



Income Guidelines Affordable Housing Program (AHP) and First Front Door (FFD)

These income guidelines apply to FHLBank Pittsburgh's AHP and FFD programs.

Please ensure that you are referring to the applicable program guidance within this document, as variations in requirements may exist.

1. Income Guidelines

FHLBank will use the following income guidelines to verify household income and subsequently to determine a household's eligibility to participate in AHP or FFD.

- a. Annual household income, as defined within the U.S. Department of Housing and Urban Development's (HUD's) 80% area median income (AMI) regulations in the Code of Federal Regulations. **Asset income, such as interest from savings accounts, is not included in the calculation of income.**
AHP: Income is adjusted for family size based on the county/state in which the AHP project is located.
FFD: Income is adjusted for family size based on the county/state in which the homebuyer currently resides.
- b. For purposes of tax reporting to the Internal Revenue Service, it is acceptable to use the previous year's federal income tax returns to demonstrate income. Tax returns will only be accepted within the first three calendar months of the new year, unless the income is for a self-employed person. It is not acceptable to use W-2 forms or year-end benefits statements, unless they are reported on an accompanying tax return.
- c. Income documentation requirements set forth in this document serve as a guide. Additional documentation may be required at the discretion of FHLBank.

2. Income Limits

HUD publishes [median income information](#) for the United States on an annual basis. These income limits will be used to determine whether a household's income is at or below 80% AMI. If a household's income is less than the published AMI category of 80%, it may be considered eligible. If a household's income is greater than the 80% published AMI category, it will be considered ineligible. This AMI category is visible on both the AHP and FFD income screens in the AHP Online and FFD Online systems.

AHP:

- Rental projects must use the county income limits.
- Owner-occupied projects may use county or state income limits.

FFD:

- Either county or state income limits may be used.

3. Income Targeting for AHP Projects

For AHP projects, the HUD published AMI Categories will be used to determine a household's income targeting. HUD publishes the AMI limits based on household size at 30%, 50% and 80%. While HUD does not publish the 60% income limit, HUD determines the 60% AMI limit category based on family size, using 120% of the Very Low-Income Limit (50%).

All AHP-assisted households that are income qualified on or after June 1, 2020, must use the 50%, 60% or 80% AMI Categories adjusted for household size to determine income targeting.

50% AMI Example: A two-person household with gross annual income of \$20,000 living in Allegheny County, Pennsylvania.

Review the HUD published AMI Categories based on household size to determine the household's income targeting:

- Less than or equal to 50% AMI
- Greater than 50% and less than or equal to 60% AMI
- Greater than 60% and less than or equal to 80% AMI

Using the HUD AMI Categories in the screenshot below, the example household's income targeting is considered less than or equal to 50% AMI category, as the income of \$20,000 does not exceed the 50% AMI limit of \$33,200 for a two-person household.

If the household income is greater than the 50% AMI limit category but less than the 80% AMI limit category, the 60% AMI limit will need to be calculated to determine if the household's income targeting is greater than 50% and less than or equal to 60% AMI, or greater than 60% and less than or equal to 80% AMI. This is performed by multiplying the 50% AMI limit by 1.2 to arrive at the 60% AMI limit.

60% AMI Example: A two-person household with gross annual income of \$35,000 living in Allegheny County, Pennsylvania. Using the HUD AMI Categories in the screenshot below, the example household's income targeting is considered greater than 50% and less than or equal to 60% AMI category, as the income of \$35,000 does exceed the 50% AMI limit of \$33,200 for a two-person household but does not exceed the 60% AMI limit of \$39,840 (\$33,200 x 1.2) for a two-person household.

FY 2020 Income Limit Area	Median Family Income Explanation	FY 2020 Income Limit Category	Persons in Family							
			1	2	3	4	5	6	7	8
Pittsburgh, PA HUD Metro FMR Area	\$83,000	Very Low (50%) Income Limits (\$) Explanation	29,050	33,200	37,350	41,500	44,850	48,150	51,500	54,800
		Extremely Low Income Limits (\$)* Explanation	17,450	19,950	22,450	26,200	30,680	35,160	39,640	44,120
		Low (80%) Income Limits (\$) Explanation	46,500	53,150	59,800	66,400	71,750	77,050	82,350	87,650

4. Income Timeframe

Household income is based on income at time of review, per the following, and projected over a 12-month period.

FFD: Income is determined at the time the household is qualified for participation in the program.

AHP: For all owner-occupied projects, income is determined at the time the household is qualified for participation in the program. For rental projects, income is determined as of the date the unit was originally occupied by the household ("move-in" income). For projects involving the purchase or rehabilitation of rental housing that is already occupied, income is determined at the time the application is submitted to FHLBank. Do not recertify income for subsequent years once the household is already qualified.

5. Income Verification

In order to determine income eligibility, obtain verification of all income sources for all adult (aged 18 and older) household members, as well as benefits paid on behalf of minors in the household.

A household's income determination cannot occur until third-party verification of all income has been obtained. A household is defined as everyone who lives in the unit, except live-in aides, foster children or foster adults.

In instances where there is a non-occupying co-borrower, the non-occupying co-borrower's income is required when determining income eligibility for the household even if the co-borrower will not reside in the household. The non-occupying co-borrower's income must be added to the total household income, but the household size remains only those residing in the household.

A person aged 18 and older who resides in the household but has no income must complete a Zero-Income Certification Form.

6. Income Calculations and Calculation Forms

If employer pay stubs, verification of employment (VOE), or seasonal income are used to calculate household income, the income must be projected using both the annualized base pay calculation and the income average calculation. The larger of the two figures must be used in determining the total household income. When calculating self-employment income, the income average calculation must be used. All other income – such as social security benefits, pension and child support – should be calculated using the monthly amount to annualize by the frequency.

Income Average Calculation

This method takes the year to date (YTD) gross earnings from the most recent pay stub, then divides the earnings by the number of pay periods to date since the beginning of the year (or the hire date, if documentation is provided that the individual was hired in same year). The result is the average earnings per week. This is then multiplied by the total possible pays per year.

Example: \$5,000 (YTD gross earnings) / 10 (pay periods since beginning of year) = \$500 (average earnings per week) x 26 (total possible pays per year) = \$13,000 (income average total)

Annualized Base Pay Calculation

This method averages the total gross pay of three consecutive pay stubs. The average weekly earnings figure is then multiplied by the total possible pays per year.

AHP Projects Awarded in 2019 or After

- For owner-occupied household income calculations, the current FFD/AHP Income Workbook must be utilized and supported by third-party income documents, as outlined in the Annual Income Inclusions section below.
- For rental household income calculations, the current AHP Income Calculation Form must be used and supported by third-party income documents, as outlined in the Annual Income Inclusions section below. The calculation of income must be completed in accordance with the Income Guidelines and must be clearly documented so that the calculation can be easily recalculated and confirmed by FHLBank.

AHP Projects Awarded Through 2018: For all household income calculations, the current AHP Income Calculation Form must be used and supported by third-party income documents, as outlined in the Annual Income Inclusions section below. The calculation of income must be completed in accordance with the Income Guidelines and must be clearly documented so that the calculation can be easily recalculated and confirmed by FHLBank.

FFD: For all household income calculations, the current FFD/AHP Income Workbook must be used and supported by third-party income documents, as outlined in the Annual Income Inclusions section below. The calculation of income must be completed in accordance with the Income Guidelines and must be clearly documented so that the calculation can be easily recalculated and confirmed by FHLBank.

7. Annual Income Inclusions

The following sources of income are to be **included** when calculating a household's annual income:

- a. The gross amount (before any payroll deductions) of wages and salaries, overtime pay, commissions, fees, tips, bonuses and other compensation for personal services of all adults in the household, except that of full-time students earning in excess of \$480 annually. See the section below for details on calculating overtime pay, commissions, fees, tips and bonuses.
 - **FFD:** If pay statements are being used to calculate income, three consecutive pay statements are required and must be dated no later than two months prior to the Reservation submission date. If a Verification of Employment (VOE) is being used, it must be completed in its entirety by the employer. Other documentation may be requested by the Bank.
 - **AHP Owner-Occupied Projects Awarded 2019 or After:** If pay statements are being used to calculate income, three consecutive pay statements are required.
 - **AHP Owner-Occupied Projects Awarded Through 2018 and AHP Rental Projects:** If pay statements are being used to calculate income, three consecutive pay statements are strongly recommended.
- b. Income or salaries received from a household-owned business. This is to be calculated based on the average net income for the two most recent years, and as substantiated by federal income tax returns that include the business's profit and loss statement.
- c. Net income, salaries and other amounts distributed from a business. The two most recent years of federal income tax returns must be provided.
- d. The **gross amount** (before deductions for Medicare, etc.) of periodic Social Security payments. This includes payments received by adults on behalf of minors or by minors for their own support.
 - If Social Security is reducing a household's benefits to adjust for a prior overpayment, use the amount remaining after the adjustment.
 - Do not "gross-up" social security benefits.
 - The Social Security statement must be from the calendar year in which the household was qualified.
- e. Annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts.
- f. Lump-sum payments received because of delays in processing unemployment, welfare or other benefits. This does not apply to a lump-sum payment for the delayed start of Social Security payments.
- g. Payments in lieu of earnings, such as unemployment and disability compensation, workers' compensation or severance pay. Any payments that will begin within the next 12 months must be included.
- h. Welfare assistance:
 - If the payment includes an amount specifically designated for shelter and utilities, and the welfare agency adjusts that amount based upon what the household is currently paying for shelter and utilities, special calculations are required.
 - If the welfare agency is reducing the household benefits to adjust for a prior overpayment, the amount remaining after the adjustment must be used.
- i. Alimony and child support. The court-ordered amount will be used to calculate income. In some circumstances, documentation showing six months of actual payments may be requested to determine actual support received.
- j. All regular pay, special pay and allowances (except hazardous duty pay) paid to a member of the Armed Forces who is a household member, spouse or head of household (whether living in the dwelling or not).

- k. Lottery winnings paid in periodic payments.
- l. Recurring monetary contributions or gifts regularly received from persons not living in the unit (including rent or utility payments regularly paid on behalf of the household).
- m. Relocation expenses and yearly bonuses.

8. Annual Income Exclusions

The following sources are to be **excluded** when calculating a household's annual income:

- a. Employment income of children under the age of 18 years, including foster and adoption subsidies. Employment income of full-time students 18 years and older (except head of household and spouse) in excess of \$480 annually is also to be excluded.
- b. Food stamps, Meals on Wheels or other programs that provide food assistance, or groceries provided by persons not living in the household.
- c. Checking accounts and savings accounts.
- d. Interest, dividends and other income from net household assets.
- e. Grants received specifically for:
 - An auxiliary apparatus for a person with a handicap or disability
 - Expenses for attendant care provided by someone other than a household member who is living in the household
 - Medical expenses
 - A set-aside for use under a Plan to Attain Self Sufficiency (PASS) and excluded for purposes of Supplemental Security Income (SSI) eligibility
 - Out-of-pocket expenses for participation in publicly assisted programs, including special equipment, clothing, transportation, childcare, etc.
- f. Income associated with persons who live in the unit but are not household members.
This includes:
 - Payments received for care of foster children and foster adults
 - Income of live-in attendants
- g. All amounts for student financial assistance, including tuition reimbursement by an employer.
- h. Hazardous duty pays to a household member who is in the military.
- i. Lump-sum additions to household assets, such as inheritances, cash from sale of assets, one-time lottery winnings, insurance settlements under health and accident insurance, and workers' compensation, including:
 - Relocation payments received under Title II of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970
 - Allotment value of coupons made under the Food Stamp Act of 1977
 - Payments received under the Domestic Volunteer Service Act of 1973 (e.g., employment through VISTA, Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives and senior companions).
 - Payments, rebates or credits received under the federal Low-Income Home Energy Assistance Program, including winter differentials given to the elderly.
 - Payments received under programs funded in whole or in part under the Job Training Partnership Act (e.g., employment and training programs for Native Americans and migrant and seasonal farm workers, Job Corps, employment programs for veterans, state job training programs or career intern programs).

- Student loans, regardless of how the funds are used.
 - Scholarships funded under Title IV of the Higher Education Act of 1965, including awards under the Federal Work-Study Program or under the Bureau of Indian Affairs student assistance programs or veterans benefits, which are made available to cover the costs of tuition, fees, books, equipment, materials, supplies, transportation and miscellaneous personal expenses. Examples include Pell Grants, Supplemental Opportunity Grants, State Student Incentive Grants, College-Work Study and Byrd Scholarships.
- j. Amounts received by a person with a disability that are set aside for use under a Plan to Attain Self-Sufficiency (PASS).
 - k. Resident services stipends of \$200 per month or less, received for performing services for the project owner that enhance the quality of life in an assisted-housing development, such as lawn maintenance, coordination of project activities, etc.
 - l. Adoption assistance payments in excess of \$480 annually per adopted child.
 - m. State homecare payments to families with developmentally disabled children or adults who live in the home.
 - n. Compensation received under a state or local employment-training program or from a program that trains residents to work as management staff. This exclusion only covers compensation received while the resident participates in the training program, and the duration of training must be for a limited period of time determined in advance.

9. Calculating Overtime Pay, Commissions, Fees, Tips and Bonuses

In the case of overtime pay, commissions, fees, tips and bonuses, it is important to clarify whether such types of income are sporadic or a predictable component of an employee's income. If it is determined that a household has earned predictable income payments and will continue to earn overtime pay, commissions, fees, tips and bonuses on a regular basis, these amounts must be included in the projected household income.

Predictable: Regular and recurring payments of overtime pay, commissions, fees, tips and bonuses, as verified by a person's employer and received in a consistent and steady manner.

Sporadic: Irregular payments for overtime pay, commissions, fees, tips and bonuses, as verified by a person's employer and received in an erratic and unbalanced manner, such as seasonal overtime.

For sporadic overtime or other such payments, including bonuses, the employer must provide documentation that the continuation of the income type is not guaranteed and the reason why.

For example, a one-time bonus based on performance of the previous year is not guaranteed to occur in the current year. The employer can provide documentation stating that the "bonus of \$XX is not guaranteed to occur again, as it was based off of performance metrics." The same would apply to overtime that was worked due to a seasonal need or a specific scenario that is not guaranteed to occur again during the remainder of the year.

If these documents are provided, the income will be calculated as a one-time lump sum payment and will not be annualized. However, without proper documentation, this income will be annualized.

10. Seasonal Employment

If an individual in the household earns seasonal income, that is, does not earn income over a 12-month period (i.e. landscapers, truck drivers, teachers) their income will be required to be completed in the "Seasonal Income" section of the AHP/FFD Income Workbook.

11. **Income Verification Documents**

All items that affect a household's income eligibility must be verified. Examples of acceptable documentation include:

- Verification of employment.
- U.S. Federal income tax return. Note: Income tax returns are accepted as documentation only in the first three calendar months of the year, with all year-end wage and tax statements (e.g., IRS W-2 forms) included.
- At least three consecutive and recent, pay statements from the current year.
- Alimony and child support court orders or deposit amount verification from the State-managed website, or savings or checking account records, if requested.
- Current (qualification) year Social Security statement or letter.
- Current (qualification) year pension statement or letter.
- Current (qualification) year Veterans Affairs letter or distribution form.
- Current (qualification) year welfare benefit letter.
- State or local housing agency's verification of income.

Other forms of verification may be acceptable, provided that the information is supplied and signed by a third party.