

Income Analysis Form

IRS Form 1040 Federal Individual Income Tax Return

Yr _____ Yr _____

1. W-2 Income from Self-Employment (Form W-2, Line 5)

2. Form 2106- Employee Business Expenses

Total Expenses (-) _____ (-) _____
 Depreciation (+) _____ (+) _____

3. Schedule C- Sole Proprietor Profit or Loss

Net Profit or Loss (+/-) _____ (+/-) _____
 Other Income or Loss (+/-) _____ (+/-) _____
 Depletion (+) _____ (+) _____
 Depreciation (+) _____ (+) _____
 Meals and Entertainment Exclusion (-) _____ (-) _____
 Amortization or Casualty Loss (+) _____ (+) _____
 Business Use of Home (+) _____ (+) _____

4. Schedule D - Capital Gains and Losses

Form 4797 Sales of Business Property (+/-) _____ (+/-) _____

5. Form 6252 Installment Sale Income

Principal Payments Received (+) _____ (+) _____

6. Schedule E-Supplemental Income or Loss

Gross Rents and Royalties (+) _____ (+) _____
 Total Expenses Before Depreciation (-) _____ (-) _____
 Amortization/Casualty Loss/Non Recurring Expenses (+) _____ (+) _____
 If Using the Rental Properties Full PITI Payment in Qualifying Ratios- Add Back Insurance, Mortgage Interest and Taxes (+) _____ (+) _____

7. Schedule F - Profit or Loss from Farming

Net Farm Profit or Loss (+/-) _____ (+/-) _____
 Non-Taxable Portion of Recurring Cooperative & CCC Payments- (+) _____ (+) _____
 Non-recurring Other Income or Loss (+/-) _____ (+/-) _____
 Depreciation (+) _____ (+) _____
 Amortization/Casualty Loss/Depletion (+) _____ (+) _____
 Business Use of Home (+) _____ (+) _____

8. Partnership K-1 (Form 1065)

Ordinary Income or Loss (+/-) _____ (+/-) _____
 Net Rental Real Estate Income or Loss (+/-) _____ (+/-) _____
 Guaranteed Payments to Partner (+) _____ (+) _____

9. S Corporation K-1 (Form 1120s)

Ordinary Income or Loss (+/-) _____ (+/-) _____
 Net Rental Real Estate Income or Loss (+/-) _____ (+/-) _____

Subtotal of Qualifying Income

10. Partnership Income from Form 1065

Depreciation	(+) _____	(+) _____
Depletion	(+) _____	(+) _____
Amortization or Casualty loss	(+) _____	(+) _____
Mortgage, Notes, Bonds Payable in Less than One Year	(-) _____	(-) _____
Other Nonrecurring Income or Loss	(+/-) _____	(+/-) _____
Meals and Entertainment Exclusion	(-) _____	(-) _____
Multiply Total by Percentage of Ownership (on K-1)	(x) _____	(x) _____
Partnership Total	_____	_____

11. S-Corporation Income from Form 1120s

Depreciation	(+) _____	(+) _____
Depletion	(+) _____	(+) _____
Amortization or Casualty Loss	(+) _____	(+) _____
Mortgage, Notes, Bonds Payable in Less than One Year	(-) _____	(-) _____
Other Nonrecurring Income or Loss	(+/-) _____	(+/-) _____
Meals and Entertainment Exclusion	(-) _____	(-) _____
Multiply Total by Percentage of Ownership (on K-1)	(x) _____	(x) _____
S-Corporation Total	_____	_____

12. Corp Income from Form 1120

Depreciation	(+) _____	(+) _____
Depletion	(+) _____	(+) _____
Amortization or Casualty Loss	(+) _____	(+) _____
Net Operating Loss	(+) _____	(+) _____
Taxable Income or Loss	(+/-) _____	(+/-) _____
Total Tax	(-) _____	(-) _____
Mortgage, Notes, Bonds Payable in Less than One Year	(-) _____	(-) _____
Other Nonrecurring Income or Loss	(+/-) _____	(+/-) _____
Multiply Total by Percentage of Ownership (From the Corporate Resolution or "Compensation of Officers" Section of the 1120)	(x) _____	(x) _____
Corporation Total	_____	_____

Grand Total of Qualifying Income

_____	_____
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Income Calculation

YTD Income* = _____ minus deductions _____ (ave. business expenses, etc) = _____

+ Yr 1 income = _____

+ Yr 2 income = _____

Total = _____

Divided by number of months _____ = _____

*YTD income required when calculating commission income

Income Analysis Form Instructions

This form is not intended to replace a full analysis of acceptable income qualification and sources. This form is intended to be used as a tool to help calculate income from self-employed sources. While this form is most useful for self-employed Borrowers, it may also be used for Borrower's who earn commission income, are employed by a family member, property seller or broker or a Borrower who owns investment properties. A separate form should be used for each Borrower. Income from the following sources should be reviewed to ensure that it meets Guide requirements, and should be evaluated and documented separately: W-2 income that is not from self-employment, interest and dividend income, alimony, trust, pension or IRA, unemployment and social security. See Guide Chapter 37 for additional information on evaluating the Borrower's qualifying income.

Line 1- W-2 income: If evaluating a self-employed Borrower, only include the W-2 income from self-employment on this line. W-2 income from other sources should be evaluated separately.

Line 2- Form 2106: Deduct all employee paid business expenses. Add back depreciation, if applicable.

Line 3- Schedule C income: Include continuing income or loss from commission or sole proprietorship in this area.

Line 4- Capital Gains and Losses: Only recurring gains and losses consistent over a two-year period may be considered (one-time gains or losses should not be considered). There must be documentation to support verification of sufficient assets remaining after closing to support, the income used to qualify, in the Mortgage file.

Line 5- Form 6252- Installment Sale Income: Include this income if payments have been received for at least one year. A copy of the installment sales agreement evidencing a minimum three-year continuance must be retained in the Mortgage file.

Line 6- Schedule E- Supplemental Income or Loss: Use this area to calculate continuing rent and royalty income (income from a Partnership or S-Corporation is added to lines 8,9,10,11 and 12). Royalty income may be used if there is a 12-month history of receipt and documentation that it will continue for a minimum of three years. Rental properties should match the properties on the Schedule of Real Estate Owned on the application (Form 65). If properties are reflected on the application but not on the tax returns, provide alternative documentation as required by Guide Chapter 37. If properties are reflected on the tax returns but not on the application, provide documentation to evidence proof of sale or transfer of ownership.

Line 7- Schedule F- Profit or loss from Farming: Use the net farm income and add back allowances as indicated. Add back the non-taxable portions of the Cooperative and CCC income only if it has been proven to be recurring and stable. The subject property must not be listed as the address of the farm.

Line 8- Partnership K-1 income: Use of this income is only allowed if the Partnership tax returns (Form 1065) evidence that the partnership is showing positive earning trends and liquidity, the Borrower provides a partnership resolution reflecting the Borrower's access to the income and the income is not already reported on the Borrower's personal tax returns (Form 1040)

Line 9- S-Corporation K-1 income: Use of this income is only allowed if the S-Corporation tax returns (Form 1120S) evidence that the S-Corporation is showing positive earning trends and liquidity, the Borrower provides a corporate resolution proving access to the income and the income is not already reported on the Borrower's personal tax returns (Form 1040)

Line 10, 11 and 12- Partnership, S-Corporation and Corporation income: Use of the Borrower's share of after-tax Partnership, S-Corp and Corporate income is only allowed if the Borrowers' percentage of ownership and right to the funds has been documented in the Mortgage file and the business tax returns reflect positive earning trends and liquidity. If the business operates on a fiscal year that is different from the calendar year, adjustments must be made to relate the income to the Borrowers' tax return.