



Can I Qualify with child support or alimony income?

If you want to use child support or alimony to qualify for a mortgage, keep in mind that a lender only can count it as qualifying income if the lender expects it to continue for at least three years. Thus, if your child is 16, and child support will end on his 18th birthday, we cannot count the child support income. If you have two children and will stop receiving child support for one of them next year, we can count only the child support attributable to your remaining child.

It's also important that you're able to document receipt of the income, but the particulars depend on the loan program.

For a conventional loan, you must provide a copy of your divorce decree, petition for divorce, child support order, or separation agreement documenting the payment amount and the period over which you will receive it. We cannot consider voluntary payments. You also must provide documentation that you have received the child support or alimony for at least six months. This could be a statement from the child support office, a tax return, bank statements, or deposit slips. If the payments haven't been consistent over the past six months, we cannot include it as income.

FHA is more flexible. A voluntary agreement is acceptable to document the income; however, remember that we must expect it to continue for at least three years. We'll consider that unlikely if the agreement isn't in writing.

If you can document the child support or alimony with a court document, such as a divorce decree or court order, we can include it as income if you can provide proof of receipt for the past three months. If you have a voluntary agreement to provide support, we need proof of receipt for the past 12 months.

FHA also provides leniency if the child support or alimony payments are inconsistent. If the payments haven't been consistent for the last six months, we will calculate an average monthly payment by reviewing the child support or alimony payments received over the past two years. (We can shorten that time if you've been receiving the income for less than two years.)

USDA also will accept a voluntary payment agreement; however, it asks you to document receipt of the child support or alimony for the past 12 months. If you've been receiving it for less than 12 months, we still may be able to use it if we can document the ability and willingness of the payer to make timely payments. USDA doesn't give any guidance on this, but I suggest the payer's job stability would be a primary consideration.

VA loan guidelines are the least rigorous, but my experience is it's no less restrictive than FHA. You must provide proof of receipt of the support for the past three months for us to include it as income. If receipt has been inconsistent over that period, it's unlikely we can use it.

Remember that child support is not taxable income. When we calculate your qualifying income, we're using your gross, before-tax income. Thus, to make child support equivalent to your other income, we need to "gross it up" by dividing it by 1 minus your effective income tax rate. This could make your qualifying child support income 10% to 20% higher than the amount you receive.
