

Glossary of Terms - Employment & Income

Agency	Term	Definition
Conventional	Blanket Authorization Form	A form that may be used, if signed by the borrower, to obtain documentation needed to evaluate the borrower's credit worthiness.
Conventional	Corporate Relocation	An arrangement under which an employer moves an employee to another area as part of the employer's normal course of business or under which it transfers a substantial part or all of its operations and employees to another area because it is relocating its headquarters or expanding its office capacity.
Conventional	Corporate Relocation Mortgage	A mortgage made to facilitate an employee's transfer to a new business location and which is originated under a structured corporate relocation program.
All Agencies	General Partnership	Under a general partnership, each partner has responsibility for running the business, is personally liable for the debts of the entire business, and is responsible for the actions of every other partner (unless otherwise specified in the partnership agreement). A general partnership is dissolved immediately on the death, withdrawal, or insolvency of any of the partners, although the personal liability to partnership creditors exists even after the partnership is dissolved. However, the partnership's assets will first be applied to the creditors of the business and the partners' individual assets will be first be applied to their personal creditors, with any surplus in a partner's personal assets then being applied to the remaining business creditors.
All Agencies	Limited Liability Company (LLC)	A flexible form of business enterprise that blends elements of partnership and corporate structures.
All Agencies	Limited Partnership	Under a limited partnership, a limited partner has limited liability based on the amount he or she invested in the partnership, does not typically participate in the management and operation of the business, and has limited decision-making ability. A limited partnership will have at least one general partner who manages the business and is personally liable for the debts of the entire business. A limited partner's death, withdrawal, or insolvency does not dissolve the partnership. Because limited partnerships often are formed as tax shelters, it is more likely that IRS Form 1065, Schedule K-1, will reflect a loss instead of income. In such cases, the borrower's ability to deduct the loss will be limited by the "at risk" amount of his or her limited partnership interest (and will probably be subject to passive loss limitations).

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All Agencies	Monthly Operating Income	Income from the rental of an investment property that is determined by reducing the annual effective gross income for the property by the annual operating expenses and dividing the result by 12. This calculation is used to determine whether a borrower who will occupy one unit of a two- to four-unit property as his or her principal residence qualifies for a mortgage.
All Agencies	Net Cash Flow	The income that remains for an investment property after the monthly operating income is reduced by the monthly housing expense (which includes PITI for the mortgage, homeowners' association dues, leasehold payments, and subordinate financing payments).
All Agencies	Paystub	A paystub, pay slip, pay advice, paycheck notice, or payroll earnings statement is a document produced by the borrower's employer and provided to the borrower that evidences the borrower's income. Paystubs typically detail the gross income and all taxes and other deductions, such as retirement plan contributions, insurance, garnishments, or charitable contributions taken out of the gross amount for the current pay period. Paystubs generally include year-to-date earnings.
All Agencies	Primary Wage Earner	The borrower whose income represents the majority of the income used in qualifying for a mortgage; when used in connection with a corporate relocation mortgage, it refers to the borrower who has the job that is being relocated.
Conventional	Restricted Relocation Mortgage	A mortgage to a transferred employee of an employer that normally relocates its employees that is made in connection with the purchase of the employee's new home at the new job location and that is made under a relocation lending agreement between the lender (mortgage originator) and the employer (or its agent)—if the mortgage is delivered to Fannie Mae on a "spot-loan" basis. Fannie Mae restricts the percentage of an MBS pool that can be comprised of these mortgages. Requires SFC 013 at delivery.
All Agencies	Active Duty	Refers to a status where a person has a full-time military occupation.
All Agencies	Alimony Income	Refers to income received from a former spouse or partner or from a non-custodial parent of the Borrower's minor dependent.
All Agencies	Annuity Income	Refers to a fixed sum of money periodically paid to the Borrower from a source other than employment.
All Agencies	Articles of Organization	Refers to articles of incorporation, charter, articles of association, constitution, trust instrument, or any other written instrument by which an organization is created.

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All Agencies	Automobile Allowance	Refers to the funds provided by the Borrower's employer for automobile related expenses.
All Agencies	Bonus Income	Refers to income that the Borrower receives in addition to the Borrower's normal salary.
All Agencies	Business Formation Documents	An entity's articles of incorporation, bylaws, organization charter, operating agreement, partnership agreement, and similar documentation.
All Agencies	Child Support Income	Refers to income received from a former spouse or partner or from a non-custodial parent of the Borrower's minor dependent.
All Agencies	Commission Income	Refers to income that is paid contingent upon the conducting of a business transaction or the performance of a service.
All Agencies	Continuous Income	Income received by the Borrower that is reasonably likely to continue from the date of the Mortgagee's loss mitigation evaluation through at least the next 12 months.
All Agencies	Corporation	Refers to a state-chartered business owned by its stockholders.
All Agencies	Economic Event	Refers to any occurrence beyond the Borrower's control that results in loss of employment, loss of income, or a combination of both, which causes a reduction in the Borrower's household income of 20 percent or more for a period of at least six months.
All Agencies	Effective Income	Refers to income that may be used to qualify a Borrower for a Mortgage.
All Agencies	Employee Business Expenses	Unreimbursed employee business expenses, as shown on IRS Form 2106, that are actual cash expenses that must be deducted from gross income for qualifying purposes.
All Agencies	Employer Assistance	Refers to benefits provided by an employer to relocate the Borrower or assist in the Borrower's housing purchase, including closing costs, Mortgage Insurance Premiums, or any portion of the Minimum Required Investment.
All Agencies	Employer Housing Subsidence	Refers to employer-provided mortgage assistance.
All Agencies	Employment Authorization Document (EAD)	Refers to the form provided by the U.S. Citizenship and Immigration Services (USCIS) that proves an individual is allowed to work in the United States for a specific period of time.
All Agencies	Employment Income	Refers to income received as an employee of a business that is reported on IRS Form W-2.
All Agencies	Entity	Refers to a business Entity such as a corporation, trust, partnership, or sole proprietorship.

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All Agencies	Executed SFB-Unemployment Agreement	<p>The SFB-Unemployment Agreement is considered “executed” when:</p> <ul style="list-style-type: none"> • at least one of the Borrowers has signed and dated the Agreement; • the Agreement has been returned to the Mortgagee; and • the authorized Mortgagee representative has signed and dated the Agreement as well.
All Agencies	Expected Income	Refers to income from cost-of-living adjustments, performance raises, a new job, or retirement that has not been, but will be received within 60 Days of mortgage closing.
All Agencies	Family Member	<p>Family Member is defined as follows, regardless of actual or perceived sexual orientation, gender identity, or legal marital status:</p> <ul style="list-style-type: none"> • child, parent, or grandparent <ul style="list-style-type: none"> ◦ a child is defined as a son, stepson, daughter, or stepdaughter ◦ a parent or grandparent includes a step-parent/grandparent or foster parent/grandparent • spouse or domestic partner • legally adopted son or daughter, including a child who is placed with the Borrower by an authorized agency for legal adoption • foster child • brother, stepbrother • sister, stepsister • uncle • aunt • son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law of the Borrower.
All Agencies	Family-Owned Business Income	Refers to Employment Income earned from a business owned by the Borrower’s family, but in which the Borrower is not an owner.
All Agencies	Grossing Up	Refers to the process of adjusting tax-exempt income upward by the effective tax rate to compute an equivalent taxable income amount.
All Agencies	Individual Retirement Account (IRA)/401(k) Income	Refers to income received from an IRA.
All Agencies	Investment Income	Refers to interest and dividend income received from assets such as certificates of deposits, mutual funds, stocks, bonds, money markets, and savings and checking accounts.

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All Agencies	Low- to Moderate-Income	Refer to individuals or families whose household income does not exceed 115 percent of the median income for the area when adjusted for family size.
All Agencies	Maintenance Income	Refers to income received from a former spouse or partner or from a non-custodial parent of the Borrower's minor dependent.
All Agencies	Military Income	Refers to income received by military personnel during their period of active, Reserve, or National Guard service, including: <ul style="list-style-type: none"> • base pay • Basic Allowance for Housing • clothing allowances • flight or hazard pay • Basic Allowance for Subsistence • proficiency pay
All Agencies	Net Self-Sufficiency Rental Income	Refers to the Rental Income produced by the subject Property over and above the Principal, Interest, Taxes, and Insurance (PITI).
All Agencies	Non-Taxable Income	Refers to types of income not subject to federal taxes, which includes, but is not limited to: <ul style="list-style-type: none"> • some portion of Social Security income; • some federal government employee Retirement Income; • Railroad Retirement benefits; • some state government Retirement Income; • certain types of disability and Public Assistance payments; • Child Support; • military allowances; and • other income that is documented as being exempt from federal income taxes.
All Agencies	Notes Receivable Income	Refers to income received by the Borrower as payee or holder in due course of a promissory Note or similar credit instrument.
All Agencies	Onset of an Economic Event	Refers to the month of loss of employment/income.
All Agencies	Overtime Income	Refers to income that the Borrower receives in addition to the Borrower's normal salary.
All Agencies	Partnership	Refers to when 2 or more individuals from a business and share in profits, losses and responsibility for running the company. Each partner pays taxes on their proportionate share of the partnership's net income.
All Agencies	Part-Time Employment	Refers to employment that is not the Borrower's primary employment and is generally performed for less than 40 hours per week.

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All Agencies	Pension Income	Refers to income received from the Borrower's former employer(s).										
All Agencies	Principal Owner	Any individual or Entity meeting the following thresholds or roles for the applicable business form: <table border="1" data-bbox="687 416 1414 734"> <thead> <tr> <th>Business Form</th> <th>Principal Owners</th> </tr> </thead> <tbody> <tr> <td>Publicly Traded Corporation</td> <td>10% or more ownership</td> </tr> <tr> <td>Private or Close Corporation</td> <td>25% or more ownership</td> </tr> <tr> <td>Limited Liability Company</td> <td>All Members</td> </tr> <tr> <td>Partnerships</td> <td>All Partners</td> </tr> </tbody> </table>	Business Form	Principal Owners	Publicly Traded Corporation	10% or more ownership	Private or Close Corporation	25% or more ownership	Limited Liability Company	All Members	Partnerships	All Partners
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Limited Liability Company	All Members											
Partnerships	All Partners											
All Agencies	Public Assistance	Refers to income received from government assistance programs.										
All Agencies	Rental Income	Refers to income received or to be received from the subject Property or other real estate holdings.										
All Agencies	Retirement Income	Refers to income received from Pensions, 401(k) distributions, and Social Security.										
All Agencies	S Corporation	Refers to a small start-up business with gains and losses passed to stockholders in proportion to each stockholders percentage of business ownership. S Corporation taxes are filed using IRS Form 1120S.										
All Agencies	Seasonal Employment	Refers to employment that is not year round, regardless of the number of hours per week the Borrower works on the job.										
All Agencies	Self-Employment Income	Refers to income generated by a business in which the Borrower has a 25 percent or greater ownership interest. There are four basic types of business structures. They include: <ul style="list-style-type: none"> • sole proprietorships • corporations • limited liability or "S" corporations • partnerships 										
All Agencies	Social Security Income or Supplemental Security Income (SSI)	Refers to income received from the SSA other than disability income.										
All Agencies	Trust Income	Refers to income that is regularly distributed to a Borrower from a trust.										

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USDA	Adjusted Annual Income	Income from all household members who live or propose to live in the dwelling as their primary residence for all or part of the ensuing 12 months. Adjusted annual income is used to determine whether an applicant is income eligible for a guaranteed loan, or interest assistance, if applicable. Adjusted annual income provides for deductions to account for varying household circumstances and expenses. See Chapter 9 of this Handbook.
USDA	Annual Income	Used to determine an applicant's eligibility for assistance. All amounts, monetary or not, of the applicant's household not specifically excluded by regulations, and amounts derived from assets any members of the family have access to.
USDA	Area Median Income	The median income in a specific locality; typically a county or Metropolitan Statistical Area (MSA), as determined by the Department of Housing and Urban Development.
All Agencies	Cash Flow	Money left from gross income after all expenses, both operating and debt service, have been deducted.
All Agencies	Income Limits	Family income limits established by law, based on family size and geographic location, for eligibility for certain government subsidized housing programs.
All Agencies	Low Income	An adjusted income that is greater than the HUD established very low-income limit, but that does not exceed the HUD established low-income limit (generally 80 percent of median income adjusted for household size) for the county or Metropolitan Statistical Area where the property is or will be located.
All Agencies	Moderate Income	The greater of: (1) 115 percent of the U.S. median family income, (2) the average of the state-wide and state non-metro median family income, (3) 115/80ths of the area low-income limit adjusted for household size for the county or MSA where the property is, or will be, located.
All Agencies	Mortgage Credit Certificate (MCC)	A special tax credit, issued by a state or local housing finance agency, to qualified first-time homebuyers that are used to enhance repayment ability.
USDA	Qualifying Income	Adjusted annual income compared to established income limits to determine eligibility for participation in the program.

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USDA	Repayment Income	Used to determine whether an applicant has the ability to make monthly loan payments. Repayment income is based only on the income attributable to parties to the note and includes some income sources excluded for the purpose of adjusted income.
All Agencies	Verification of Employment (VOE)	A form that requests and secures documentation of a mortgage applicant's work history and/or occupation, to assist in the lender's credit investigation.
All Agencies	Very Low Income	An adjusted income that does not exceed the HUD-established very low income-limit (generally 50 percent of the median income adjusted for household size) for the county or Metropolitan Statistical Area where the property will be located.
VA	Basic Allowance for Housing	Basic Allowance for Housing or BAH is non-taxable money paid to the veteran on a monthly basis so that they can provide housing. The BAH can be used to off-set or completely cover the monthly mortgage payment.
VA	Disability Compensation	A monetary benefit paid to Veterans who are disabled by an injury or illness that was incurred or aggravated during active military service. These disabilities are considered to be service-connected. Disability compensation varies with the degree of disability and the number of a Veteran's dependents, and is paid monthly. Veterans with certain severe disabilities may be eligible for additional special monthly compensation. The benefits are not subject to federal or state income tax. The payment of military retirement pay, disability severance pay and separation incentive payments known as SSB (Special Separation Benefits) and VSI (Voluntary Separation Incentives), and Combat-Related Special Compensation affect the amount of VA compensation paid to disabled Veterans. To be eligible, the service of the Veteran must have been terminated through separation or discharge under conditions other than dishonorable.
VA	Leave and Earnings Statement (LES)	A Leave and Earnings Statement (LES) is a Verification of Employment document verifying an active-duty member of the military. A veteran can obtain their Leave and Earnings Statement online by accessing the Military's MyPay portal.
VA	Residual Income	A lending standard unique to VA loans, Residual Income is the amount of money, a military member or veteran, keep every month after they pay their bills. There is a minimum amount of residual income they must have in order to meet the requirements set forth by the VA (varies depending on family size and geography).