

Montana Board of Housing (the Board or MBOH)
INCOME DETERMINATION GUIDE
Revised May 2026

Purpose

Gross Annual Income is the anticipated total income, from all sources and before taxes or withholding, of the mortgagor(s), the spouse of a mortgagor, and any other adult person who lives in the Residence being financed. Based on income information received through the loan application process and substantiated through a written verification of employment (WVOE) or, in the case of military income, the Defense Finance and Accounting Service (DFAS) Statement, household income shall be projected for the 12-month period following the date of the WVOE. See Section 2.04(d) Income Requirement in the MBOH Mortgage Purchase and Servicing Guide for details.

All income should be included, whether received by check, in cash, or in the form of goods and services. Income includes, but is not limited to, the full gross amount, before any payroll deductions, wages and salaries, overtime pay, commissions, fees, tips and bonuses, and any other compensation.

Eligible Borrower Gross Annual Limits

The Board establishes income limits for each program, based on the Internal Revenue Code of 1986, as amended. Each program may have its own Gross Annual Income Limit requirements, and it is the responsibility of the Participating Lender to ensure they are utilizing the correct program guidelines when doing their calculations. These guidelines are updated annually, and the latest version can always be found on the MBOH website.

Those people's incomes included in determining Gross Annual Income are those who are expected to live in the Residence and who will be of legal adult age at the time of

closing or who will be legally responsible for the payment of the Mortgage Loan for the Residence to be financed by the Board (Household Member or the Household Member). For example, two unrelated people who are planning to live in the residence would provide data on both incomes.

Similarly, a relative who gives a guarantee of the Mortgage Loan and expects to live in the Residence must give income information. For these purposes, husbands and wives will be considered jointly responsible for the loan and residents of the dwelling, absent satisfactory evidence to the MBOH which conclusively demonstrates otherwise and that the spouse is not a member of the armed services. By contrast, a guarantee by a relative, such as a parent or in-law, who does not intend to live in the Residence except as an occasional guest, will not cause the inclusion of that relative's income. The income of a parent, grandparent, or other adult relative (except a spouse) who qualifies as a dependent and is expected to live in the home, but will not be legally responsible for the loan, should also be included. If there are unusual circumstances, or if the relative is not expected to stay in the dwelling for the full year, exceptions to this last rule can be granted on a case-by-case basis.

Income Calculations - Salaried Household Member

In calculating the income of the Household Member, the Participating Lender shall project each verified gross monthly income over twelve (12) months following the date based on the WVOE completed by the employer(s) of the Household Member, projected salary increases which are verified by the employer shall be included in the income calculation. Overtime earnings should be included when calculating the Household Member's Gross Annual Income. To calculate the amount of overtime earnings used to determine the Household Member's income eligibility, the Participating Lender shall use the total amount of overtime earnings received by the Household Member for the preceding 12-month period. The Lender shall also use tips, fees, bonuses, dividends and profits, interest and insurance payments received by the Household Member for the preceding 12-month period.

Example: The Household Member works forty (40) hours a week as a full-time employee and makes a wage of twenty-five (25) dollars an hour. There is no scheduled overtime on the WVOE, nor are there bonuses given. The calculation for this Household Member would be as follows:

$$25.00 \times 40 \times 52 = 52,000.00-$$

If the employer has marked the WVOE or given written indication that bonuses and/or overtime are present, but will not be continued, then these amounts can be excluded, providing an explanation for their discontinuation is given if there is an established history of these amounts being included in the borrower's pay over the past two (2) years.

In the cases of variable hours or variable pay, the Lender shall project each Household Member's verified gross monthly income over the prior twenty-four (24) months and then averaging the gross total for a single-year estimate.

Example: The Household Member is employed as a nurse with shift differential times that vary from paycheck to paycheck. Because the differentials may differ from paycheck to paycheck, a variable pay calculation would be appropriate for income calculation.

Example: The Household Member works construction, but only on days when the weather permits. Some days, the Household Member may work 12 to 14 hours, but on other days, the Household Member may not work at all. Because of the inconsistent hours, a variable pay calculation would be appropriate for income calculation.

Income Calculations - Self-Employed Household Member

Self-employed people shall submit their I.R.S. tax returns (including any depreciation schedules) for the previous two (2) years. Each Household Member shall certify that each return is a complete, true and exact copy of the original submitted to the I.R.S. Business income that cannot be supported by an income tax return shall not be

included in the income calculations; however, please see below for requirements for Household Members who are self-employed for less than two (2) years.

If the Household Member is a partner in a partnership or has an ownership interest in a small corporation (i.e., assets of one million dollars or less), the partnership or corporation returns, together with all schedules, must be submitted with the loan application.

The Participating Lender shall calculate the Gross Annual Income for each self-employed Household Member by averaging the reported net income plus declared depreciation expense for the previous two (2) years.

If the Household Member is self-employed for less than two (2) years, a signed and dated copy of the most recent year's tax returns with all schedules, plus a signed and dated current year-to-date profit and loss statement, together with a one (1) year projected income statement must be submitted.

Commission Income

Income derived from commissions may be substantiated from at least two (2) years tax returns with all schedules. The average of the past two (2) years' commissions will be used to calculate income.

Other Income Included

As part of the determination of a Borrower's eligibility, other income which the Household Member must disclose on the Income eligibility Worksheet shall include:

- Child support: Child support may be substantiated through a Child Support Enforcement Division (CSED) statement, judicial child support divorce decree, judicial parenting plan, or affidavit from the obligee, as to monies received from obligor;

- Alimony or separate maintenance payments; Alimony or separate maintenance payments may be substantiated through judicial alimony or spousal support maintenance order or affidavit from the obligee, as to the monies received from obligor;
- Ongoing periodic payments from trusts, annuities, inheritance, insurance policies, pensions, retirement funds, and lotteries;
- All public assistance payments (excluding Medicaid and food stamps) including any amount by which educational grants, scholarships, and/or Veterans Administration educational benefits exceed expenses for tuition, fees, books, and equipment and reasonable rent and utility costs for a student living away from home;
- Recurring investment income, not including gains on a one-time sale or any gains from the sale of the Household Member(s) prior residence; all public assistance payments; payments in lieu of earnings, including social security, unemployment benefits, worker's compensation, severance pay, disability or death benefits; income from partnerships; income from trusts;
- Undisbursed profits from business owned by Household Member(s) in whole or part; regular cash contributions received from people not living in the household;
- Payments received for the care of adopted children;
- Per diem reimbursement that exceeds federal and/or state allowed limits and taxed by the IRS.

Other Income Excluded

As part of the determination of a Borrower's eligibility, the following types of income shall not be included:

- Income from employment of children (including foster children) under the age of 18 years.
- Payments received for the care of foster children; lump sum additions to household assets, such as inheritance, insurance payments (including payments

under health and accident insurance), settlement for personal or property losses; Amounts received by the household that are specifically for, or in reimbursement of, the costs of medical expenses for any household member;

- Income of a live-in aide;
- Amounts of educational scholarships paid directly to the student or to the educational institution, and amounts paid by the Government to a veteran, for use in meeting the costs of tuition, fees, books, equipment, materials, supplies, transportation, and miscellaneous personal expenses of the student provided that any amount of such scholarship or payment to a veteran not used for the above purposes that is available for subsistence is to be included in income;
- Amounts received by a participant in other publicly assisted programs which are specifically for or in reimbursement of out-of-pocket expenses incurred (special equipment, clothing, transportation, childcare, etc.) and which are made solely to allow participation in a specific program;
- Per diem reimbursement up to federal and state allowed limits.