

Issue Date: **1.19.2016**

Effective Date: **2.1.2016**

No: **2016-01-04**

### New Residual Income Policy for FHA Loans

**Summary:** For applications dated on or after February 1, 2016, ResMac will require all FHA loans to meet the residual income parameters as outlined in the table below. Any loan failing to meet the Residual Income requirements will require second level review by the Underwriting Manager. The Underwriting Manager will determine if compensating factors may be applied to overcome the Residual Income requirement.

#### Residual Income by Region for loan amounts < \$80,000

Family Size	Northeast	Midwest	South	West
1	\$390	\$382	\$382	\$425
2	\$654	\$641	\$641	\$713
3	\$788	\$772	\$772	\$859
4	\$888	\$868	\$868	\$967
5	\$921	\$902	\$902	\$1,004
Over 5	Add \$75 for each additional member up to seven.			

#### Residual Income by Region for loan amounts ≥ \$80,000

Family Size	Northeast	Midwest	South	West
1	\$450	\$441	\$441	\$491
2	\$755	\$738	\$738	\$823
3	\$909	\$889	\$889	\$990
4	\$1,025	\$1,003	\$1,003	\$1,003
5	\$1,062	\$1,039	\$1,039	\$1,158
Over 5	Add \$80 for each additional member up to seven.			

The Regions on the table of Residual Income include the states below.

Region	States
Northeast	CT,MA,ME,NH,NJ,NY,PA,RI,VT
Midwest	IA,IL,IN,KS,MI,MN,MO,ND,NE,OH,SD,WI
South	AL,AR,DC,DE,FL,GA,KY,LA,MD,MS,NC,OK,SC,TN,VA,WV
West	AK,AZ,CA,CO,HI,ID,MT,NM,NV,OR,UT,WA,WY

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### Calculating Gross Monthly Income

- Gross monthly income should be calculated only for occupying borrowers consistent with the underwriting requirements outlined in the HUD Handbook.
- Do not include income from non-occupying co-borrowers, co-signors, non-borrowing spouses or other parties not obligated on the mortgage.

### How to Calculate Residual Income

Residual income is calculated in accordance with the following:

- Calculate the total gross monthly income of all occupying borrowers.
- Deduct from the gross monthly income the following items:
  - State income taxes
  - Federal income taxes
  - Municipal or other income taxes
  - Retirement or Social Security
  - Proposed total monthly fixed payment
  - Estimated maintenance and utilities
  - Job related expenses (i.e. child care)
  - The amount of any grossed up income; i.e. SS is 115% - deduct the 15%
- Subtract the sum of the deductions from the table above from the total gross monthly income of all occupying borrowers.
- The balance is the residual income.

### Calculating Monthly Expenses:

- If available, the underwriter must use Federal and state tax returns from the most recent tax year to document state and local taxes, retirement, Social Security and Medicare. If tax returns are not available, the underwriter may rely upon current pay stubs.
- For estimated maintenance and utilities in all states, mortgagees should multiply the living area of the property (square feet) by \$0.14.

Example:      2,200 square feet  
                    x 0.14  
                  \$308 per month

**Questions:** Please address all questions to: [LoanHelpDesk@ResMac.com](mailto:LoanHelpDesk@ResMac.com)