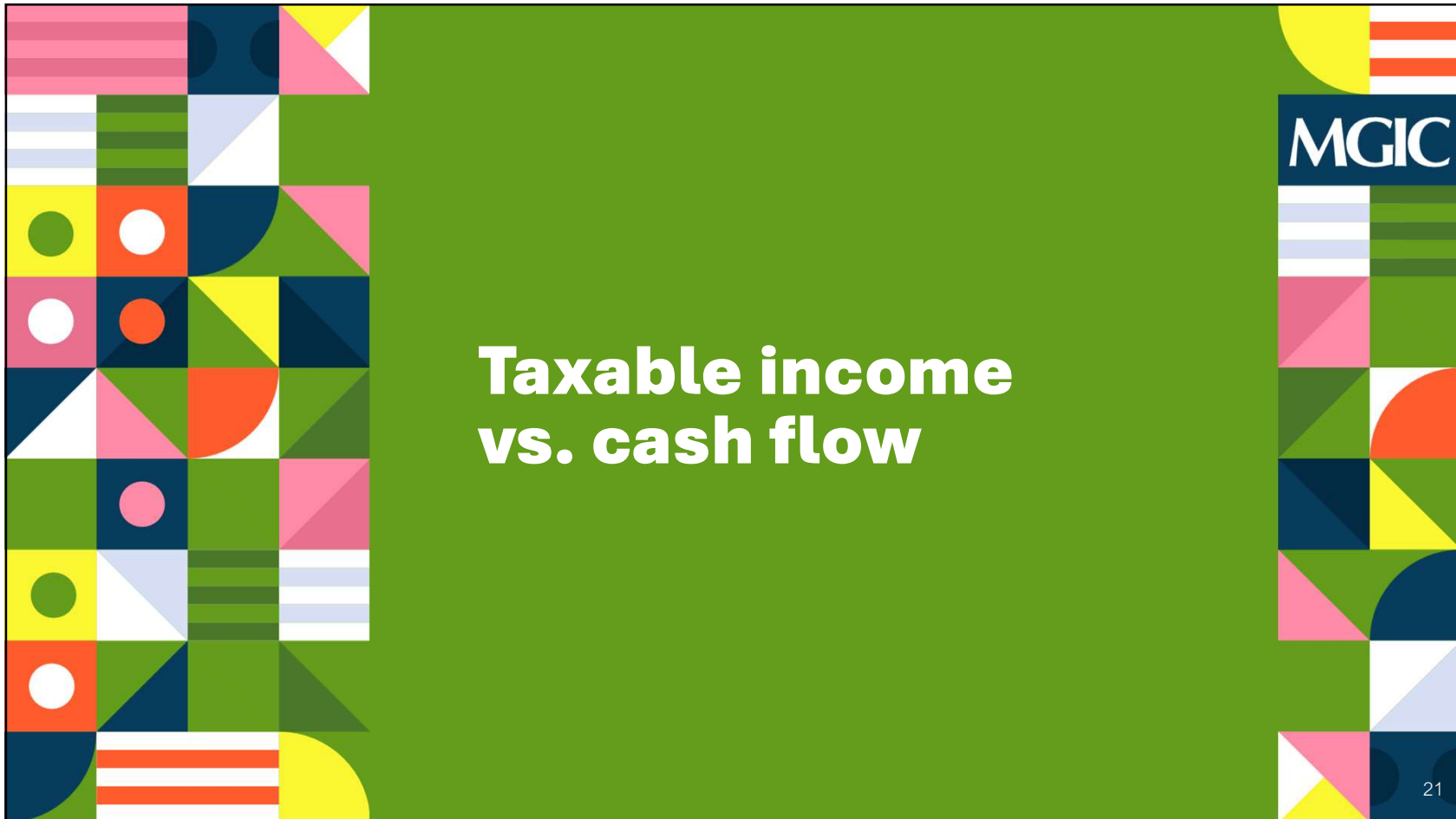
The following matrix identifies the documentation you need from self-employed borrowers to substantiate the various types of income they may receive from different business structures.

Required SEB Documentation	 Sole Proprietorship	 Partnership	 S Corporation	 Corporation
<b>Form 1040:</b> U.S. Individual Income Tax Return) with all applicable schedules and W-2s	×	×	×	×
<b>Schedule C:</b> Profit or Loss from Business	×			
<b>Schedule E, Part II:</b> Income or Loss From Partnerships or S Corporations		×	×	
<b>Schedule K-1 (Form 1065):</b> Partner's Share of Income, Deductions, Credits, etc.		×		
<b>Form 1065:</b> U.S. Return of Partnership Income with all applicable schedules		×		
<b>Schedule K-1 (Form 1120-S):</b> Shareholder's Share of Income, Deductions, Credits, etc.			×	
<b>Form 1120-S:</b> U.S. Income Tax Return for an S Corporation with all applicable schedules			×	
<b>Form 1120:</b> U.S. Corporate Income Tax Return with all applicable schedules				×
<b>Year-to-Date Profit &amp; Loss Statement/ Interim Balance Sheet:</b> as applicable	×	×	×	×
<b>Partnership Agreement:</b> may be required		×		
<b>Corporate Resolution:</b> may be required			×	×

A limited liability company (LLC) is a hybrid business and can file using the above IRS forms based on structure.

7H-43865 11/23





**Taxable income  
vs. cash flow**

21

# 3 key concepts

- 1 Noncash expenses
- 2 IRS limited loss/expenses
- 3 Recurring and nonrecurring income and expenses

## Taxable vs. qualifying income

**Start  
with taxable  
income**



### **Add back**

- Noncash expenses
- Business use of home
- One-time losses



### **Subtract**

- Nonrecurring income
- **Account for** limited IRS expenses
- **Review** mortgages due in less than a year

# SAM Cash Flow Worksheet

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

mortgage guaranty  
insurance corporation

## SAM Cash Flow Analysis Worksheet

### Corporation Cash Flow

Evaluate business income as required by your investor.

X	CORPORATION	Nan	2024	2023
	FORM W-2			
48	Wages: W-2, Box 5 (in general)			
	FORM 1120			
49	Taxable Income: LINE 30			
50	Total Tax: LINE 31		( )	( )
51	Deduct nonrecurring gains/add nonrecurring losses: LINES 8 & 9		( )	( )
52	Deduct nonrecurring income: LINE 10		( )	( )
53	Depreciation: LINE 20			
54	Depletion: LINE 21			
55	Amortization/Casualty Loss/Nonrecurring Loss: from statement or LINES 8 & 9			
56	Net Operating Loss and Special Deductions: LINES 29a & b			
57	Mortgages or Notes Payable in Less Than 1 Year: Schedule L, LINE 17, Column d		( )	( )
58	Non-Deductible Travel and Entertainment Exclusion: Schedule M-1, LINE 5c		( )	( )
	SUBTOTAL		\$ -	\$ -
59	Multiplied by Ownership Percentage			
60	Dividends Paid to Borrower: Form 1040, Schedule B, LINE 5		( )	( )
	Corporation's Total Share of Income (Loss)		\$ -	\$ -







## James & Jessica Johnson

- Married, no dependents
- James has an interest in 3 companies
- Jessica has an interest in 2 companies
- Own 3 rental properties (Schedule E, page 1)

mortgage guaranty  
insurance corporation



# MGIC

## Borrowers' businesses

**1b. Current Employment/Self-Employment and Income** ☐ Does not apply

**Employer or Business Name** PROPERTY MAINTENANCE NINJAS Phone ( 731 ) 226 - 1255  
**Street** 800 W. COMMERCIAL AVENUE Unit #  
**City** JACKSON **State** TN **ZIP** 38305 **Country** USA

**Position or Title** OWNER  
**Start Date** 02 / 15 / 2021 (mm/dd/yyyy)  
 How long in this line of work? 4 Years Months

**Check if this statement applies:**  
☐ I am employed by a family member, property seller, real estate agent, or other party to the transaction.  
☒ **Check if you are the Business Owner or Self-Employed** ☐ I have an ownership share of less than 25%. **Monthly Income (or Loss)** \$4932  
☒ I have an ownership share of 25% or more.

**Gross Monthly Income**  
 Base \$ /month  
 Overtime \$ /month  
 Bonus \$ /month  
 Commission \$ /month  
 Military Entitlements \$ /month  
 Other \$ /month  
**TOTAL \$** 0.00/month

**1c. IF APPLICABLE, Complete Information for Additional Employment/Self-Employment and Income** ☐ Does not apply

**Employer or Business Name** J & J PROPERTY SOLUTIONS Phone ( 831 ) 228 - 1255  
**Street** 2500 N EXECUTIVE DRIVE Unit #  
**City** JACKSON **State** TN **ZIP** 38305 **Country** USA

**Position or Title** OWNER  
**Start Date** 09 / 01 / 2016 (mm/dd/yyyy)  
 How long in this line of work? 7 Years Months

**Check if this statement applies:**  
☐ I am employed by a family member, property seller, real estate agent, or other party to the transaction.  
☒ **Check if you are the Business Owner or Self-Employed** ☐ I have an ownership share of less than 25%. **Monthly Income (or Loss)** \$5483  
☒ I have an ownership share of 25% or more.

**Gross Monthly Income**  
 Base \$ /month  
 Overtime \$ /month  
 Bonus \$ /month  
 Commission \$ /month  
 Military Entitlements \$ /month  
 Other \$ /month  
**TOTAL \$** 0.00/month

**1c. IF APPLICABLE, Complete Information for Additional Employment/Self-Employment and Income** ☐ Does not apply

**Employer or Business Name** HIDE AWAY STORAGE Phone ( 321 ) 236 - 5151  
**Street** 42 WILLOW BLVD Unit #  
**City** JACKSON **State** TN **ZIP** 38305 **Country** USA

**Position or Title** OWNER  
**Start Date** 01 / 01 / 2019 (mm/dd/yyyy)  
 How long in this line of work? 6 Years Months

**Check if this statement applies:**  
☐ I am employed by a family member, property seller, real estate agent, or other party to the transaction.  
☒ **Check if you are the Business Owner or Self-Employed** ☐ I have an ownership share of less than 25%. **Monthly Income (or Loss)** \$95.83  
☒ I have an ownership share of 25% or more.

**Gross Monthly Income**  
 Base \$ /month  
 Overtime \$ /month  
 Bonus \$ /month  
 Commission \$ /month  
 Military Entitlements \$ /month  
 Other \$ /month  
**TOTAL \$** 0.00/month

mortgage guaranty  
insurance corporation

**1b. Current Employment/Self-Employment and Income** ☐ Does not apply

**Employer or Business Name** CREATIVE DESIGN CONCEPTS Phone ( 731 ) 122 - 8544  
**Street** 1000 INNOVATIONS WAY Unit #  
**City** JACKSON **State** TN **ZIP** 38301 **Country** USA

**Position or Title** OWNER  
**Start Date** 10 / 01 / 2017 (mm/dd/yyyy)  
 How long in this line of work? 7 Years Months

**Check if this statement applies:**  
☐ I am employed by a family member, property seller, real estate agent, or other party to the transaction.  
☒ **Check if you are the Business Owner or Self-Employed** ☐ I have an ownership share of less than 25%. **Monthly Income (or Loss)** \$5652  
☒ I have an ownership share of 25% or more.

**Gross Monthly Income**  
 Base \$ /month  
 Overtime \$ /month  
 Bonus \$ /month  
 Commission \$ /month  
 Military Entitlements \$ /month  
 Other \$ /month  
**TOTAL \$** 0.00/month

**1c. IF APPLICABLE, Complete Information for Additional Employment/Self-Employment and Income** ☐ Does not apply

**Employer or Business Name** EQUITABLE PROPERTY GROUP, LLC Phone ( 731 ) 122 - 8544  
**Street** 1750 PROSPERITY DRIVE Unit #  
**City** JACKSON **State** TN **ZIP** 38305 **Country** USA

**Position or Title** OWNER  
**Start Date** 05 / 20 / 2018 (mm/dd/yyyy)  
 How long in this line of work? 6 Years Months

**Check if this statement applies:**  
☐ I am employed by a family member, property seller, real estate agent, or other party to the transaction.  
☒ **Check if you are the Business Owner or Self-Employed** ☐ I have an ownership share of less than 25%. **Monthly Income (or Loss)** \$2096  
☒ I have an ownership share of 25% or more.

**Gross Monthly Income**  
 Base \$ /month  
 Overtime \$ /month  
 Bonus \$ /month  
 Commission \$ /month  
 Military Entitlements \$ /month  
 Other \$ /month  
**TOTAL \$** 0.00/month

MGIC

## Borrowers' businesses

1b. Current Employment/Self-Employment and Income		<input type="checkbox"/> Does not apply
Employer or Business Name <u>PROPERTY MAINTENANCE NINJAS</u> Phone ( <u>731</u> ) <u>226</u> - <u>1255</u>		<b>Gross Monthly Income</b> Base \$ _____ /month Overtime \$ _____ /month Bonus \$ _____ /month Commission \$ _____ /month Military Entitlements \$ _____ /month
Street <u>800 W. COMMERCIAL AVENUE</u> Unit # _____		
City <u>JACKSON</u> State <u>TN</u> ZIP <u>38305</u> Country <u>USA</u>		
Position or Title <u>OWNER</u>		
Start Date <u>02</u> / <u>15</u> / <u>2021</u> (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.	
How long in this line of work? <u>3</u> Years _____ Months		

1b. Current Employment/Self-Employment and Income		<input type="checkbox"/> Does not apply
Employer or Business Name <u>CREATIVE DESIGN CONCEPTS</u> Phone ( <u>731</u> ) <u>122</u> - <u>8544</u>		<b>Gross Monthly Income</b> Base \$ _____ /month Overtime \$ _____ /month Bonus \$ _____ /month Commission \$ _____ /month Military Entitlements \$ _____ /month Other \$ _____ /month <b>TOTAL \$</b> <u>0.00</u> /month
Street <u>1000 INNOVATIONS WAY</u> Unit # _____		
City <u>JACKSON</u> State <u>TN</u> ZIP <u>38301</u> Country <u>USA</u>		
Position or Title <u>OWNER</u>		
Start Date <u>10</u> / <u>01</u> / <u>2017</u> (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.	
How long in this line of work? <u>6</u> Years _____ Months		
<input checked="" type="checkbox"/> Check if you are the Business Owner or Self-Employed <input type="radio"/> I have an ownership share of less than 25%. Monthly Income (or Loss) <input checked="" type="radio"/> I have an ownership share of 25% or more. \$ <u>5652</u>		

 mortgage guaranty  
 insurance corporation

28





## Meet Jessica Johnson


**50% partner in Equitable Property Group, LLC  
(property owner)**

- Schedule E, page 2
- Partnership Schedule K-1
- Form 1065
- Form 8825

**100% owner of Creative Design Concepts, Inc.**


- SEB W-2
- Form 1120

creativedesignconcepts.com




# Creative Design Concepts

Offering everything you need to transform your space



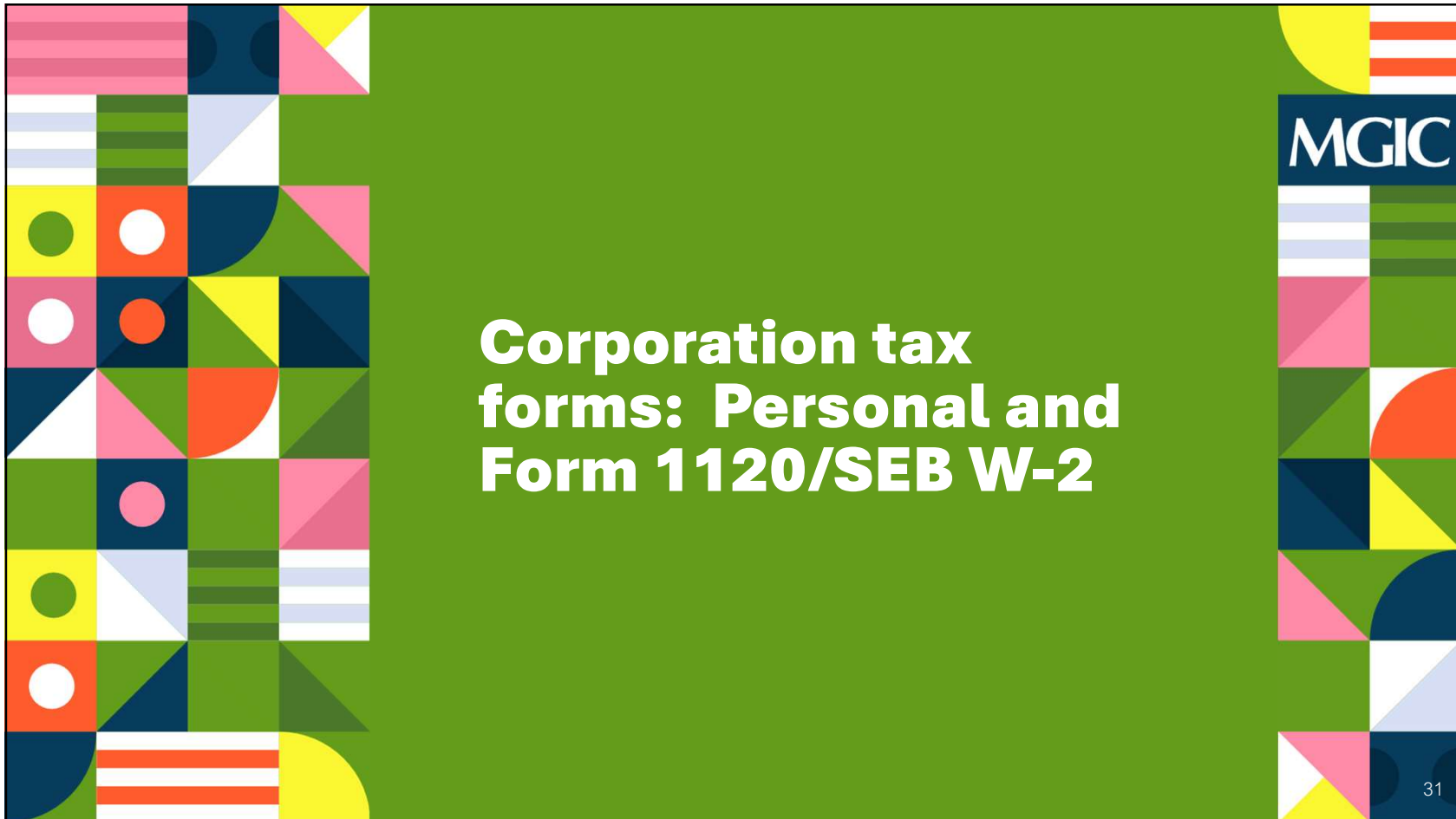
Founded in 2017, we are a public architecture, engineering, and interior design firm that creates solutions to transform your space and elevate your experience.



As both a CLASS A contractor and registered architect, Jessica Johnson and her team find solutions to common client needs and building demands.

mortgage guaranty  
insurance corporation

30

A decorative border surrounds a central green rectangle. The border consists of a grid of squares, each containing a different geometric pattern or color. The patterns include horizontal stripes, solid colors, circles, and triangles. The MGIC logo is visible in the top right corner of the border.

**Corporation tax  
forms: Personal and  
Form 1120/SEB W-2**





# Form W-2

Case study, page 65

mortgage guaranty  
insurance corporation

a Employee's social security number 000-00-0001		OMB No. 1545-0008		Safe, accurate, FAST! Use		IRS e-file		Visit the IRS website at www.irs.gov/efile.	
b Employer identification number (EIN) 00-0000000				1 Wages, tips, other compensation 60,000		2 Federal income tax withheld 15,000			
c Employer's name, address, and ZIP code CREATIVE DESIGN CONCEPTS, INC. 1000 INNOVATIONS WAY JACKSON, TN 38301				3 Social security wages 74,500		4 Social security tax withheld 4,619			
				5 Medicare wages and tips 74,500		6 Medicare tax withheld 1,080			
				7 Social security tips		8 Allocated tips			
d Control number				9		10 Dependent care benefits			
e Employee's first name and initial Last name JESSICA JOHNSON				11 Nonqualified plans		12a See instructions for box 12 D 14,500			
1750 PROSPERITY DRIVE JACKSON, TN 38305				13 Statutory employee Retirement plan Third-party sick pay		12b			
				14 Other		12c			
						12d			

## SAM Cash Flow Analysis Worksheet

MGIC

Evaluate business income as required by your investor.

X	CORPORATION	Nam	Creative Design Concepts, Inc	2024	2023
FORM W-2					
48	Wages: W-2, Box 5 (in general)		\$ 74,500.00	\$ 54,000.00	

b Employer identification number (EIN) 00-0000000		OMB No. 1545-0008		1 Wages, tips, other compensation 50,000		2 Federal income tax withheld 12,500	
c Employer's name, address, and ZIP code CREATIVE DESIGN CONCEPTS, INC. 1000 INNOVATIONS WAY JACKSON, TN 38301				3 Social security wages 54,000		4 Social security tax withheld 3,348	
				5 Medicare wages and tips 54,000		6 Medicare tax withheld 783	
				7 Social security tips		8 Allocated tips	
d Control number				9		10 Dependent care benefits	
e Employee's first name and initial Last name JESSICA JOHNSON				11 Nonqualified plans		12a See instructions for box 12 D 4,000	
1750 PROSPERITY DRIVE JACKSON, TN 38305				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					
Form <b>W-2</b> Wage and Tax Statement Copy B - To Be Filed With Employee's FEDERAL Tax Return. This information is being furnished to the Internal Revenue Service.							
2023							
Department of the Treasury - Internal Revenue Service							

# Form 1125-E

**mortgage guaranty  
insurance corporation**

[illegible]

# Form 1

Case study,  
page 57

mortgage guaranty  
insurance corporation

**Form 1120**  
 U.S. Corporation Income Tax Return  
 For calendar year 2024 or tax year beginning \_\_\_\_\_, ending \_\_\_\_\_  
 Go to [www.irs.gov/Form1120](https://www.irs.gov/Form1120) for instructions and the latest information.

OMB No. 1545-0123  
**2024**

**A** Check if:

1a Consolidated return (attach Form 990) ☐

1b Personal holding company (attach Form 990) ☐

1c Foreign private issuer (attach Form 990) ☐

1d Branch or subsidiary ☐

1e Other ☐

**TYPE OR PRINT**

Name: **CREATIVE DESIGN CONCEPTS, INC.**  
 Number, street, and room or suite no. If a P.O. box, see instructions.  
**1000 INNOVATIONS WAY**  
 City or town, state or province, country, and ZIP or foreign postal code  
**JACKSON, TN 38301**

**B** Employer identification number  
**00-0000000**

**C** Date incorporated  
**10/01/2017**

**D** Total assets (see instructions)  
**\$ 237,036**

**a** Employee's social security number  
**000-00-0001**

**b** Employer identification number (EIN)  
**00-0000000**

**c** Employer's name, address, and ZIP code  
**CREATIVE DESIGN CONCEPTS, INC.**  
**1000 INNOVATIONS WAY**  
**JACKSON, TN 38301**

**d** Control number

**e** Employee's first name and initial Last name  
**JESSICA JOHNSON**  
**1750 PROSPERITY DRIVE**  
**JACKSON, TN 38305**

**f** Employee's address and ZIP code

**15** State **16** State wages, tips, etc. **17** State income tax **18** Local wages, tips, etc. **19** Local income tax **20** Locality name

**1** Wages, tips, other compensation **60,000**

**2** Federal income tax withheld **15,000**

**3** Social security wages **74,500**

**4** Social security tax withheld **4,619**

**5** Medicare wages and tips **74,500**

**6** Medicare tax withheld **1,080**

**7** Social security tips

**8** Allocated tips

**9** Dependent care benefits

**10** Nonqualified plans

**11** See instructions for box 12

**12a** **12b** **12c** **12d**

**13** **14** **15** **16** **17** **18** **19** **20**

**Form W-2 Wage and Tax Statement**  
**Copy B - To Be Filed With Employee's FEDERAL Tax Return.**  
 This information is being furnished to the Internal Revenue Service.

**2024**

**24** Employee benefit programs

**Form 1125-E**  
 (Rev. October 2016)  
 Department of the Treasury  
 Internal Revenue Service

**Compensation of Officers**  
 Attach to Form 1120, 1120-C, 1120-F, 1120-REIT, 1120-RIC, or 1120S.  
 Information about Form 1125-E and its separate instructions is at [www.irs.gov/form1125e](https://www.irs.gov/form1125e).

OMB No. 1545-0123

Name: **CREATIVE DESIGN CONCEPTS, INC.**

Employer identification number  
**00-0000000**

**Note:** Complete Form 1125-E only if total receipts are \$500,000 or more. See instructions for definition of total receipts.

(a) Name of officer	(b) Social security number (see instructions)	(c) Percent of time devoted to business	(d) Percent of stock owned		(f) Amount of compensation
			(d) Common	(e) Preferred	
1 JESSICA JOHNSON	000-00-0001	100.0000%	100.0000%	%	74,500
		%	%	%	

**1120** U.S. Corporation Income Tax Return  
OMB No. 1545-0047  
For calendar year 2024 or tax year beginning ending  
Go to [www.irs.gov/Form1120](https://www.irs.gov/Form1120) for instructions and the latest information.

**2024**

**A. Check if:**  
1a Consolidated return (attach Form 990) ☐  
b Federal tax consolidated return ☐  
c Personal holding company (see instructions) ☐  
d Schedule M-1 attached ☐

**OR**  
**PRINT**

**NAME** CREATIVE DESIGN CONCEPTS, INC.  
**NUMBER, STREET, AND ROOM OR SUITE NO. IF A P.O. BOX, SEE INSTRUCTIONS** 1000 INNOVATIONS WAY  
**CITY OR TOWN, STATE OR PROVINCE, COUNTRY, AND ZIP OR FOREIGN POSTAL CODE** JACKSON, TN 38301

**B. Employer identification number** 00-0000000  
**C. Date incorporated** 10/01/2017  
**D. Total assets (see instructions)** 237,036

**E. Check if:**  
(1) Initial return (2) Final return (3) Name change (4) Address change

**Income**

**1a** Gross receipts or sales **1a** 724,200  
**b** Returns and allowances **1b**  
**c** Balance. Subtract line 1b from line 1a **1c** 724,200  
**2** Cost of goods sold (attach Form 1125-A) **2** 390,000  
**3** Gross profit. Subtract line 2 from line 1c **3** 334,200  
**4** Dividends and inclusions (Schedule C, line 23) **4**  
**5** Interest **5**  
**6** Gross rents **6**  
**7** Gross royalties **7**  
**8** Capital gain net income (attach Schedule D (Form 1120)) **8**  
**9** Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797) **9**  
**10** Other income (see instructions - attach statement) **10**  
**11** Total income. Add lines 3 through 10 **11** 334,200  
**12** Compensation of officers (see instructions - attach Form 1125-E) **12** 74,500  
**13** Salaries and wages (less employment credits) **13** 120,000  
**14** Repairs and maintenance **14**  
**15** Bad debts **15**  
**16** Rents **16** 36,000  
**17** Taxes and licenses **17** 2,400  
**18** Interest (see instructions) **18** 7,200  
**19** Charitable contributions **19** 10,000  
**20** Depreciation from Form 4562 not claimed on Form 1125-A or elsewhere on return (attach Form 4562) **20** 9,000  
**21** Depletion **21**  
**22** Advertising **22** 10,000  
**23** Pension, profit-sharing, etc. plans **23** 13,000  
**24** Employee benefit programs **24** 18,000  
**25** Energy efficient commercial buildings deduction (attach Form 7205) **25**  
**26** Other deductions (attach statement) **26** SEE STATEMENT  
**27** Total deductions. Add lines 12 through 26 **27** 302,900  
**28** Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11 **28** 31,300  
**29a** Net operating loss deduction (see instructions) **29a**  
**b** Special deductions (Schedule C, line 24) **29b**  
**30** Taxable income. Subtract line 29c from line 28. See instructions **30** 31,300  
**31** Total tax (Schedule J, line 12) **31** 6,570  
**32** Reserved for future use **32**  
**33** Total payments and credits (Schedule J, line 23) **33** 4,200  
**34** Estimated tax penalty. See instructions. Check if Form 2220 is attached **34**  
**35** Amount owed. If line 33 is smaller than the total of lines 31 and 34, enter amount owed **35** 2,370  
**36** Overpayment. If line 33 is larger than the total of lines 31 and 34, enter amount overpaid **36**  
**37** Enter amount from line 36 you want credited to 2025 estimated tax. Refunded **37**

**Sign Here**  
Signature of officer \_\_\_\_\_ Date \_\_\_\_\_ Title \_\_\_\_\_  
Print/Type preparer's name \_\_\_\_\_ Preparer's signature \_\_\_\_\_ Date \_\_\_\_\_  
Check ☐ if self-employed ☐ if PTRN  
Preparer's name V. I. P. TAX INC. Firm's EIN 00-0000000  
Preparer's address 3 PEACHTREE LANE Firm's address JACKSON, TN 38305 Phone no. \_\_\_\_\_  
For Paperwork Reduction Act Notice, see separate instructions. Form 1120 (2024)

mortgage guaranty  
insurance corporation

## SAM Cash Flow Analysis Worksheet

X	CORPORATION	Name	Creative Design Concepts, Inc	2024
	FORM W-2			
48	Wages: W-2, Box 5 (in general)		\$	74,500.00
	FORM 1120			
49	Taxable Income: LINE 30		\$	31,300.00
50	Total Tax: LINE 31		\$	6,570.00
51	Deduct nonrecurring gains/add nonrecurring losses: LINES 8 & 9			
52	Deduct nonrecurring income: LINE 10			
53	Depreciation: LINE 20			
54	Depletion: LINE 21			
55	Amortization/Casualty Loss/Nonrecurring Loss: from statement or LINES 8 & 9			
56	Net Operating Loss and Special Deductions: LINES 29a & b			
57	Mortgages or Notes Payable in Less Than 1 Year: Schedule L, LINE 17, Column d			
58	Non-Deductible Travel and Entertainment Exclusion: Schedule M-1, LINE 5c			
	SUBTOTAL		\$	24,730.00
59	Multiplied by Ownership Percentage			
60	Dividends Paid to Borrower: Form 1040, Schedule B, LINE 5			
	Corporation's Total Share of Income (Loss)		\$	-

**1120** U.S. Corporation Income Tax Return  
OMB No. 1545-0023  
2023

For calendar year 2023 or tax year beginning , ending  
Go to [www.irs.gov/Form1120](http://www.irs.gov/Form1120) for instructions and the latest information.

**A Check if:**  
1a Consolidated return (attach Form 990) ☐  
1b LIFO reserve elected (attach Form 990) ☐  
2 Personal services (see instructions) ☐  
3 Schedule M-1 (see instructions) ☐

**TYPE OR PRINT**  
Name: CREATIVE DESIGN CONCEPTS, INC.  
Number, street, and room or suite no. if a P.O. box, see instructions. 00-0000000  
1000 INNOVATIONS WAY  
City or town, state or province, country, and ZIP or foreign postal code 10/01/2017  
JACKSON, TN 38301  
Total assets (see instructions) 237,036

**B Employer identification number**  
00-0000000  
**C Date incorporated**  
10/01/2017  
**D Total assets (see instructions)**  
237,036

**4 Schedule M-1**  
Initial return (1) Final return (2) Name change (3) Address change (4)

**Income**  
1a Gross receipts or sales 724,200  
1b Returns and allowances  
2 Balance. Subtract line 1b from line 1a 724,200  
3 Cost of goods sold (attach Form 1125-A) 390,000  
4 Gross profit. Subtract line 2 from line 1c 334,200  
5 Dividends and inclusions (Schedule C, line 23)  
6 Gross rents  
7 Gross royalties  
8 Capital gain net income (attach Schedule D (Form 4459))  
9 Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)  
10 Other income (see instructions - attach statement)  
11 Total income. Add lines 4 through 10 334,200  
12 Compensation of officers (see instructions - attach Form 1125-E)  
13 Salaries and wages (less employment credits)  
14 Repairs and maintenance  
15 Bad debts  
16 Rents 36,000  
17 Taxes and licenses 2,400  
18 Interest (see instructions) 7,200  
19 Charitable contributions 10,000  
20 Depreciation from Form 4562 not claimed on Form 1125-A or elsewhere on return (attach Form 4562) 9,000  
21 Depletion 30,000  
22 Powering  
23 Pension, profit-sharing, etc., plans 13,000  
24 Employee benefit programs 18,000  
25 Energy efficient commercial buildings deduction (attach Form 7205)  
26 Other deductions (attach statement) SEE STATEMENT 2,800  
27 Total deductions. Add lines 12 through 26 302,900  
28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11 31,300  
29a Net operating loss deduction (see instructions) 29a  
29b Special deductions (Schedule C, line 24) 29b  
29c Add lines 29a and 29b 29c  
30 Taxable income. Subtract line 29c from line 28. See instructions 31,300  
31 Total tax (Schedule J, Part I, line 11) 6,570  
32 Reserved for future use  
33 Total payments and credits (Schedule J, Part II, line 23) 4,200  
34 Estimated tax penalty. See instructions. Check if Form 2220 is attached  
35 Amount owed. If line 33 is smaller than the total of lines 31 and 34, enter amount owed 2,370  
36 Overpayment. If line 33 is larger than the total of lines 31 and 34, enter amount overpaid  
37 Enter amount from line 36 you want credited to 2024 estimated tax Refunded 37

**Sign Here**  
Signature of officer Date Title  
Print/Type preparer's name Preparer's signature Date  
Paid Preparer Use Only  
Firm's name V.T.P. TAX INC.  
Firm's address 3 PEACHTREE LANE  
JACKSON, TN 38305  
Firm's EIN 00-0000000  
Phone no.  
For Paperwork Reduction Act Notice, see separate instructions.  
Form 1120 (2023)

## SAM Cash Flow Analysis Worksheet

X	CORPORATION	Name	Creative Design Concepts, Inc	2024
		FORM W-2		
48	Wages: W-2, Box 5 (in general)			\$ 74,500.00
		FORM 1120		
49	Taxable Income: LINE 30			\$ 31,300.00
50	Total Tax: LINE 31			( \$ 6,570.00 )
51	Deduct nonrecurring gains/add nonrecurring losses: LINES 8 & 9			
52	Deduct nonrecurring income: LINE 10			( )
53	Depreciation: LINE 20			\$ 9,000.00
54	Depletion: LINE 21			
55	Amortization/Casualty Loss/Nonrecurring Loss: from statement or LINES 8 & 9			
56	Net Operating Loss and Special Deductions: LINES 29a & b			
57	Mortgages or Notes Payable in Less Than 1 Year: Schedule L, LINE 17, Column d			( )
58	Non-Deductible Travel and Entertainment Exclusion: Schedule M-1, LINE 5c			( )
	SUBTOTAL			\$ 33,730.00
59	Multiplied by Ownership Percentage			
60	Dividends Paid to Borrower: Form 1040, Schedule B, LINE 5			( )
	Corporation's Total Share of Income (Loss)			\$ -

mortgage guaranty  
insurance corporation



<b>1120</b>		<b>U.S. Corporation Income Tax Return</b>		OMB No. 1545-0047	
Form 1120-1045-0123		For calendar year 2024 or tax year beginning _____, ending _____		<b>2024</b>	
Go to <a href="https://www.irs.gov/Form1120">www.irs.gov/Form1120</a> for instructions and the latest information.					
<b>A Check if:</b>		<b>Name</b>		<b>B Employer identification number</b>	
<input type="checkbox"/> 1a Consolidated return (attach Form 990)		CREATIVE DESIGN CONCEPTS, INC.		00-0000000	
<input type="checkbox"/> 1b Limited liability company (attach Form 990)		Number, street, and room or suite no. If a P.O. box, see instructions.		C Date incorporated	
<input type="checkbox"/> 2 Personal holding company (attach Form 990)		1000 INNOVATIONS WAY		10/01/2017	
<input type="checkbox"/> 3 Real estate investment trust (see instructions)		City or town, state or province, country, and ZIP or foreign postal code		D Total assets (see instructions)	
		JACKSON, TN 38301		\$ 237,036	

Form 1120, Page 1 Detail

## Line 26 - Other Deductions

Amortization	1,200
Meals	400
Travel & Lodging	1,200
<b>Total</b>	<b>2,800</b>

23	Pension, profit-sharing, etc., plans	23	13,000
24	Employee benefit programs	24	18,000
25	Charitable contributions	25	000
26	Other deductions (attach statement)	26	2,800
27	Net operating loss deduction (see instructions)	27	000
28	Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11.	28	31,300
29a	Net operating loss deduction (see instructions)	29a	
29b	Special deductions (Schedule C, line 24)	29b	
29c	Add lines 29a and 29b	29c	
30	Taxable income. Subtract line 29c from line 28. See instructions.	30	31,300
31	Total tax (Schedule J, line 12)	31	6,570
32	Reserved for future use	32	
33	Total payments and credits (Schedule J, line 23)	33	4,200
34	Estimated tax penalty. See instructions. Check if Form 2220 is attached.	34	
35	Amount owed. If line 33 is smaller than the total of lines 31 and 34, enter amount owed.	35	2,370
36	Overpayment. If line 33 is larger than the total of lines 31 and 34, enter amount overpaid.	36	
37	Enter amount from line 36 you want credited to 2025 estimated tax	37	

**Sign Here**

Signature of officer \_\_\_\_\_ Date \_\_\_\_\_ Title \_\_\_\_\_

Print/Type preparer's name \_\_\_\_\_ Preparer's signature \_\_\_\_\_ Date \_\_\_\_\_ Check ☐ if PTIN

Paid Preparer Use Only

Firm's name V.I.P. TAX INC. Firm's EIN 00-0000000

Firm's address 3 PEACHTREE LANE JACKSON, TN 38305 Phone no. \_\_\_\_\_

For Paperwork Reduction Act Notice, see separate instructions. Form **1120** (2024)

## SAM Cash Flow Analysis Worksheet

X	CORPORATION	Nam	Creative Design Concepts, Inc	2024
				FORM W-2
48			Wages: W-2, Box 5 (in general)	\$ 74,500.00
				FORM 1120
49			Taxable Income: LINE 30	\$ 31,300.00
50			Total Tax: LINE 31	( \$ 6,570.00 )
51			Deduct nonrecurring gains/add nonrecurring losses: LINES 8 & 9	
52			Deduct nonrecurring income: LINE 10	( )
53			Depreciation: LINE 20	\$ 9,000.00
54			Depletion: LINE 21	
55			Amortization/Casualty Loss/Nonrecurring Loss: from statement or LINES 8 & 9	\$ 1,200.00
56			Net Operating Loss and Special Deductions: LINES 29a & b	
57			Mortgages or Notes Payable in Less Than 1 Year: Schedule L, LINE 17, Column d	( )
58			Non-Deductible Travel and Entertainment Exclusion: Schedule M-1, LINE 5c	( )
			SUBTOTAL	\$ 34,930.00
59			Multiplied by Ownership Percentage	
60			Dividends Paid to Borrower: Form 1040, Schedule B, LINE 5	( )
			Corporation's Total Share of Income (Loss)	\$ -

# Form 1120, Schedule L

Form 1120 (2024) Schedule L Balance Sheets per Books

	Beginning of tax year		End of tax year	
	(a)	(b)	(c)	(d)
<b>Assets</b>				
1 Cash				
2a Trade notes				
b Less allowance for doubtful accounts				
3 Inventories				
4 U.S. government securities				
5 Tax-exempt securities				
6 Other current assets				
7 Loans to shareholders				
8 Mortgages				
9 Other investments				
10a Buildings				
b Less accumulated depreciation				
11a Depreciable assets				
b Less accumulated depreciation				
12 Land (net of accumulated depreciation)				
13a Intangible assets (amortizable only)	3,400		3,400	
b Less accumulated amortization	1,600	1,800	2,800	600
14 Other assets (attach statement)				
15 Total assets		208,636		237,036
<b>Liabilities and Shareholders' Equity</b>				
16 Accounts payable				
17 Mortgages, notes, bonds payable in less than 1 year		10,000		15,000
18 Other current liabilities (attach statement)				
19 Loans from shareholders				
20 Mortgages, notes, bonds payable in 1 year or more		12,363		15,963
21 Other liabilities (attach statement)				
22 Capital stock: a Preferred stock				
b Common stock	30,000	30,000	30,000	30,000
23 Additional paid-in capital				
24 Retained earnings - Appropriated (attach statement)				
25 Retained earnings - Unappropriated		156,273		176,073
26 Adjustments to shareholders' equity (attach statement)				
27 Less cost of treasury stock				
28 Total liabilities and shareholders' equity		208,636		237,036

**Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return**

Note: The corporation may be required to file Schedule M-3. See instructions.

1 Net income (loss) per books	26,200	7 Income recorded on books this year not included on this return (itemize):	
2 Federal income tax per books	5,500	Tax-exempt interest	
3 Excess of capital losses over capital gains			
4 Income subject to tax not recorded on books this year (itemize):			
5 Expenses recorded on books this year not deducted on this return (itemize):		8 Deductions on this return not charged against book income this year (itemize):	
a Depreciation		a Depreciation	1,000
b Charitable contributions		b Charitable contributions	
c Travel and entertainment	600		
6 Add lines 1 through 5	32,300	9 Add lines 7 and 8	1,000
7 Net income (loss) per books	156,273	10 Income (page 1, line 28), line 6 less line 9	31,300
8 Other increases (itemize):			
9 Add lines 1, 2, and 3	182,473		

**Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Schedule L, Line 25)**

1 Balance at beginning of year	156,273	5 Distributions:	
2 Net income (loss) per books	26,200	a Cash	6,400
3 Other increases (itemize):		b Stock	
4 Add lines 1, 2, and 3	182,473	c Property	
		6 Other decreases (itemize):	
		7 Add lines 5 and 6	6,400
		8 Balance at end of year (line 4 less line 7)	176,073

Form 1120 (2024)

mortgage guaranty  
insurance corporation

## SAM Cash Flow Analysis Worksheet

	CORPORATION	Name	Creative Design Concepts, Inc	2024
FORM W-2				
48	Wages: W-2, Box 5 (in general)		\$	74,500.00
FORM 1120				
49	Taxable Income: LINE 30		\$	31,300.00
50	Total Tax: LINE 31		( \$	6,570.00 )
51	Deduct nonrecurring gains/add nonrecurring losses: LINES 8 & 9			
52	Deduct nonrecurring income: LINE 10		(	
53	Depreciation: LINE 20		\$	9,000.00
54	Depletion: LINE 21			
55	Amortization/Casualty Loss/Nonrecurring Loss: from statement or LINES 8 & 9		\$	1,200.00
56	Net Operating Loss and Special Deductions: LINES 29a & b			
57	Mortgages or Notes Payable in Less Than 1 Year: Schedule L, LINE 17, Column d		( \$	15,000.00 )
58	Non-Deductible Travel and Entertainment Exclusion: Schedule M-1, LINE 5c		( \$	600.00 )
	SUBTOTAL		\$	19,330.00
59	Multiplied by Ownership Percentage			
60	Dividends Paid to Borrower: Form 1040, Schedule B, LINE 5		(	
	Corporation's Total Share of Income (Loss)		\$	-

# Form 1120, Schedule L

Form 1120 (2024) **Schedule L Balance Sheets per Books** Page 6

	Beginning of tax year		End of tax year	
	(a)	(b)	(c)	(d)
<b>Assets</b>				
1 Cash	95,327	40,000	96,000	29,227
2 a Trade notes and accounts receivable	NONE	95,327	15,000	81,000
3 Inventories		40,000		25,000
4 U.S. government obligations				
5 Tax-exempt securities (see instructions)				
6 Other current assets (attach statement)		15,000		15,000
7 Loans to shareholders		3,000		3,000
8 Mortgage and real estate loans				
9 Other investments (attach statement)				
10 a Buildings and other depreciable assets	18,854	13,509	74,554	
11 a Depreciable assets	5,345		11,345	63,209
12 a Land (net of any amortization)		NONE		20,000
13 a Intangible assets (amortizable only)	3,400		3,400	
14 Other assets (attach statement)	1,600	1,800	2,800	600
15 Total assets		208,636		237,036
<b>Liabilities and Shareholders' Equity</b>				
16 Accounts payable				
17 Mortgages, notes, bonds payable in less than 1 year		10,000		15,000
18 Other current liabilities (attach statement)				
19 Loans from shareholders				
20 Mortgages, notes, bonds payable in 1 year or more		12,363		15,963
21 Other liabilities (attach statement)				
22 Capital stock: a Preferred stock				
b Common stock				
23 Additional paid-in capital				
24 Retained earnings: Appropriated (attach statement)				
25 Retained earnings: Unappropriated				
26 Adjustments to shareholders' equity (attach statement)				
27 Less cost of treasury stock				
28 Total liabilities and shareholders' equity		208,636		237,036

**Schedule M-1 Reconciliation of Income**  
Note: The corporation may use the following information to reconcile the income reported on the return to the income reported on the books.

1 Net income (loss) per books		
2 Federal income tax per books		
3 Excess of capital losses over capital gains		
4 Income subject to tax not recorded on books this year (itemize):		
5 Expenses recorded on books this year not deducted on the return (itemize):		
a Depreciation		
b Charitable contributions		
c Travel and entertainment	600	
6 Add lines 1 through 5	600	
7 Add lines 1 through 6	32,100	
8 Deductions on this return not charged against book income this year (itemize):		
a Depreciation	1,000	
b Charitable contributions		
c Other		
9 Add lines 7 and 8	1,000	
10 Income per books (line 7, line 8 less line 9)	31,100	

**Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Schedule L, Line 25)**

1 Balance at beginning of year	156,293
2 Net income (loss) per books	26,200
3 Other increases (itemize)	
4 Add lines 1, 2, and 3	182,493
5 Distributions:	
a Cash	
b Stock	6,400
c Property	
6 Add lines 5 and 6	6,400
7 Add lines 4 and 6	176,093

mortgage guaranty  
insurance corporation

## SAM Cash Flow Analysis Worksheet

X	CORPORATION	Nam	Creative Design Concepts, Inc	2024
	FORM W-2			
48	Wages: W-2, Box 5 (in general)			\$ 74,500.00
	FORM 1120			
49	Taxable Income: LINE 30			\$ 31,300.00
50	Total Tax: LINE 31			( \$ 6,570.00 )
51	Deduct nonrecurring gains/add nonrecurring losses: LINES 8 & 9			
52	Deduct nonrecurring income: LINE 10			( )
53	Deduct nonrecurring income: LINE 10			\$ 9,000.00
54	Deduct nonrecurring income: LINE 10			\$ 1,200.00
55	Deduct nonrecurring income: LINE 10			( \$ 15,000.00 )
56	Deduct nonrecurring income: LINE 10			( \$ 600.00 )
57	Non-Deductible Travel and Entertainment Exclusion: SCHEDULE M-1, LINE 5C			
	SUBTOTAL			\$ 19,330.00
59	Multiplied by Ownership Percentage			100.00%
60	Dividends Paid to Borrower: Form 1040, Schedule B, LINE 5			( \$ 6,400.00 )
	Corporation's Total Share of Income (Loss)			\$ 12,930.00

Multiplied by Ownership Percentage

Dividends Paid to Borrower: Form 1040, Schedule B, LINE 5

Corporation's Total Share of Income (Loss)

Reminder:  
Include corporate  
earnings in cash flow  
only if the borrower is a  
100% owner, as generally  
required by investors.

( )

\$ -

SUBTOTAL

Multiplied by Ownership Percentage

Dividends Paid to Borrower: Form 1040, Schedule B, LINE 5

Corporation's Total Share of Income (Loss)

# Schedule B

Case study,  
pages 20 & 21

mortgage guaranty  
insurance corporation

SCHEDULE B  
(Form 1040)

Department of the Treasury  
Internal Revenue Service

James & Jessica Johnson

Interest and Ordinary Dividends

Attach to Form 1040 or 1040-SR.  
Go to [www.irs.gov/ScheduleB](https://www.irs.gov/ScheduleB) for instructions and the latest information.

OMB No. 1545-0044

2024

Attachment  
Sequence No. 08

Your social security number  
000-00-0000

Amount

Part I

Interest

(See instructions and the instructions for Form 1040, line 2b.)

Note: If you received a Form 1099-INT, Form 1099-OID, or substitute statement from a brokerage firm, list the firm's name as the payer and enter the total interest shown on that form.

1

List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see the instructions and list this interest first. Also, show that buyer's social security number and address:  
Colonial Federal  
J & J Property Solutions

500.  
1,200.

2

Add the amounts on line 1 . . . . .

1,700.

3

Excludable interest on series EE and I U.S. savings bonds issued after 1989. Attach Form 8815 . . . . .

4

Subtract line 3 from line 2. Enter the result here and on Form 1040 or 1040-SR, line 2b

1,700.

Note: If line 4 is over \$1,500, you must complete Part III.

Amount

Part II

Ordinary Dividends

(See instructions and the instructions for Form 1040, line 3b.)

5

List name of payer:  
Creative Design Concepts

500.  
6,400.

X

SCHEDULE B - INTEREST AND DIVIDENDS FROM SELF-EMPLOYMENT

2023

2022

1

Recurring Interest Income: LINE 1 or 1040 LINE 2b

\$ 1,200.00

\$ 1,200.00

2

Recurring Dividend Income: LINE 5 or 1040 LINE 3b

\$ 6,400.00

\$ 2,500.00

SUBTOTAL

\$ 7,600.00

\$ 3,700.00

Accounts and Trusts

Caution: If required, failure to file FinCEN Form 114 may result in substantial penalties. Additionally, you may be required to file Form 8938, Statement of Specified Foreign Financial Assets. See instructions.

7a

At any time during 2024, did you have a financial interest in or signature authority over a financial account (such as a bank account, securities account, or brokerage account) located in a foreign country? See instructions . . . . .

If "Yes," are you required to file FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR), to report that financial interest or signature authority? See FinCEN Form 114 and its instructions for filing requirements and exceptions to those requirements . . . . .

b

If you are required to file FinCEN Form 114, list the name(s) of the foreign country(-ies) where the financial account(s) is (are) located: . . . . .

8

During 2024, did you receive a distribution from, or were you the grantor of, or transferor to, a foreign trust? If "Yes," you may have to file Form 3520. See instructions . . . . .

Yes

No

X

X

For Paperwork Reduction Act Notice, see your tax return instructions. BAA REV 01/04/25 TTW

Schedule B (Form 1040) 2024

41

41

# Effect on cash flow analysis

mortgage guaranty  
insurance corporation

## AM Cash Flow Analysis Worksheet

MG

### Corporation Cash Flow

Evaluate business income as required by your investor.

CORPORATION	Name	2024	2023
	Creative Design Concepts, Inc		
FORM W-2			
Wages: W-2, Box 5 (in general)		\$ 74,500.00	\$ 54,000.00
FORM 1120			
Taxable Income: LINE 30		\$ 31,300.00	\$ 25,800.00
Total Tax: LINE 31		( \$ 6,570.00 )	( \$ 5,824.00 )
Deduct nonrecurring gains/add nonrecurring losses: LINES 8 & 9			
Deduct nonrecurring income: LINE 10		( )	( )
Depreciation: LINE 20		\$ 9,000.00	\$ 8,500.00
Depletion: LINE 21			
Amortization/Casualty Loss/Nonrecurring Loss: from statement or LINES 8 & 9		\$ 1,200.00	\$ 1,200.00
Net Operating Loss and Special Deductions: LINES 29a & b			
Mortgages or Notes Payable in Less Than 1 Year: Schedule L, LINE 17, Column d		( \$ 15,000.00 )	( \$ 10,000.00 )
Non-Deductible Travel and Entertainment Exclusion: Schedule M-1, LINE 5c		( \$ 600.00 )	( \$ 450.00 )
SUBTOTAL		\$ 19,330.00	\$ 19,226.00
Multiplied by Ownership Percentage		100.00%	100.00%
Dividends Paid to Borrower: Form 1040, Schedule B, LINE 5		( \$ 6,400.00 )	( \$ 5,400.00 )
Corporation's Total Share of Income (Loss)		\$ 12,930.00	\$ 13,826.00
		\$87,430.00	\$67,826.00



# Cash Flow Analysis Summary

## Cash Flow Analysis Summary

- To modify the Total No. of Months select the applicable number from the # mo. drop-down box.
- To exclude a Subtotal from Qualifying Income, select the box to the left of the dollar amount.

### CORPORATION CASH FLOW SUBTOTALS:

**1**

W-2 Wages	Creative Design Concepts, Inc	<input type="checkbox"/>	\$	74,500.00	12	<input type="checkbox"/>	\$	54,000.00	12	\$	5,354.17	24
Form 1120	Creative Design Concepts, Inc	<input type="checkbox"/>	\$	12,930.00	12	<input type="checkbox"/>	\$	13,826.00	12	\$	1,114.83	24
Corporation	Creative Design Concepts, Inc Subtotal		\$	87,430.00			\$	67,826.00		\$	6,469.00	

### CORPORATION CASH FLOW SUBTOTALS:

**2**

W-2 Wages	Creative Design Concepts, Inc	<input checked="" type="checkbox"/>	\$	74,500.00	0	<input type="checkbox"/>	\$	54,000.00	12	\$	4,500.00	12
Form 1120	Creative Design Concepts, Inc	<input checked="" type="checkbox"/>	\$	12,930.00	0	<input type="checkbox"/>	\$	13,826.00	12	\$	1,152.17	12
Corporation	Creative Design Concepts, Inc Subtotal		\$	-			\$	67,826.00		\$	5,652.17	



# YTD Profit & Loss

## Creative Design Concepts, Inc Income Statement Date: 3/31/25

Sales	\$195,000
Cost of goods sold	\$ 96,450
Gross Profit	\$ 98,550
Expenses	
Salaries	\$ 46,065
Employee benefits	\$ 6,276
Licenses	\$ 575
Travel and entertainment	\$ 125
Advertising	\$ 1,960
Amortization	\$ 300
Rents	\$ 10,500
Interest	\$ 1,824
Depreciation	\$ 2,225
Charity	\$ 2,500
Insurance	\$ 501
Total Expenses	\$72,851
Net Income	\$ 25,699
Owner's Compensation	\$ 18,000
NET PROFIT	\$ 7,699

mortgage guaranty  
insurance corporation

# Business Returns

**1120** U.S. Corporation Income Tax Return  
For calendar year 2024 or tax year beginning 2024 and ending 2024  
Go to [www.irs.gov/Form1120](https://www.irs.gov/Form1120) for instructions and the latest information.

**NAME** CREATIVE DESIGN CONCEPTS, INC.  
**TYPE** ☒ **OR** ☐  
**PRINT** ☐  
Number, street, and room or suite no. If a P.O. box, see instructions.  
1000 INNOVATIONS WAY  
City or town, state or province, country, and ZIP or foreign postal code  
JACKSON, TN 38301

**B** Employer identification number  
00-0000000  
**C** Date incorporated  
10/01/2017  
**D** Total assets (see instructions)  
237,036

**1** Gross receipts or sales **1a** 724,200  
**2** Returns and allowances **1b** 390,000  
**3** Balance. Subtract line 1b from line 1a **1c** 724,200  
**4** Cost of goods sold (attach Form 1125-A) **2** 390,000  
**5** Gross profit. Subtract line 2 from line 1c **3** 334,200  
**6** Dividends and inclusions (Schedule C, line 23) **4**  
**7** Interest **5**  
**8** Gross rents **6**  
**9** Gross royalties **7**  
**10** Capital gain net income (attach Schedule D (Form 1120)) **8**  
**11** Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797) **9**  
**12** Other income (see instructions - attach statement) **10**  
**13** Total income. Add lines 3 through 10 **11** 334,200  
**14** Compensation of officers (see instructions - attach Form 1125-E) **12** 74,500  
**15** Salaries and wages (less employment credits) **13** 120,000  
**16** Repairs and maintenance **14**  
**17** Bad debts **15**  
**18** Rents **16** 36,000  
**19** Taxes and licenses **17** 2,400  
**20** Interest (see instructions) **18** 7,200  
**21** Charitable contributions **19** 10,000  
**22** Depreciation from Form 4562 not claimed on Form 1120-A or elsewhere on return (attach Form 4562) **20** 9,500  
**23** Depletion **21**  
**24** Advertising **22** 10,000  
**25** Pension, profit-sharing, etc. plans **23** 13,000  
**26** Employee benefit programs **24** 18,000  
**27** Energy efficient commercial buildings deduction (attach Form 7205) **25**  
**28** Other deductions (attach statement) - SEE STATEMENT **26** 2,800  
**29** Total deductions. Add lines 12 through 26 **27** 302,900  
**30** Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11 **28** 31,300  
**31** Net operating loss deduction (see instructions) **29a** 29b  
**32** Special deductions (Schedule C, line 24) **29b**  
**33** Add lines 29a and 29b **29c**  
**34** Taxable income. Subtract line 29c from line 28. See instructions **30** 31,300  
**35** Total tax (Schedule J, line 12) **31** 6,570  
**36** Reserved for future use **32**  
**37** Total payments and credits (Schedule J, line 23) **33** 4,200  
**38** Estimated tax penalty. See instructions. Check if Form 2220 is attached **34**  
**39** Amount owed. If line 33 is smaller than the total of lines 31 and 34, enter amount owed **35** 2,370  
**40** Overpayment. If line 33 is larger than the total of lines 31 and 34, enter amount overpaid **36**  
**41** Enter amount from line 39 you want credited to 2025 estimated tax **37** refunded

**Sign Here**  
Signature of officer \_\_\_\_\_ Date \_\_\_\_\_ Title \_\_\_\_\_  
Print/Type preparer's name \_\_\_\_\_ Preparer's signature \_\_\_\_\_ Date \_\_\_\_\_  
Paid Preparer **Use Only** ☒ **OR** ☐  
Preparer's name V. I. P. TAX INC.  
Preparer's address 3 PEACHTREE LANE  
JACKSON, TN 38305  
Form 1120 (2024)  
For Paperwork Reduction Act Notice, see separate instructions.

## YTD Profit & Loss

### Creative Design Concepts, Inc Income Statement Date: 3/31/25

<b>Sales</b>	\$195,000
Cost of goods sold	\$ 96,450
<b>Gross Profit</b>	<b>\$ 98,550</b>
<b>Expenses</b>	
Salaries	\$ 46,065
Employee benefits	\$ 6,276
Licenses	\$ 575
Travel and entertainment	\$ 125
Advertising	\$ 1,960
Amortization	\$ 300
Rents	\$ 10,500
Interest	\$ 1,824
Depreciation	\$ 2,225
Charity	\$ 2,500
Insurance	\$ 501
<b>Total Expenses</b>	<b>\$72,851</b>
<b>Net Income</b>	<b>\$ 25,699</b>
<b>Owner's Compensation</b>	<b>\$ 18,000</b>
<b>NET PROFIT</b>	<b>\$ 7,699</b>

mortgage guaranty  
insurance corporation

## Profit and Loss Statement Analysis

### Corporation Cash Flow

Use of this information is discretionary. FOLLOW INVESTOR GUIDELINES.

<b>X</b>	<b>CORPORATION</b>	<b>Creative Design Concepts, Inc</b>
Time Frame (i.e., YTD, quarterly):	YTD	
Date From:	1/1/2025	
Date Paid Through:	3/31/2025	
Taxable Income:	\$ 7,699.00	
Total Tax:	( \$ 1,924.00 )	( ) ( )
Deduct nonrecurring income:	( )	( ) ( )
Add nonrecurring loss:		
Depreciation:	\$ 2,225.00	
Depletion:		
Amortization/Casualty Loss:	\$ 300.00	
Other: meals	\$ 125.00	
<b>SUBTOTAL</b>	<b>\$ 8,425.00</b>	<b>\$ -</b>
Multiplied by Ownership Percentage:	100%	
Corporation's Total Share of Income (Loss):	\$ 8,425.00	\$ -
Wages:	\$ 18,000.00	
Total Income:	\$ 26,425.00	\$ -
Monthly Income:	\$ 8,808.33	\$ -



# Commonly used financial statements

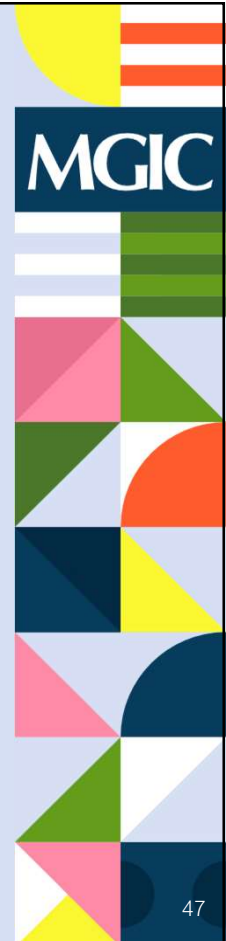
## Income statement

- Specific period of time
  - Annual
  - Quarterly
  - YTD

## Balance sheet

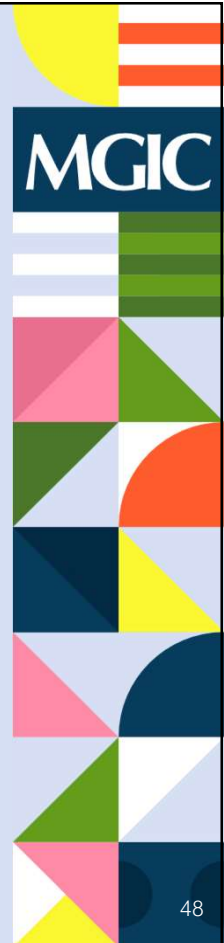
- Specific date
  - March 31, 2024

mortgage guaranty  
insurance corporation



## Who prepares the financial statements?

- Accountant
- Tax professional
- Borrower



## Audited or not ... What's the big deal?

### Unaudited statements

- Majority of time
- Self-prepared or third-party prepared
- Used for supporting documentation

### Audited statements

- Rarely received
- Requires third-party verification of information by examining records – costly and time-consuming
- May be used for qualifying

**Support with LOE/balance  
sheet/bank statements  
if needed**






# SEB Documentation Matrix

mortgage guaranty  
insurance corporation

MGIC

## Self-Employed Borrower Documentation Matrix

The following matrix identifies the documentation you need from self-employed borrowers to substantiate the various types of income they may receive from different business structures.

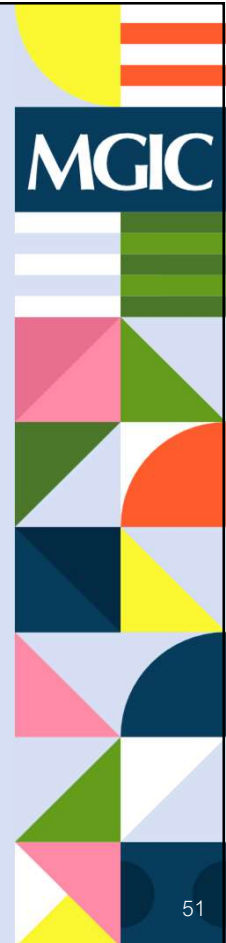
Required SEB Documentation	 Sole Proprietorship	 Partnership	 S Corporation	 Corporation
<b>Form 1040:</b> U.S. Individual Income Tax Return) with all applicable schedules and W-2s	✗	✗	✗	✗
<b>Schedule C:</b> Profit or Loss from Business	✗			
<b>Schedule E, Part II:</b> Income or Loss From Partnerships or S Corporations		✗	✗	
<b>Schedule K-1 (Form 1065):</b> Partner's Share of Income, Deductions, Credits, etc.		✗		
<b>Form 1065:</b> U.S. Return of Partnership Income with all applicable schedules		✗		
<b>Schedule K-1 (Form 1120-S):</b> Shareholder's Share of Income, Deductions, Credits, etc.			✗	
<b>Form 1120-S:</b> U.S. Income Tax Return for an S Corporation with all applicable schedules			✗	
<b>Form 1120:</b> U.S. Corporate Income Tax Return with all applicable schedules				✗
<b>Year-to-Date Profit &amp; Loss Statement/ Interim Balance Sheet:</b> as applicable	✗	✗	✗	✗
<b>Partnership Agreement:</b> may be required		✗		
<b>Corporate Resolution:</b> may be required			✗	✗

A limited liability company (LLC) is a hybrid business and can file using the above IRS forms based on structure.

7H-43865 11/23

## When are financial statements typically needed?

- Loan application is dated > 120 days after the end of the business's tax year
- Tax returns are on extension
- Significant income/loss difference between 2 years of tax returns



# Financial statements

## Income statement

- Profitability and growth
- Summary over time
  - Revenues
  - Costs/expenses
  - Net profit

**Revenue – Cost/Expenses = Net Profit**

## Balance sheet

- Financial well-being
- Snapshot picture
  - Assets
  - Liabilities
  - Owners' equity

**Assets = Liabilities + Owners' Equity**

# Sample Business Balance Sheet

mortgage guaranty  
insurance corporation

Assets		
<b>Current Assets</b>		
Cash	\$ 23,650	
California State municipal bond	6,000	
Accounts receivable	45,900	
Less allowance for bad debt	(4,590)	
US Bank Certificate of Deposit	17,400	
Inventory	73,195	
<b>Total Current Assets</b>		161,555
<b>Fixed Assets</b>		
Building	190,000	
Less accumulated depreciation	(55,400)	
<b>Total Fixed Assets</b>		134,600
<b>Other Assets</b>		
Investment in Maddox	128,500	
US Treasury Bill	5,000	
<b>Total Other Assets</b>		133,500
<b>Total Assets</b>		<b>\$ 429,655</b>
Liabilities		
<b>Current Liabilities</b>		
Accounts payable	19,300	
Mortgage payable	21,850	
Credit card payable	3,610	
<b>Total Current Liabilities</b>		44,760
<b>Other Liabilities</b>		
Mortgage payable	104,180	
Profit-sharing liability	8,450	
<b>Total Other Liabilities</b>		112,630
<b>Total Liabilities</b>		157,390
Equity		
<b>Equity</b>		
Capital stock	2,000	
Additional paid-in capital	50,000	
Retained earnings	220,265	
<b>Total Equity</b>		272,265
<b>Total Liabilities and Equity</b>		<b>\$ 429,655</b>

**Assets = Liabilities + Owners' Equity**

# Schedule L Balance sheet

mortgage guaranty  
insurance corporation

Form 4130 (2023) Page **6**

Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)
1	Cash . . . . .		40,000		29,227
2a	Trade notes and accounts receivable . . . . .	95,327		96,000	
b	Less allowance for bad debts . . . . .	( NONE )	95,327	( 15,000 )	81,000
3	Inventories . . . . .		40,000		25,000
4	U.S. government obligations . . . . .				
5	Tax-exempt securities (see instructions) . . . . .				
6	Other current assets (attach statement) . . . . .		15,000		15,000
7	Loans to shareholders . . . . .		3,000		3,000
8	Mortgage and real estate loans . . . . .				
9	Other investments (attach statement) . . . . .				
10a	Buildings and other depreciable assets . . . . .	18,854		74,554	
b	Less accumulated depreciation . . . . .	( 5,345 )	13,509	( 11,345 )	63,209
11a	Depletable assets . . . . .				
b	Less accumulated depletion . . . . .	( )		( )	
12	Land (net of any amortization) . . . . .		NONE		20,000
13a	Intangible assets (amortizable only) . . . . .	3,400		3,400	
b	Less accumulated amortization . . . . .	( 1,600 )	1,800	( 2,800 )	600
14	Other assets (attach statement) . . . . .				
15	<b>Total assets</b> . . . . .		208,636		237,036
<b>Liabilities and Shareholders' Equity</b>					
16	Accounts payable . . . . .				
17	Mortgages, notes, bonds payable in less than 1 year . . . . .		10,000		15,000
18	Other current liabilities (attach statement) . . . . .				
19	Loans from shareholders . . . . .				
20	Mortgages, notes, bonds payable in 1 year or more . . . . .		12,363		15,963
21	Other liabilities (attach statement) . . . . .				
22	Capital stock: a Preferred stock . . . . .				
	b Common stock . . . . .	30,000	30,000	30,000	30,000
23	Additional paid-in capital . . . . .				
24	Retained earnings - Appropriated (attach statement) . . . . .				
25	Retained earnings - Unappropriated . . . . .		156,273		176,073
26	Adjustments to shareholders' equity (attach statement) . . . . .				
27	Less cost of treasury stock . . . . .	( )		( )	
28	<b>Total liabilities and shareholders' equity</b> . . . . .		208,636		237,036

**Assets = Liabilities + Owners' Equity**

# Creative Design Concepts Income statement

Case study, page 75

mortgage guaranty  
insurance corporation

## Creative Design Concepts, Inc Income Statement Date: 3/31/25

<b>Sales</b>	\$195,000
Cost of goods sold	\$ 96,450
	<hr/>
Gross Profit	\$ 98,550

<b>Expenses</b>	
Salaries	\$ 46,065
Employee benefits	\$ 6,276
Licenses	\$ 575
Travel and entertainment	\$ 125
Advertising	\$ 1,960
Amortization	\$ 300
Rents	\$ 10,500
Interest	\$ 1,824
Depreciation	\$ 2,225
Charity	\$ 2,500
Insurance	\$ 501
	<hr/>
Total Expenses	\$72,851

<b>Net Income</b>	<b>\$ 25,699</b>
Owner's Compensation	\$ 18,000

<b>NET PROFIT</b>	<b>\$ 7,699</b>
-------------------	-----------------

**Revenue – Cost/Expenses = Net Profit**



# Creative Design Concepts Income statement

Revenue

Sales

Other income sources

mortgage guaranty  
insurance corporation

## Creative Design Concepts, Inc Income Statement Date: 3/31/25

Sales	\$195,000
Cost of goods sold	\$ 96,450
	<hr/>
Gross Profit	\$ 98,550

# Creative Design Concepts Income statement

## Expenses

<b>Expenses</b>	
Salaries	\$ 46,065
Employee benefits	\$ 6,276
Licenses	\$ 575
Travel and entertainment	\$ 125
Advertising	\$ 1,960
Amortization	\$ 300
Rents	\$ 10,500
Interest	\$ 1,824
Depreciation	\$ 2,225
Charity	\$ 2,500
Insurance	\$ 501
<hr/>	
Total Expenses	\$72,851

# Creative Design Concepts Income statement

Net profit

## Expenses

Salaries	\$ 46,065
Employee benefits	\$ 6,276
Licenses	\$ 575
Travel and entertainment	\$ 125
Advertising	\$ 1,960
Amortization	\$ 300
Rents	\$ 10,500
Interest	\$ 1,824
Depreciation	\$ 2,225
Charity	\$ 2,500
Insurance	\$ 501

Total Expenses	\$72,851
----------------	----------

Net Income	\$ 25,699
------------	-----------

Owner's Compensation	\$ 18,000
----------------------	-----------

NET PROFIT	<u>\$ 7,699</u>
------------	-----------------

$$\text{Revenue} - \text{Cost/Expenses} = \text{Net Profit}$$

# Form 1120-S Income statement

mortgage guaranty  
insurance corporation

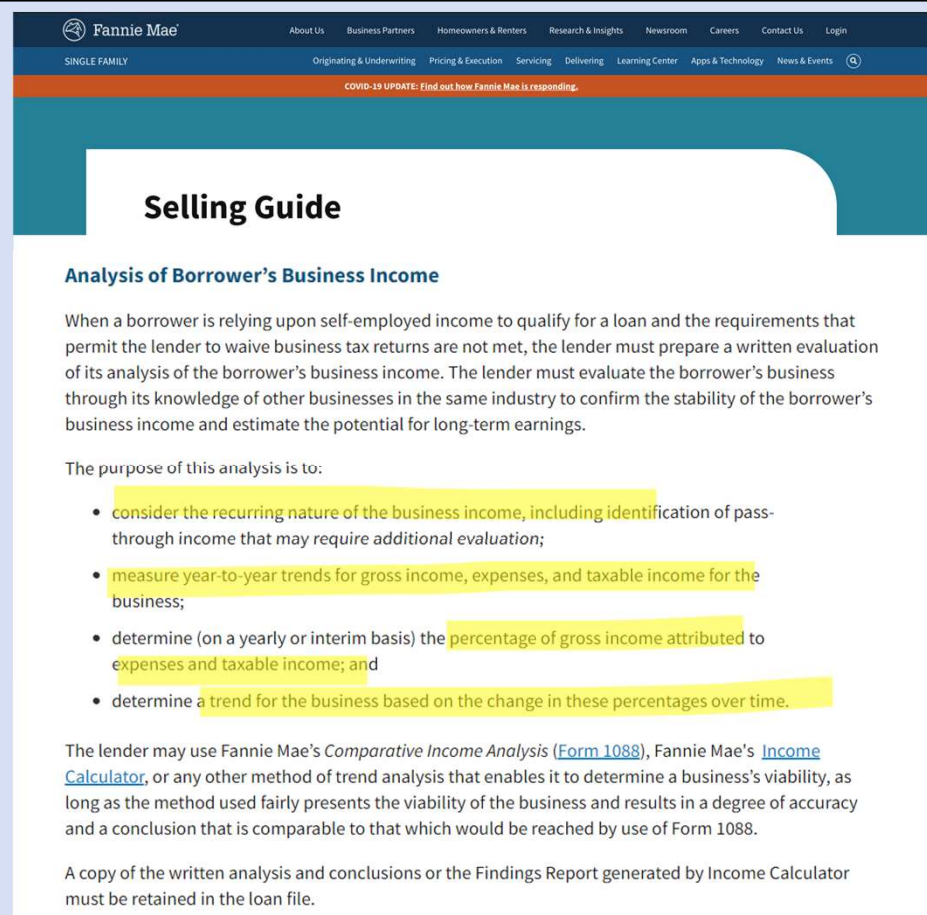
1120		U.S. Corporation Income Tax Return		OMB No. 1545-0047	
For calendar year 2024 or tax year beginning		ending		2024	
Go to <a href="https://www.irs.gov/Form1120">www.irs.gov/Form1120</a> for instructions and the latest information.					
<b>A. Check one</b>		<b>NAME</b>		<b>B. Employer identification number</b>	
<input type="checkbox"/> 1 Sole proprietor or partner (attach Schedule C, D, E, or F)		CREATIVE DESIGN CONCEPTS, INC.		00-0000000	
<input type="checkbox"/> 2 Partnership (attach Schedule K-1)		Number, street, and room or suite no. if a P.O. box, see instructions.		C Date incorporated	
<input type="checkbox"/> 3 Personal holding company (attach Schedule E)		1000 INNOVATIONS WAY		10/01/2017	
<input type="checkbox"/> 4 Estate (attach Schedule E)		City or town, state or province, country, and ZIP or foreign postal code		D Total assets (see instructions)	
<input type="checkbox"/> 5 Trust (attach Schedule E)		JACKSON, TN 38301		237,036	
<b>4 Schedule M-1</b>		<b>5 Check one</b>		<b>6 Check one</b>	
<input type="checkbox"/> 1a		<input type="checkbox"/> 1b		<input type="checkbox"/> 1c	
<b>1a Gross receipts or sales</b>		724,200		724,200	
<b>1b Returns and allowances</b>				390,000	
<b>1c Balance. Subtract line 1b from line 1a</b>				334,200	
<b>2 Cost of goods sold (attach Form 1125-A)</b>					
<b>3 Gross profit. Subtract line 2 from line 1c</b>					
<b>4 Dividends and inclusions (Schedule C, line 23)</b>					
<b>5 Interest</b>					
<b>6 Gross rents</b>					
<b>7 Gross royalties</b>					
<b>8 Capital gain net income (attach Schedule D (Form 1120))</b>					
<b>9 Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)</b>					
<b>10 Other income (see instructions - attach statement)</b>					
<b>11 Total income. Add lines 3 through 10</b>				334,200	
<b>12 Compensation of Officers (see instructions - attach Form 1125-E)</b>				74,000	
<b>13 Salaries and wages (less employment credits)</b>				120,000	
<b>14 Repairs and maintenance</b>					
<b>15 Bad debts</b>					
<b>16 Rents</b>				36,000	
<b>17 Taxes and licenses</b>				2,400	
<b>18 Interest (see instructions)</b>				7,200	
<b>19 Charitable contributions</b>				10,000	
<b>20 Depreciation from Form 4562 not claimed on Form 1125-A or elsewhere on return (attach Form 4562)</b>				9,000	
<b>21 Depletion</b>				10,000	
<b>22 Advertising</b>				13,000	
<b>23 Pension, profit-sharing, etc. plans</b>				18,000	
<b>24 Employee benefit programs</b>					
<b>25 Energy efficient commercial buildings deduction (attach Form 7205)</b>				2,800	
<b>26 Other deductions (attach statement)</b>				302,900	
<b>27 Total deductions. Add lines 12 through 26</b>				31,300	
<b>28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11</b>					
<b>29a Net operating loss deduction (see instructions)</b>					
<b>29b Special deductions (Schedule C, line 24)</b>					
<b>30 Taxable income. Subtract line 29c from line 28. See instructions</b>				31,300	
<b>31 Federal income tax (attach Schedule E)</b>				4,200	
<b>32 Reserved for future use</b>					
<b>33 Total payments and credits (Schedule J, line 23)</b>				2,370	
<b>34 Estimated tax penalty. See instructions. Check if Form 2220 is attached</b>					
<b>35 Amount owed. If line 33 is smaller than the total of lines 31 and 34, enter amount owed</b>					
<b>36 Overpayment. If line 33 is larger than the total of lines 31 and 34, enter amount overpaid</b>					
<b>37 Enter amount from line 36 you want. Credited to 2025 estimated tax</b>					
<b>Sign Here</b>		<b>Date</b>		<b>May the IRS discuss this return with the preparer shown below?</b>	
Signature of officer		Date		Yes <input type="checkbox"/> No <input type="checkbox"/>	
Print/Type preparer's name		Preparer's signature		Check <input type="checkbox"/> If P/TSA	
Firm's name V.T.P. TAX INC.		Date		self-employed	
Firm's address 3 PEACHTREE LANE				Firm's EIN 00-0000000	
JACKSON, TN 38305				Phone no.	
For Paperwork Reduction Act Notice, see separate instructions.				Form 1120 (2024)	
JSA 1120 1.000					

# Fannie Mae – Guidance

Selling Guide –  
Published 03/06/2024

B3-3.2-01: Underwriting  
Factors and  
Documentation for a  
Self-Employed Borrower  
(12/13/2023)

**mortgage guaranty  
insurance corporation**



The screenshot shows the Fannie Mae website's 'Selling Guide' section. The header includes the Fannie Mae logo and navigation links: About Us, Business Partners, Homeowners & Renters, Research & Insights, Newsroom, Careers, Contact Us, and Login. Below this is a secondary navigation bar with links: SINGLE FAMILY, Originating & Underwriting, Pricing & Execution, Servicing, Delivering, Learning Center, Apps & Technology, and News & Events. A red banner below the navigation bar reads 'COVID-19 UPDATE: Find out how Fannie Mae is responding.' The main content area is titled 'Selling Guide' and contains the following text:

**Analysis of Borrower's Business Income**

When a borrower is relying upon self-employed income to qualify for a loan and the requirements that permit the lender to waive business tax returns are not met, the lender must prepare a written evaluation of its analysis of the borrower's business income. The lender must evaluate the borrower's business through its knowledge of other businesses in the same industry to confirm the stability of the borrower's business income and estimate the potential for long-term earnings.

The purpose of this analysis is to:

- consider the recurring nature of the business income, including identification of pass-through income that may require additional evaluation;
- measure year-to-year trends for gross income, expenses, and taxable income for the business;
- determine (on a yearly or interim basis) the percentage of gross income attributed to expenses and taxable income; and
- determine a trend for the business based on the change in these percentages over time.

The lender may use Fannie Mae's *Comparative Income Analysis (Form 1088)*, Fannie Mae's [Income Calculator](#), or any other method of trend analysis that enables it to determine a business's viability, as long as the method used fairly presents the viability of the business and results in a degree of accuracy and a conclusion that is comparable to that which would be reached by use of Form 1088.

A copy of the written analysis and conclusions or the Findings Report generated by Income Calculator must be retained in the loan file.




# Freddie Mac – Guidance

Selling Guide –  
Published 03/05/2025

5304.1(d): Stable monthly income and documentation requirements for self-employed Borrowers – Business and income analysis (11/08/2024)

mortgage guaranty  
insurance corporation


[Guide Home](#)
[Seller/Service Relationship](#)
[Selling](#)
[Servicing](#)

THE SINGLE-FAMILY SELLER/SERVICER GUIDE  
Search the Guide

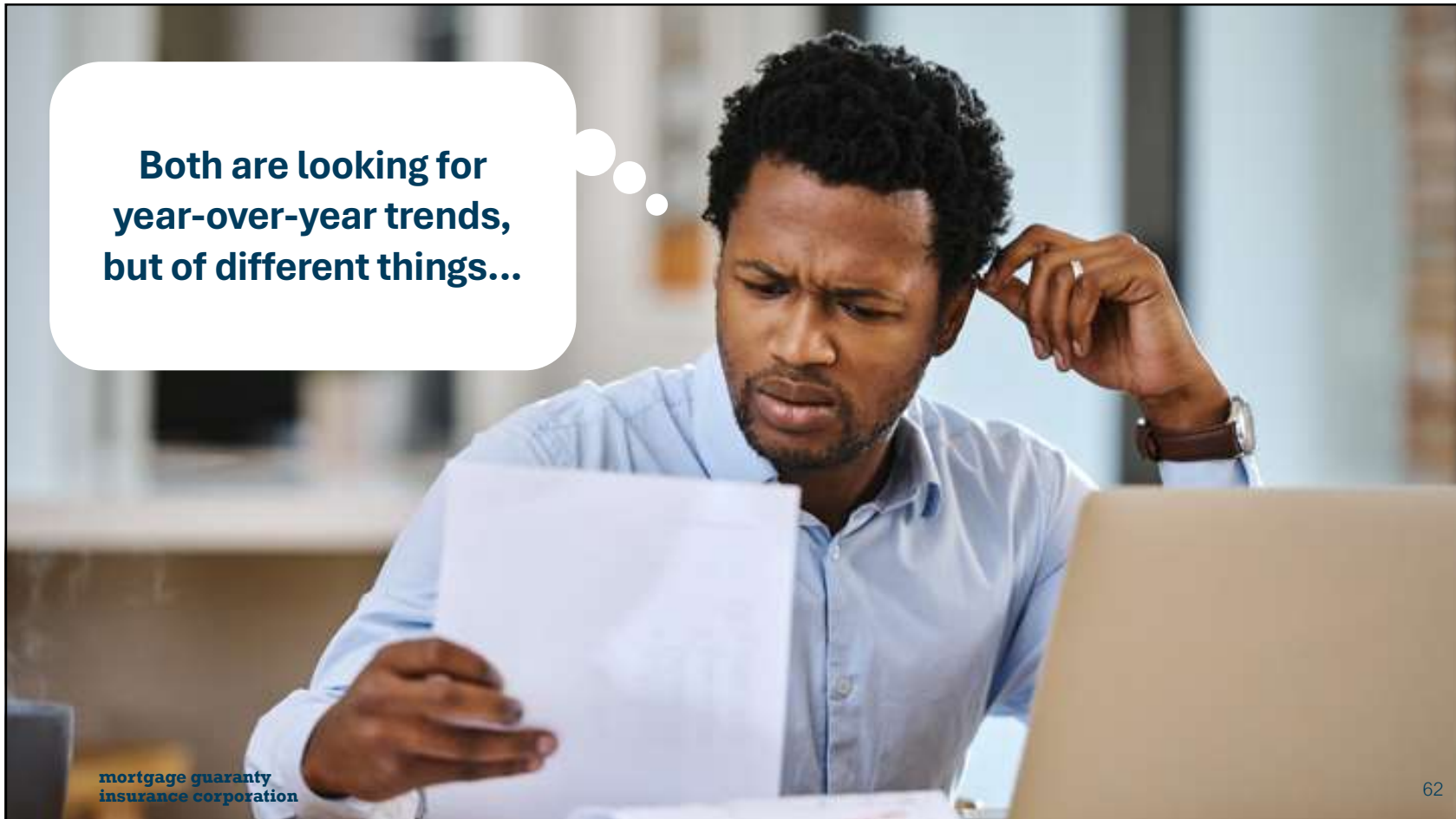
What can we help you find?

## (d) Business review and analysis

The following table contains requirements and guidance pertaining to review and analysis of the business that produces the stable monthly income for the Borrower.

Business review and analysis	
Topic	Requirements and guidance
Business review and analysis	<p>The Seller's analysis of the business must support that the business has sufficient liquidity and is financially capable of producing stable monthly income for the Borrower.</p> <ul style="list-style-type: none"> <li>The analysis must include a review of the business tax returns</li> <li>The Seller's review must include, at a minimum, an analysis of gross receipts or sales, cost of goods sold and gross profits. All should be typical for the type of business and reflect consistent year over year trends. In addition, the business expenses should be reasonable for the type of business activity and level of business income. Business tenure should be considered.</li> <li>The Seller may determine that review and analysis of the business financial statements, business asset statements, and in the case of Partnerships and S-corporations, an analysis of the historical cash distributions, is necessary to establish the financial and liquidity standing of the business. In addition, the Seller may calculate and consider the liquidity ratios of the business using generally accepted accounting practices when analyzing the liquidity of the business.</li> </ul>

61



# Comparative Income Analysis Worksheet

Line items entered in table

Auto-calculate in matrix:

- % Changes
- Comparisons

mortgage guaranty insurance corporation

## Comparative Income Analysis Worksheet

MGIC

Calculating trend ratios, which compare income statement accounts from one year to the next, is an effective way to analyze the profitability or growth of a business.

### User tips:

- Select tax year(s) from business return and enter applicable line items
- Enter date of the YTD P&L; worksheet will automatically annualize
- YOY% Change automatically populates, eliminating need for manual calculations

Use of this information is discretionary. FOLLOW INVESTOR GUIDELINES.

X Business Name:  Date:   
Completed by:

Select the Year(s):

Gross Receipts/Sales			
Returns & Allowances			
Cost of Goods Sold			
Total deductions/Total expenses			
- Total deductions for Partnership, S Corporation or Corporation			
- Total expenses for Sole Proprietorship			
Taxable Income			
- Ordinary Income (Loss) for Partnership/S Corporation			
- Taxable Income (Loss) for Corporation			
- Net Profit (Loss) for Sole Proprietorship			

Gross Receipts/Sales	\$	-		\$	-	\$	-
% Change			-			-	
Gross Income	\$	-		\$	-	\$	-
(Gross Receipts/Sales - Returns & Allowances)							
% Change			-			-	
Cost of Goods Sold (CGS)	\$	-		\$	-	\$	-
% Change			-			-	
Expenses	\$	-	n/a*	\$	-	n/a*	n/a*
(CGS + Total deductions/Total expenses)							
% Change			-			-	
Gross Profits	\$	-		\$	-	\$	-
(Gross Receipts/Sales - Returns & Allowances - CGS)							
% Change			-			-	
Taxable Income	\$	-	n/a**	\$	-	n/a**	n/a**
% Change			-			-	

\*Annual % of Expenses compared to Gross Income \*\*Annual % of Taxable Income compared to Gross Income

# Comparative Income Analysis Worksheet

YTD entries automatically annualize

mortgage guaranty insurance corporation

## Comparative Income Analysis Worksheet

MGIC

Calculating trend ratios, which compare income statement accounts from one year to the next, is an effective way to analyze the profitability or growth of a business.

**User tips:**

- Select tax year(s) from business return and enter applicable line items
- Enter date of the YTD P&L; worksheet will automatically annualize
- YOY% Change automatically populates, eliminating need for manual calculations

Use of this information is discretionary. FOLLOW INVESTOR GUIDELINES.

☒ Business Name:

Date:

Completed by:

Select the Year(s):

Gross Receipt/Sales

Returns & Allowances

Use of this information is discretionary. FOLLOW INVESTOR GUIDELINES.

☒ Business Name:

Date:

Annualization date:

Completed by:

Select the Year(s):

Gross Income	\$	-	\$	-	\$	-
(Gross Receipts/Sales - Returns & Allowances)						
% Change						
Cost of Goods Sold (CGS)	\$	-	\$	-	\$	-
% Change						
Expenses	\$	-	n/a*	\$	-	n/a*
(CGS + Total deductions/Total expenses)						
% Change						
Gross Profits	\$	-	\$	-	\$	-
(Gross Receipts/Sales - Returns & Allowances - CGS)						
% Change						
Taxable Income	\$	-	n/a**	\$	-	n/a**
% Change						

\*Annual % of Expenses compared to Gross Income    \*\*Annual % of Taxable Income compared to Gross Income

# Comparative Income Analysis Worksheet

% Change –  
Gross Income

mortgage guaranty  
insurance corporation

## Comparative Income Analysis Worksheet

MGIC

Use of this information is discretionary. FOLLOW INVESTOR GUIDELINES.

Business Name:	Creative Design Concepts		Date:		Annualization Date:	3/31/2025
Completed by:						

Select the Year(s):	2023	2024	2025
Gross Receipt/Sales	\$ 655,320	\$ 724,200	\$ 195,000
Returns & Allowances			
Cost of Goods Sold	\$ 410,000	\$ 390,000	\$ 96,450
Total deductions/Total expenses	\$ 219,520	\$ 302,900	\$ 72,851
- Total deductions for Partnership, S Corporation or Corporation			
- Total expenses for Sole Proprietorship			
Taxable Income	\$ 25,800	\$ 31,300	\$ 7,699
- Ordinary Income (Loss) for Partnership/S Corporation			
- Taxable Income (Loss) for Corporation			
- Net Profit (Loss) for Sole Proprietorship			

	2023	2024	2025
Gross Receipts/Sales	\$ 655,320	\$ 724,200	\$ 780,000
% Change		+11%	+8%
Gross Income	\$ 655,320	\$ 724,200	\$ 780,000
(Gross Receipts/Sales - Returns & Allowances)			
% Change		+11%	+8%
Cost of Goods Sold (CGS)	\$ 410,000	\$ 390,000	\$ 385,800
% Change		-5%	-1%
Expenses	\$ 629,520	\$ 692,900	\$ 677,204
(CGS + Total deductions/Total expenses)			
% Change		+10%	-2%
Net Profit	\$ 25,800	\$ 31,300	\$ 7,699

# Comparative Income Analysis Worksheet

% Change – Taxable Income

mortgage guaranty insurance corporation

Completed by:

Select the Year(s):

2023

2024

2025

Gross Receipt/Sales

\$ 655,320

\$ 724,200

\$ 195,000

Returns & Allowances

Cost of Goods Sold

\$ 410,000

\$ 390,000

\$ 96,450

Total deductions/Total expenses

\$ 219,520

\$ 302,900

\$ 72,851

- Total deductions for Partnership, S Corporation or Corporation

- Total expenses for Sole Proprietorship

Taxable Income

\$ 25,800

\$ 31,300

\$ 7,699

- Ordinary Income (Loss) for Partnership/S Corporation

- Taxable Income (Loss) for Corporation

- Net Profit (Loss) for Sole Proprietorship

Gross Receipts/Sales

\$ 655,320

\$ 724,200

\$ 780,000

% Change

+11%

+8%

Gross Income

\$ 655,320

\$ 724,200

\$ 780,000

(Gross Receipts/Sales - Returns & Allowances)

% Change

+11%

+8%

Cost of Goods Sold (C

\$ 410,000

\$ 390,000

\$ 385,800

% Change

-5%

-1%

Expenses

\$ 629,520

\$ 692,900

\$ 677,204

+96% \*

+96% \*

+87% \*

(CGS + Total deductions/Total expenses)

% Change

+10%

-2%

Gross Profits

\$ 245,320

\$ 334,200

\$ 394,200

(Gross Receipts/Sales - Returns & Allowances - CGS)

% Change

+35%

+18%

Taxable Income

\$ 25,800

\$ 31,300

\$ 30,796

+4% \*\*

+4% \*\*

+4% \*\*

% Change

+21%

-2%



# Comparative Income Analysis Worksheet

% Change – Taxable Income

mortgage guaranty insurance corporation

Completed by:

Select the Year(s):

2023

2024

2025

Gross Receipt/Sales

\$ 655,320

\$ 724,200

\$ 195,000

Returns & Allowances

Cost of Goods Sold

\$ 410,000

\$ 390,000

\$ 96,450

Total deductions/Total expenses

\$ 219,520

\$ 302,900

\$ 72,851

- Total deductions for Partnership, S Corporation or Corporation

- Total expenses for Sole Proprietorship

Taxable Income

\$ 25,800

\$ 31,300

\$ 7,699

- Ordinary Income (Loss) for Partnership/S Corporation

- Taxable Income (Loss) for Corporation

- Net Profit (Loss) for Sole Proprietorship

Gross Receipts/Sales	\$	655,320		\$	724,200		\$	780,000	
% Change			+11%			+8%			
Gross Income	\$	655,320		\$	724,200		\$	780,000	
(Gross Receipts/Sales - Returns & Allowances)									
% Change			+11%			+8%			
Cost of Goods Sold (C	\$	410,000		\$	390,000		\$	385,800	
% Change			-5%			-1%			
Expenses	\$	629,520	+96% *	\$	692,900	+96% *	\$	677,204	+87% *
(CGS + Total deductions/Total expenses)									
% Change			+10%			-2%			
Gross Profits	\$	245,320		\$	334,200		\$	394,200	
(Gross Receipts/Sales - Returns & Allowances - CGS)									
% Change			+33%			+16%			
Taxable Income	\$	25,800	+4% *	\$	31,300	+4% **	\$	30,796	+4% **
% Change			+21%			-2%			

# Comparative Income Analysis Worksheet

% Change – Expenses

mortgage guaranty  
insurance corporation

## Comparative Income Analysis Worksheet

MGIC

Use of this information is discretionary. FOLLOW INVESTOR GUIDELINES.

Business Name: **Creative Design Concepts** Date: **3/31/2025**  
Completed by:

Select the Year(s):	2023	2024	2025
Gross Receipt/Sales	\$ 655,320	\$ 724,200	\$ 195,000
Returns & Allowances			
Cost of Goods Sold	\$ 410,000	\$ 390,000	\$ 96,450
Total deductions/Total expenses	\$ 219,520	\$ 302,900	\$ 72,851

- Total deductions for Partnership, S Corporation or Corporation  
- Total expenses for Sole Proprietorship

Taxable Income \$ 25,800 \$ 31,300 \$ 7,699

- Ordinary Income (Loss) for Partnership/S Corporation  
- Taxable Income (Loss) for Corporation  
- Net Profit (Loss) for Sole Proprietorship

Gross Receipts/Sales	\$ 655,320	\$ 724,200	\$ 780,000
% Change	+11%	+8%	
Gross Income	\$ 655,320	\$ 724,200	\$ 780,000
(Gross Receipts/Sales - Returns & Allowances)			
% Change	+11%	+8%	
Cost of Goods Sold (CGS)	\$ 410,000	\$ 390,000	\$ 385,800
% Change	-5%	-1%	
Expenses	\$ 629,520	\$ 692,900	\$ 677,204
(CGS + Total deductions/Total expenses)			
% Change	+10%	-2%	+87% *

# Comparative Income Analysis Worksheet

\*Annual % of Expenses compared to Gross Income

mortgage guaranty insurance corporation

## Comparative Income Analysis Worksheet

MGIC

Completed by:		Select the Year(s):		2023	2024	2025	
Gross Receipt/Sales		\$	655,320	\$	724,200	\$	195,000
Returns & Allowances							
Cost of Goods Sold		\$	410,000	\$	390,000	\$	96,450
Total deductions/Total expenses		\$	219,520	\$	302,900	\$	72,851
- Total deductions for Partnership, S Corporation or Corporation							
- Total expenses for Sole Proprietorship							
Taxable Income		\$	25,800	\$	31,300	\$	7,699
- Ordinary Income (Loss) for Partnership/S Corporation							
- Taxable Income (Loss) for Corporation							
- Net Profit (Loss) for Sole Proprietorship							
Gross Receipts/Sales	\$	655,320		\$	724,200	\$	780,000
% Change			+11%			+8%	
Gross Income	\$	655,320		\$	724,200	\$	780,000
(Gross Receipts/Sales - Returns & Allowances)							
% Change			+11%			+8%	
Cost of Goods Sold (C	\$	410,000		\$	390,000	\$	385,800
% Change			-5%			-1%	
Expenses	\$	629,520	-96% *	\$	692,900	-96% *	\$ 677,204 -87% *
(CGS + Total deductions/Total expenses)							
% Change			+10%			-2%	
Gross Profits	\$	245,320		\$	334,200	\$	394,200
(Gross Receipts/Sales - Returns & Allowances - CGS)							
% Change			+36%			+18%	
Taxable Income	\$	25,800	+4% **	\$	31,300	+4% **	\$ 30,796 +4% **
% Change			+21%			-2%	
*Annual % of Expenses compared to Gross Income **Annual % of Taxable Income compared to Gross Income							

\*Annual % of Expenses compared to Gross Income \*\*Annual % of Taxable Income compared to Gross Income

# Comparative Income Analysis Worksheet

\*\*Annual % of Taxable Income compared to Gross Income

mortgage guaranty insurance corporation

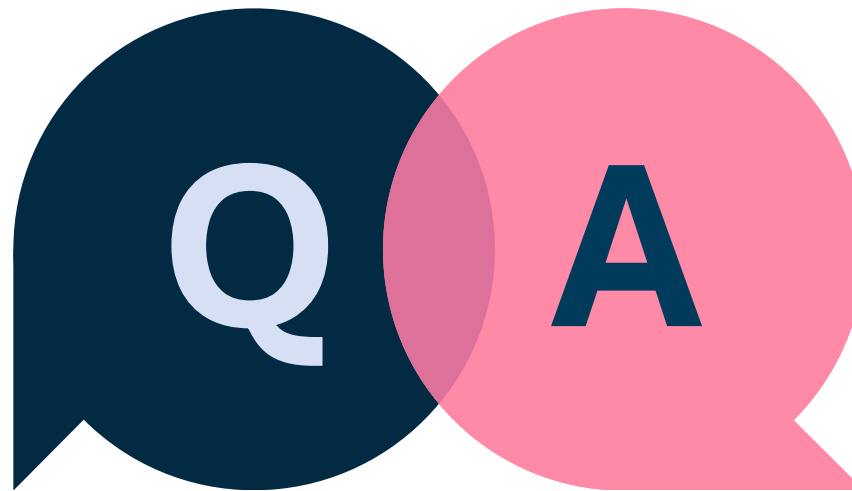
## Comparative Income Analysis Worksheet

MGIC

Completed by: _____		Select the Year(s): ➔		2023	2024	2025			
Gross Receipt/Sales		\$	655,320	\$	724,200	\$	195,000		
Returns & Allowances									
Cost of Goods Sold		\$	410,000	\$	390,000	\$	96,450		
Total deductions/Total expenses		\$	219,520	\$	302,900	\$	72,851		
- Total deductions for Partnership, S Corporation or Corporation									
- Total expenses for Sole Proprietorship									
Taxable Income		\$	25,800	\$	31,300	\$	7,699		
- Ordinary Income (Loss) for Partnership/S Corporation									
- Taxable Income (Loss) for Corporation									
- Net Profit (Loss) for Sole Proprietorship									
Gross Receipts/Sales	\$	655,320		\$	724,200	\$	780,000		
% Change			+11%			+8%			
Gross Income	\$	655,320		\$	724,200	\$	780,000		
(Gross Receipts/Sales - Returns & Allowances)									
% Change			+11%			+8%			
Cost of Goods Sold (C	\$	410,000		\$	390,000	\$	385,800		
% Change			-5%			-1%			
Expenses	\$	629,520	+96% *	\$	692,900	+96% *	\$	677,204	+87% *
(CGS + Total deductions/Total expenses)									
% Change			+10%			-2%			
Gross Profits	\$	245,320		\$	334,200	\$	394,200		
(Gross Receipts/Sales - Returns & Allowances - CGS)									
% Change			+36%			+18%			
Taxable Income	\$	25,800	+4% *	\$	31,300	+4% *	\$	30,796	+4% **
% Change			+21%			-2%			
*Annual % of Expenses compared to Gross Income    **Annual % of Taxable Income compared to Gross Income									

\*Annual % of Expenses compared to Gross Income \*\*Annual % of Taxable Income compared to Gross Income

**MGIC**

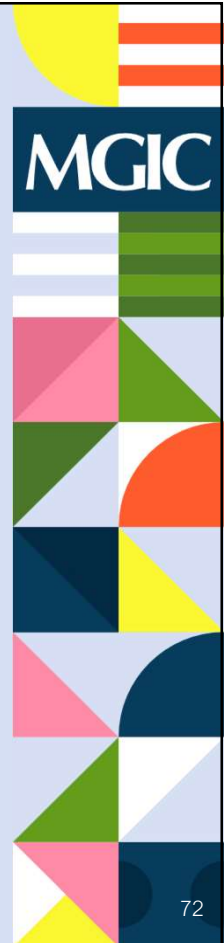


**mortgage guaranty  
insurance corporation**

## Purpose of cash flow analysis

Verify qualifying income that is:

- Stable
- Likely to continue





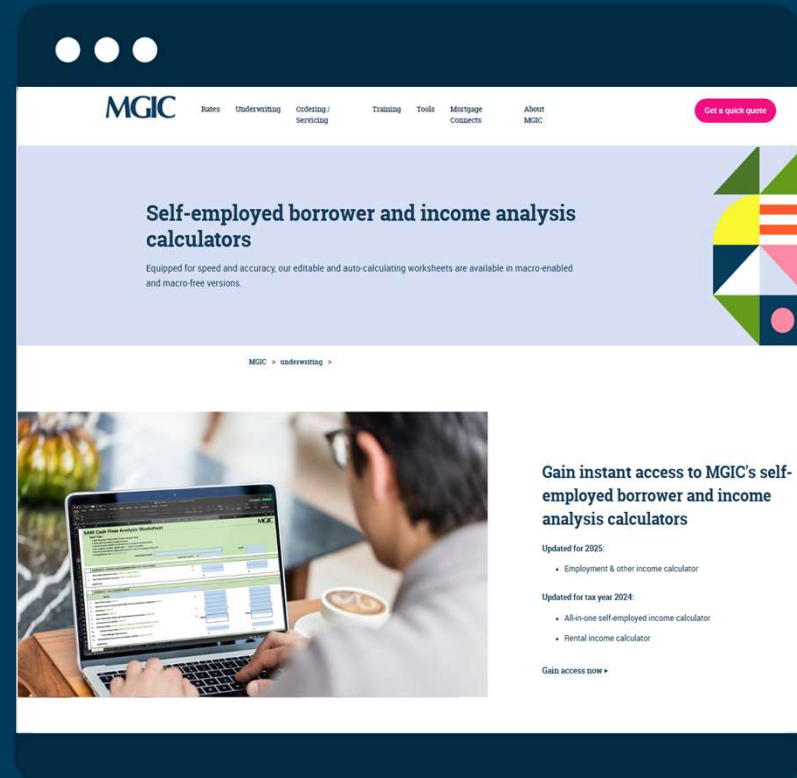
# TOOLS FOR SUCCESS!

mortgage guaranty  
insurance corporation



mgic.com/seb


mortgage guaranty  
insurance corporation




The screenshot displays the MGIC website's 'Self-employed borrower and income analysis calculators' page. The header includes the MGIC logo and navigation links: Rates, Underwriting, Collecting / Servicing, Training, Tools, Mortgage Connects, and About MGIC. A 'Get a quick quote' button is located in the top right corner. The main heading is 'Self-employed borrower and income analysis calculators', followed by a subtext: 'Equipped for speed and accuracy, our editable and auto-calculating worksheets are available in macro-enabled and macro-free versions.' Below this, a breadcrumb trail reads 'MGIC > underwriting >'. The page features a large image of a person using a laptop. To the right of the image, the text reads: 'Gain instant access to MGIC's self-employed borrower and income analysis calculators'. Below this, it states 'Updated for 2025:' followed by a bullet point: '• Employment & other income calculator'. It then says 'Updated for tax year 2024:' followed by two bullet points: '• All-in-one self-employed income calculator' and '• Rental income calculator'. At the bottom, there is a link: 'Gain access now >'. A decorative graphic of a sailboat is visible on the right side of the page.

# MGIC worksheets

**mortgage guaranty  
insurance corporation**



# SEB and income analysis calculators and resources



MGIC > underwriting > seb >


## Updated calculators

Our editable and auto-calculating worksheets are designed for speed and accuracy. We recommend you use the macro-enabled versions but also offer watch the overview videos if you cannot use Excel worksheets with macros. To learn more, download our Calculator FAQs or watch the overview videos below.

**PLEASE NOTE:** Download and save a copy to your desktop as a template.


All-in-one calculator	New	All-in-one calculator	New	Income calculator	New	Rental calculator	New
<h3>All-in-one self-employed income calculator</h3> <p>Full workbook</p> <p>All-in-one self-employed income calculator updated for tax year 2024</p> <p>Available in macro-enabled and macro-free versions</p> <p>This calculator incorporates 4 worksheets, including S&amp;M cash flow analysis, liquidity, comparative income analysis and P&amp;L statement analysis. (2/10/2025)</p> <p>Download macro-enabled ► Download macro-free ►</p>		<h3>All-in-one self-employed income calculator</h3> <p>Condensed version</p> <p>All-in-one self-employed income calculator updated for tax year 2024</p> <p>Macro-free short form</p> <p>This is a condensed version of our macro-free self-employed calculator, with just one of each type of business entity. (2/10/2025)</p> <p>Download macro-free ►</p>		<h3>Employment and other income calculator</h3> <p>Employment &amp; other income calculator</p> <p>Available in macro-enabled and macro-free versions</p> <p>This worksheet is designed to calculate salaried borrowers' monthly qualifying income (fixed and variable) and gross up non-taxable income. (1/2/2025)</p> <p>Download macro-enabled ► Download macro-free ►</p>		<h3>Rental income calculator</h3> <p>Rental income calculator updated for tax year 2024</p> <p>Available in macro-enabled and macro-free versions</p> <p>Cash flow income from a principal residence (2- to 4-unit), investment property or business rental by reviewing tax returns or leases. (1/2/2025)</p> <p>Download macro-enabled ► Download macro-free ►</p>	

#### Video




All-in-one self-employed income calculator

#### Video




Employment and other income calculator

#### FAQs



Calculator FAQs

#### Infographic

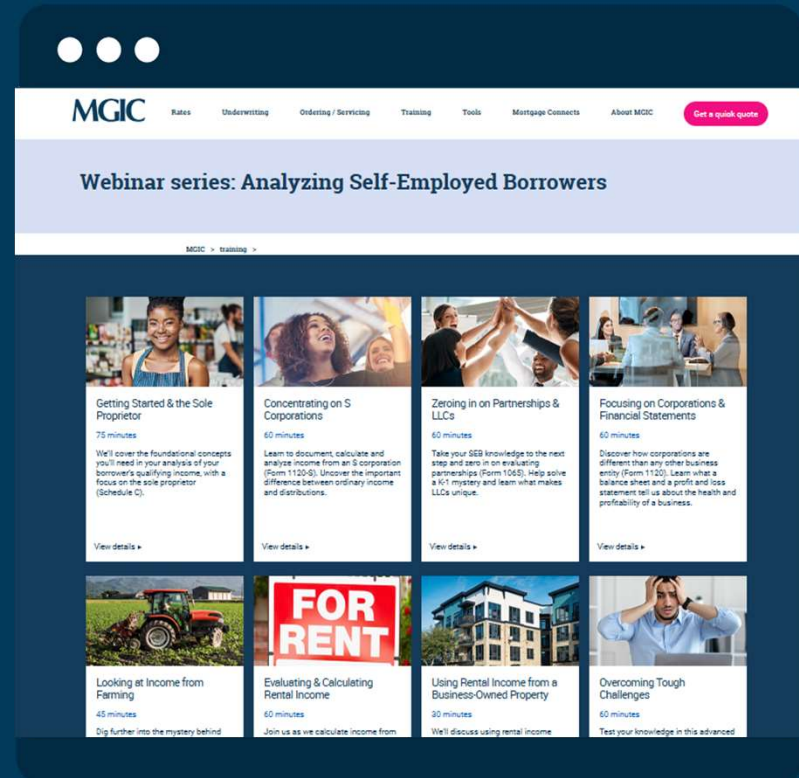


CHARACTERISTICS OF A COMMON SELF-EMPLOYED BUSINESS

# Training – SEB Webinars

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









**mortgage guaranty  
insurance corporation**



**MGIC** Rates Underwriting Ordering / Servicing Training Tools Mortgage Connects About MGIC [Get a quick quote](#)

**Webinar series: Analyzing Self-Employed Borrowers**

MGIC » Training »

 <p><b>Getting Started &amp; the Sole Proprietor</b> 75 minutes</p> <p>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).</p> <p><a href="#">View details »</a></p>	 <p><b>Concentrating on S Corporations</b> 60 minutes</p> <p>Learn to document, calculate and analyze income from an S corporation (Form 1120-S). Uncover the important difference between ordinary income and distributions.</p> <p><a href="#">View details »</a></p>	 <p><b>Zeroing in on Partnerships &amp; LLCs</b> 60 minutes</p> <p>Take your SEB knowledge to the next step and zero in on evaluating partnerships (Form 1065). Help solve a K1 mystery and learn what makes LLCs unique.</p> <p><a href="#">View details »</a></p>	 <p><b>Focusing on Corporations &amp; Financial Statements</b> 60 minutes</p> <p>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.</p> <p><a href="#">View details »</a></p>
 <p><b>Looking at Income from Farming</b> 45 minutes</p> <p>Dig further into the mystery behind</p>	 <p><b>Evaluating &amp; Calculating Rental Income</b> 60 minutes</p> <p>Join us as we calculate income from</p>	 <p><b>Using Rental Income from a Business-Owned Property</b> 30 minutes</p> <p>We'll discuss using rental income</p>	 <p><b>Overcoming Tough Challenges</b> 60 minutes</p> <p>Test your knowledge in this advanced</p>

# Dig deeper

[www.mgic.com/magic-minutes](http://www.mgic.com/magic-minutes)

mortgage guaranty  
insurance corporation







**mortgage guaranty  
insurance corporation**

[Rates](#)
[Underwriting](#)
[Ordering / Servicing](#)
[Training](#)
[Tools](#)
[Mortgage Connects](#)
[About MGIC](#)
[Get a quick quote](#)

## Magic Minutes training series

MGIC > training > Magic Minutes Training Series >

### Analyzing Self-Employed Income

Calculating the qualifying income of a self-employed borrower can be challenging. These videos can help you to better analyze if the business will continue to generate and distribute income, and whether your borrower will be able to make future mortgage payments.

Video	Video	Video	Video
<p><b>Analyzing Self-Employed Income</b> Eligibility requirements Magic Minutes</p>	<p><b>Analyzing Self-Employed Income</b> Business structures Magic Minutes</p>	<p><b>Analyzing Self-Employed Income</b> Documentation requirements Magic Minutes</p>	<p><b>Analyzing Self-Employed Income</b> Cash flow analysis Magic Minutes</p>
<p><b>Eligibility requirements</b></p> <p>Learn who can be considered self-employed, the eligibility requirements they must meet, and what factors to examine when evaluating self-employed income.</p> <p>Watch it on YouTube ▶</p>	<p><b>Business structures</b></p> <p>Understand different types of business structures to communicate with borrowers, document the life, and know how money flows from business tax returns to personal tax returns.</p> <p>Watch it on YouTube ▶</p>	<p><b>Documentation requirements</b></p> <p>Know the difference between Fannie Mae and Freddie Mac documentation requirements, as well as the tools for confidently calculating qualifying income and expediting turn times.</p> <p>Watch it on YouTube ▶</p>	<p><b>Cash flow analysis</b></p> <p>Discover how considering the nature of a business is key when conducting a liquidity test. Assess a business's financial health by using the 5 steps for determining liquidity.</p> <p>Watch it on YouTube ▶</p>



**Let us earn  
your business**



**Get a free MI quote**



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

**Explore Training  
& Special Events**

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

**Connect**

**MGIC account manger**  
[mgic.com/contact](https://mgic.com/contact)

**Training email**  
[Training\\_mgic.com](mailto:Training_mgic.com)

## Connect with us



MGIC Connects knowledge hub: [mgic.com/mortgage-connects](https://mgic.com/mortgage-connects)



Twitter: [mgic.com/twitter](https://mgic.com/twitter)



LinkedIn: [mgic.com/linkedin](https://mgic.com/linkedin)



YouTube: [mgic.com/youtube](https://mgic.com/youtube)



Facebook: [mgic.com/facebook](https://mgic.com/facebook)

mortgage guaranty  
insurance corporation



# Thank you for choosing MGIC

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

# MGIC

