

Income Calculator – Frequently Asked Questions

General

1. What are the benefits of using Income Calculator?

Fannie Mae recognizes the challenges lenders and borrowers encounter when originating loans – frustration with the length of time it takes to close a loan and the paper-intensive nature of gathering and processing borrower information. Income Calculator can help lenders retain their competitive advantage increasing processing efficiency and enabling a superior borrower experience by providing a simple and easy-to-follow approach to calculating qualifying income for self-employed borrowers.

Self-employment income calculation and documentation are consistently cited in the top five list of quality control defects found during post-purchase reviews. When a lender uses Income Calculator, they are eligible to receive enforcement relief from representations and warranties (rep & warrant relief) for the self-employment income calculation on conventional loans as described in the *Selling Guide*.

2. Do I have to use a Technology Service Provider (TSP) to access Income calculator?

At this time, a lender must use an approved TSP to extract/retrieve data from tax returns for input into Income Calculator. Fannie Mae may offer lenders free access to an Income Calculator user interface supporting manual tax return data entry in the future.

3. How does Income Calculator work?

Income Calculator uses federal income tax return data, as well as supplemental user-provided data, to calculate the borrowers' qualifying income for the lender to use in their Desktop Underwriter® (DU®) submission or for manual underwriting.

After activation with an approved TSP, the following steps represent a general, high-level workflow:

- Borrower provides tax returns (including all required schedules) to the lender, or the borrower authorizes the TSP to retrieve its tax return data from an e-filer (such as H&R Block®).
- Lender requests TSP extract data from the borrower-provided tax returns.
- TSP extracts/retrieves required data and submits a request to Income Calculator.
- Income Calculator returns the qualifying income amount as well as a findings report to the TSP.
- Lender validates the accuracy of the data submitted by the TSP.

- Lender reviews messages on the Income Calculator Findings Report and must take any necessary action.
- Lender saves a copy of the findings report in the loan file. If the lender uses the calculated qualifying income in their DU submission or for manual underwriting, the loan is eligible for rep & warrant relief for the income calculation (lender retains rep and warrant for the integrity of the data provided to the calculator).
- If not previously provided, the lender enters the DU Casefile ID into Income Calculator. For manually underwritten loans, provide Income Calculator the DU Casefile ID generated by the UCD Collection Solution.
- Lender closes the loan and delivers to Fannie Mae. No Special Feature Code (SFC) is required.

4. What types of self-employment income are evaluated by Income Calculator? Are there any self-employment income scenarios Income Calculator cannot evaluate?

Income Calculator can evaluate self-employment income from Sole Proprietors (Schedule C), S-Corporations, Partnerships, and C-Corporations. Confirm with your TSP which self-employment income types they support.

Income Calculator cannot evaluate self-employment income when:

- The most recently filed tax return reflects less than 12 months of earnings,
- The employment start date is unknown,
- The business tax returns reflect rental income, (coming soon)
- The borrower owns less than 25% of the business, (coming soon)
- The borrower has multiple Schedule Cs for one business in the same year and has merged them to a single Schedule C in the other year, (coming soon)
- Two years of tax returns are provided, and the business structure changed from one year to the next, such as from a Partnership to an S-Corporation,
- The business operates on a non-calendar fiscal year,
- The borrower has less than 24-month history of self-employment with the business, and the prior employment or occupation history is not consistent as described in the *Selling Guide*, or
- The tax returns are more than three years old.

In addition, Income Calculator does not currently evaluate other types of non-self-employment income which may be supported by tax returns. We are evaluating the inclusion of income from dividends and interests from Schedule B; capital gains from Schedule D; rent, trust and royalty income from Schedule E; and farm income from Schedule F for future updates.

5. Is there a cost associated with using Income Calculator?

Fannie Mae does not charge a fee for using Income Calculator. Lenders should contact their TSP to discuss their product pricing.

6. Am I required to use Income Calculator? If I do use it, am I required to use Income Calculator's qualifying income amount in loan underwriting?

No. Using Income Calculator is optional. Using the Income Calculator result is also optional.

Relief from Enforcement of Representations and Warranties (Rep & Warrant Relief)

7. Does Fannie Mae offer rep & warrant relief for the income amount returned by Income Calculator?

Yes. Lenders are eligible to receive rep & warrant relief for the accuracy of the income amount calculated by Income Calculator. Although the data extraction technology used by TSPs has historically produced very accurate results, lenders remain responsible for the integrity of the data provided to Income Calculator by the TSP and for identifying any contradictory and conflicting information which may impact the amount of qualifying income provided by Income Calculator.

Lenders should ensure the data submitted to Income Calculator is accurate and complete.

8. Is Income Calculator usage or Fannie Mae rep & warrant relief limited to certain loan types?

Income Calculator and any applicable rep & warrant relief is available for all conventional loans delivered to Fannie Mae, including: all loan purposes, all occupancy types, all LTVs, all property types, and all underwriting methods. Income Calculator was designed for conventional, conforming loans eligible for delivery to Fannie Mae. Lenders may use Income Calculator for other purposes without rep & warrant relief. Lenders should direct questions regarding Fannie Mae rep & warrant relief to their Fannie Mae account team or to income_calculator@fanniemae.com.

9. There is a mistake or an omission in the data extracted from the tax returns and submitted to Income Calculator by my TSP, who do I contact?

Contact your TSP to make any necessary data corrections and resubmit the evaluation. Missing or inaccurate data will void any rep & warrant relief.

10. What is required to receive rep & warrant relief for the self-employment income calculation?

The lender must meet the requirements described in the *Selling Guide*, which include:

- Ensuring the information submitted to Income Calculator is accurate and complete, including investigation of any contradictory or conflicting information between the tax return documents and the TSP submission data or any other file documentation provided by the borrower.
 - Confirming the amount of self-employment income entered in DU (if any) is not more than the amount of income calculated by the tool.
 - Retaining a copy of the Income Calculator Findings Report in the loan file.
- Note: Income Calculator evaluations are performed at the business level, not at the loan level. You may need multiple Income Calculator evaluations for a loan file.

In addition, the last Income Calculator request should contain the delivery DU Casefile ID and the lender must ensure the Uniform Residential Loan Application (URLA) correctly and separately identifies each self-employed business. Lenders should not commingle multiple self-employment income sources on the URLA.

11. The borrower has been self-employed in their business for more than 5 years. According to the Fannie Mae *Selling Guide* and Income Calculator, I can document income using one year of tax returns. However, the DU Findings Report is generating a message that two years of tax returns are required to document income. How do I resolve this?

For DU casefiles created prior to January 1, 2024, the DU message may not reflect policy updates made since the last DU submission. For example, the DU self-employment income documentation messaging for primary self-employment will be updated per the *Selling Guide* requirements for Casefile IDs created on or after January 1, 2024. Lenders may apply the *Selling Guide* documentation requirements regardless of the DU messaging, if eligible, and are not required to resubmit the casefile to DU.

12. My TSP allows me to provide additional information that is not part of the tax return. Will I retain rep & warrant relief if I provide this additional data to Income Calculator?

Yes. The additional data, such as extraordinary one-time expense amounts or the lender's indication that a short-term debt is a line of credit or rolls over regularly, can be included as part of the data provided to Income Calculator without impacting a loan's eligibility for rep & warrant relief. If this data is updated, the lender should resubmit to Income Calculator.

13. Does Income Calculator rep & warrant relief apply to loans with mortgage insurance (MI)?

Fannie Mae has made all MIs aware of Income Calculator and is working with them to attempt to secure rescission relief. If an MI rescinds mortgage insurance coverage, the lender may be subject to a repurchase request or repurchase alternative. Lenders should confirm the status of rescission relief with their preferred MI provider(s) and determine effects on any underwriting delegation.

14. Will using Income Calculator affect Fannie Mae's requirements for my QC processes?

Yes. The lender's QC process should include confirming:

- the information submitted to Income Calculator is accurate and complete, including investigation of any contradictory or conflicting information between the tax return documents and the TSP submission data,
- the amount of self-employment income entered in DU (if any) is not more than the amount of income calculated by Income Calculator,
- the self-employment information entered in DU is consistent with the Income Calculator Findings Report including the employment start date and separate identification of each self-employment business,
- a copy of the Income Calculator Findings Report is retained in the loan file,
- any conditions or documentation required by the messages in the Income Calculator Findings Report are retained in the loan file, and
- the loan is free from misrepresentation or fraud. Income Calculator may generate data integrity messages but is not designed as a fraud detection tool.

15. How is Income Calculator's rep & warrant relief different than the DU validation service offering Day 1 Certainty (D1C)?

DU validation service uses tax transcript data produced by the IRS, offering rep & warrant relief for its calculation and for data integrity. Income Calculator uses tax return data provided by the borrower, offering rep & warrant relief only for the calculation, not for data integrity.

16. The DU validation service income amount is different than the Income Calculator income amount. How did that happen? Which one should I use?

There are several differences between Income Calculator and DU validation service which could cause differing income amounts, notably:

- Some of the tax return data commonly used in self-employment income evaluation is not available from the tax transcript. The transcript is only a portion of the full tax

return data. DU validation service, which uses the tax transcript, may return a lower qualifying income amount than Income Calculator which uses the tax returns.

- DU validation service always uses two years of tax return data.
- DU validation service evaluates only Sole Proprietor (Schedule C) businesses.
- DU validation service cannot evaluate scenarios where the borrower has Partnership or S-Corporation businesses.

Income Calculator will generate a message in its Findings Report when Income Calculator determines the qualifying income amount would match DU validation service's qualifying income amount, in case the lender wants to request DU validation service processing to obtain the additional rep & warrant relief. If the loan qualifies using the DU validation service income calculation, the loan is eligible for not only rep & warrant relief on the income calculation, but also on the integrity of the data.

Income Calculator Evaluations

17. Does Income Calculator evaluate declining income?

Yes. When two years of tax return data is provided, Income Calculator will determine if the borrower's income is increasing, level or declining. Declining income will be averaged over 12 months and a message will appear in the findings report instructing the lender that the loan file must contain documentation that supports the borrower's self-employed income has stabilized if it is to be used for loan qualification.

18. Does Income Calculator evaluate if the business has adequate liquidity to support the withdrawal of earnings?

Yes. When business returns are provided, Income Calculator will review the distributions and calculate the Quick Ratio and the Current Ratio in an attempt to confirm sufficient business liquidity.

If the lender (optionally) indicates they have made this confirmation outside of Income Calculator, and Income Calculator cannot confirm sufficient liquidity using its calculations, a message will appear in the findings report instructing the lender that the loan file must contain the lender's own documentation that supports the lender's liquidity analysis.

If the lender indicates they cannot confirm the business has sufficient liquidity to support the withdrawal of earnings outside of Income Calculator, no income will be permitted.

19. Does Income Calculator evaluate scenarios where only one year of tax return data is provided?

Yes. Income Calculator will require one year of personal and business tax returns for this evaluation. Income Calculator will use the employment start date and DU messages (if a DU

Casefile ID is provided) to attempt to determine eligibility for one year tax return documentation. If Income Calculator determines two years of tax returns are required, Income Calculator will return a warning message in its findings report and no qualifying income amount will be provided.

20. How does Income Calculator decide whether to use one year or two years of tax returns in its evaluation?

Income Calculator evaluates whatever tax return data is provided by your TSP. You can instruct your TSP to provide 1 year or 2 years of tax return data for each request. Check with your TSP to understand how this functionality works.

21. Does Income Calculator evaluate scenarios where business tax returns have been waived?

Yes. Income Calculator will require two years of personal tax returns (including applicable K-1s) for this evaluation. Income Calculator will determine if the business income is increasing and will return a message in its findings report that the lender must confirm the borrower is using his or her own personal funds to pay the down payment and closing costs and satisfy applicable reserve requirements.

22. Does Income Calculator evaluate W-2s?

Yes. Lenders should provide their TSPs with all available W-2s.

23. My borrower has two self-employed jobs. Do I need two Income Calculator evaluations?

Yes. Check with your TSP to understand if two submissions will automatically be made or if you need to provide instructions for each submission. As a reminder, Income Calculator evaluates income on a per-business basis.

24. The two borrowers on my loan have ownership of the same business. Do I need two Income Calculator evaluations?

Yes. Check with your TSP to understand if two submissions will automatically be made or if you need to provide instructions for each submission.

25. Does Income Calculator evaluate scenarios where the borrower has filed IRS Form 4868 (Application for Automatic Extension of Time to File U.S. Individual Income Tax Return)?

Yes. However, the borrower's individual (personal) tax return(s) must reflect the same tax year(s) as the business tax return(s). For example, if two years returns are required and

personal returns are provided for tax years 2021 and 2022, then business returns must also be provided for tax years 2021 and 2022.

26. Does Income Calculator evaluate scenarios where the borrower has filed an amended tax return?

Yes. Lenders should work with their TSP to ensure the data submitted to Income Calculator is accurate, complete, and reflects the data the borrower submitted to the IRS, including any amendments.

27. I made an Income Calculator submission using tax returns from 2022 and 2021. The borrower just provided me their 2023 tax returns. Do I need to update Income Calculator?

Yes. Lenders should use the most recently filed complete federal income tax returns for loan underwriting. If a self-employed borrower's business has issued the borrower a W-2, but the borrower has not completed their tax returns for that business and/or has not completed their personal tax returns, the W-2 data (by itself) should not be submitted to Income Calculator.

28. I see a message in the Income Calculator Findings Report that shows a DU submission count. The Income Calculator submission count is different. Do these numbers need to match?

No. These numbers are not intended to match, they are provided as a method to help you track resubmissions between the two services, DU and Income Calculator.

29. How long can I access Income Calculator data?

If a DU Casefile ID has been provided, Income Calculator data will be archived when the DU data is archived. If no DU Casefile ID has been provided, Income Calculator data will be archived after 180 days of inactivity.

30. How do I override the TSP's tax return data inputs?

Contact your TSP to correct any tax return data extraction mistakes. Otherwise, tax return data inputs cannot be overridden.

Income Calculator is not like other available tools which enable users to override tax return data to comply with *Selling Guide* requirements. Income Calculator determines what tax return data is used in its evaluation based on optional, supplemental data provided by the user. Your TSP can show you how to provide this optional, supplemental data to ensure the borrower's income is maximized.

31. Who do I contact if I have questions about the results in Income Calculator?

Lenders should contact their TSP with any questions.

If customers require Fannie Mae support, they may contact the Technology Support Center at 1-800-2FANNIE (press 1 then 1) or contact us via email at Income_Calculator@FannieMae.com.

Technology Service Providers (TSPs)

32. What is the role of the approved TSP in supporting Income Calculator?

Approved TSPs obtain tax return data, either by using Optical Character Recognition (OCR) technology to extract the data from borrower-provided tax return PDF documents or by retrieving the data from the IRS e-filer authorized by the borrower. The TSP sends the request to Income Calculator and relays the Income Calculator Findings Report/response to the requesting lender.

33. Who are the approved TSPs? Does Fannie Mae plan to approve additional TSPs?

The list of approved TSPs includes CoreLogic and PointServ. We are in active discussions with other providers. Fannie Mae has developed a structured process for determining TSP eligibility and prioritizing integrations.

34. Does Fannie Mae plan to provide its own OCR of tax returns PDFs provided by a lender?

Fannie Mae has no plans to provide OCR of tax return PDF documents as part of Income Calculator.

35. Does the TSP send non-public personal information (NPI) to Income Calculator?

No. Fannie Mae does not collect the borrower's name, borrower's address, social security number, business address, business EIN, or any other NPI from the TSP. A reference name (which may be the business name, loan number, or any other string of characters) may be optionally provided as a convenience to the user in reconciling the Findings Report to the loan file.

36. What is the TSP sign-up process?

Lenders must execute an Income Calculator Software License Agreement with an approved TSP and with Fannie Mae. Interested lenders should begin with their TSP. Fannie Mae and the TSP will coordinate lender access. The standard sign-up process takes approximately two weeks. Lender testing is not required.

Basic Process

Step 1: Customer executes contract with approved TSP.

Step 2: Customer executes Fannie Mae Income Calculator Software License Agreement.

Step 3: TSP and Fannie Mae coordinate to provide customer access.

Step 4: TSP notifies customer and schedules training (as needed).

37. Can a lender directly integrate to Income Calculator (without a TSP)?

Yes. If you currently collect and store detailed tax return data, you may be a candidate for direct integration with Income Calculator. Contact your Fannie Mae account team for more information.

38. My TSPs evaluates wage-earner income. Does Fannie Mae offer rep & warrant relief for all incomes evaluated by my TSP?

No. Fannie Mae offers rep & warrant relief only for self-employment incomes submitted to Income Calculator. Each Income Calculator evaluation will have a unique 7-character identifier that starts with letter “D”, for example D123ABC.

39. My borrower used a different business name from one year to the next when they prepared their Schedule C. Can my TSP evaluate this scenario?

Yes. Lenders should work with their TSP to understand how to manually match Schedule Cs. Lenders must ensure the Schedule Cs represent the same business and should collect supporting documentation if needed.

40. Is the TSP required to display all the Income Calculator findings?

Yes. Fannie Mae requires TSPs to make all data from the Income Calculator Findings Report available to the lender.

Third-Party Originations (TPO)

41. Can Income Calculator be used in Third-Party Originator (TPO) business models?

Yes. Income Calculator is independent from DU. The Income Calculator ID can be associated (or disassociated) from a DU Casefile ID by the requestor. The DU Casefile ID that will be included in the loan delivered to Fannie Mae should be entered into Income Calculator prior to delivery. A copy of the Income Calculator Findings Report should be retained in the file and can be made available to participants in the origination process.

Customers requiring support with DU Casefile ID association may contact us via email at Income_Calculator@FannieMae.com.

42. I'm not delivering the Income Calculator loan directly to Fannie Mae. My investor wants to reduce the qualifying income or is requiring documentation that Income Calculator does not require. How can I resolve this?

The investor may not be delivering the loan to Fannie Mae or may have more restrictive internal policies regarding income calculation and documentation. It is the investor's responsibility to determine the amount of qualifying income they will consider during loan underwriting.

43. Can Fannie Mae's rep & warrant relief be passed on to an aggregator?

Yes. See the *Selling Guide* for any questions about rep & warrant relief.

Support

Lenders should contact their TSP with any questions.

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