

Self-Employed Borrower Schedule Analysis Method or SAM

Part I: Personal Tax Returns

May 2017



Lender Responsibility

Investors (Fannie Mae, Freddie Mac as well as Private Investors) require that we determine that the self-employed borrower demonstrates the financial ability to repay the mortgage.

- History
- Income calculation
- Continuance / Stability
- Ability to repay the mortgage

Session Reviews Conventional Loans Only; Today's Session Reviews Personal Tax Returns; Business Returns Are Reviewed In Part II

Objective

Learn to use SAM Form to calculate supportable income for self-employed borrowers using tax returns.

- Review of 2016 personal tax return

Does Borrower Own 25% Or More Of A Business?

Name & Address of Employer	<input type="checkbox"/> Self Employed	Yrs. on this job
		Yrs. employed in this line of work/profession
Position/Title/Type of Business	Business Phone (incl. area code)	

***Can checking the Self-Employed Indicator to yes-
increase the risk of loans when evaluated by DU[®]?
LPA?***



Yes



No

Fannie Mae Updates

SEL 2015-09

- Cash Flow Analysis Form updated
- Sections of Chapter B3-3-2 for Self-Employed Borrowers updated
 - Evidence of liquidity if no distributions made from partnerships or S Corps
- DU updated to allow one year personal and business tax returns for certain case files
- Changes effective for applications dated February 1, 2016

Updated Selling Guide Topics

- [B3-3.1-09](#), Other Sources of Income (Schedule K-1 Income)
- [B3-3.2-01](#), Underwriting Factors and Documentation for Self-Employed Borrower (Analysis of Borrower's Personal Income, Income Verification for Self-Employed Co-Borrowers)
- [B3-3.2.1-01](#), General Information on Analyzing Individual Tax Returns (Removed Cash Flow Analysis Form 1084)
- [B3-3.2.1-08](#), Income or Loss Reported on IRS Form 1065 or IRS Form 1120S, Schedule K-1 (Income or Loss Reported on IRS Form 1065 or IRS Form 1120S, Schedule K-1, Documentation Requirements)
- [B3-3.2.2-01](#), Analyzing Partnership Returns for a Partnership or LLC (Evaluating the Business Income, Borrower's Proportionate Share of Income or Loss, Adjustments to Business Cash Flow, Income from Partnerships, LLCs, Estates, and Trusts)
- [B3-3.2.2-02](#), Analyzing Returns for an S Corporation (Evaluating the Business Income, Borrower's Proportionate Share of Income or Loss, Adjustments to Business Cash Flow)
- [B3-3.3-01](#), Income and Employment Documentation for DU (Self-Employment Income)

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Selling Guide Announcement SEL-2015-09

August 25, 2015

Selling Guide Updates

The Selling Guide has been updated to include changes to the following:

- Self-Employed Income
- Project Eligibility Review for Attached Planned Unit Developments
- HomeStyle® Renovation
- Cash Back Pair-offs on Mandatory Whole Loan Commitments
- Miscellaneous Selling Guide Updates

Each of the updates is described below. The affected topics (and specific paragraphs) are noted for each policy change. Lenders should review each topic to gain a full understanding of the policy changes. The updated topics are dated August 25, 2015.

Self-Employed Income

Fannie Mae has updated the self-employment income policies published in December 2014 regarding how to calculate and document self-employment income, including the parameters under which business income without a history of distribution may be included to qualify self-employed borrowers.

This policy update provides an alternative approach that lenders may follow for borrowers who do not show a history of receiving distributions of business income provided certain conditions are met. Specifically, in order to include business income to qualify a self-employed borrower who does not have a history of receiving business income, the lender must confirm the borrower has access to the business income and the business must have adequate liquidity to support the withdrawal of earnings.

The approach and instructions published in December 2014 for self-employed borrowers who can provide a documented history of receiving distributions of business income remains in effect, as another approach lenders may follow when qualifying these borrowers.

A minor clarification has been made to broaden a reference to "salaried income" in a section that addresses when lenders need to prepare a written evaluation of self-employment income. We now refer to borrowers who are qualified using only "income that is not derived from self-employment". For example, when qualifying borrowers using only retirement income to qualify, no written evaluation of secondary self-employment income is required.

In addition to these updates, the Selling Guide has been updated to reflect that only the most recent year of individual and business federal income tax returns will be required for certain Desktop Underwriter® (DU®) loan casefiles, provided the tax returns show at least 12 months of self-employment income and the lender completes the Fannie Mae Cash Flow Analysis (Form 1084) or any other type of cash flow analysis form that applies the same principles. This flexibility will become available in DU in a future release, and will be communicated to lenders in the associated release notes.

Lastly, the December 2014 version of the Cash Flow Analysis (Form 1084) has been revised to incorporate these policy updates and improve ease of use.

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SEL-2015-09

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2016 Fannie Mae Updates

SEL 2016-05

- Updates to Business Income
 - Eliminate requirement to confirm borrower has access to income
 - Guidance for methods lenders may use to determine adequate business liquidity when liquidity assessment is required
 - Two year history required to use guaranteed payments
 - Verbal verifications of employment for a self-employed borrower can be obtained within 120 days prior to note date
- Chapter B3-3-1.07, 09 and B3-3-2 of the *Selling Guide* have been updated
- Effective October 1, 2016



Fannie Mae

Selling Guide Announcement SEL-2016-05

June 28, 2016

Selling Guide Updates

The Selling Guide has been updated to include changes to the following:

- HomeReady® Income Limits
- Business Income
- Restructured Loan Policy
- Project Insurance - Mortgagee Clause Update

Each of the updates is described below. The affected topics (and specific paragraphs) are noted for each policy change. Lenders should review each topic to gain a full understanding of the policy changes. The updated topics are dated June 28, 2016.

In addition, updates to the following are described in this Announcement:

- Minimum Interest Rate Floor for ARM Notes and Riders
- Wisconsin Security Instrument

HomeReady Income Limits

Fannie Mae continues to assess how to simplify the HomeReady product and incorporate features that enable lenders to expand access to credit in a safe and responsible manner. As a result, a number of product enhancements are planned for later this year.

With this Guide update, we are announcing the first change to HomeReady. We are simplifying the way that income limits are applied by establishing a single area median income (AMI) limit of 100% (previously the limit was 80% or 100% depending on the property location). We are maintaining the exception for properties located in low-income census tracts where no limit applies.

Updated Selling Guide Topics

- [B5-6-02](#), HomeReady Mortgage Loan and Borrower (Borrower Income Limits and Calculations)

Effective Date

This policy will be implemented in DU the weekend of July 16, 2016, and will apply to all DU Version 9.3 loan casefiles submitted (or resubmitted) on or after that date. For manually underwritten loans, this policy is effective for loans with application dates on or after July 16, 2016. Also note that the 2016 AMIs will be published at the same time.

Business Income

Since the self-employed income policy updates were announced last year, lenders have provided feedback regarding the difficulty in obtaining documentation to evidence a borrower's ongoing access to business income, and asked for additional guidance on how to determine whether the business has adequate liquidity to support the withdrawal of business earnings.

The documentation we currently require may not be readily available or may not directly affirm the borrower's access to income. Furthermore, some lenders may be generally unfamiliar with methods that may be used to determine adequate business liquidity.

Self-Employment Fannie Mae

B3-3.2-01: Underwriting Factors and Documentation for a Self-Employed Borrower (10/24/2016)

This topic contains general information on underwriting factors and documentation for a self-employed borrower, including:

- [Overview >](#)
- [Factors to Consider for a Self-Employed Borrower >](#)
- [Length of Self-Employment >](#)
- [Verification of Income >](#)
- [Analysis of Borrower's Personal Income >](#)
- [Analysis of Borrower's Business Income >](#)
- [Use of Business Assets >](#)
- [Income Verification for Self-Employed Co-Borrowers >](#)
- [Verbal Verification of Employment >](#)

Overview

When determining the appropriate qualifying income for a self-employed borrower, it is important to note that business income (specifically from a partnership or S corporation) reported on an individual IRS Form 1040 may not necessarily represent income that has actually been distributed to the borrower. The fundamental exercise, when conducting a self-employment income cash flow analysis, is to determine the amount of income that can be relied on by the borrower in qualifying for their personal mortgage obligation. When underwriting these borrowers, it is important to review business income distributions that have been made or could be made to these borrowers while maintaining the viability of the underlying business. This analysis includes assessing the stability of business income and the ability of the business to continue to generate sufficient income to enable these borrowers to meet their financial obligations.

Self-Employment Fannie Mae

Factors to Consider for a Self-Employed Borrower

Any individual who has a 25% or greater ownership interest in a business is considered to be self-employed.

The following factors must be analyzed before approving a mortgage for a self-employed borrower:

- the stability of the borrower's income,
- the location and nature of the borrower's business,
- the demand for the product or service offered by the business,
- the financial strength of the business, and
- the ability of the business to continue generating and distributing sufficient income to enable the borrower to make the payments on the requested mortgage.

Length of Self-Employment

Fannie Mae generally requires lenders to obtain a two-year history of the borrower's prior earnings as a means of demonstrating the likelihood that the income will continue to be received.

However, a person who has a shorter history of self-employment — 12 to 24 months — may be considered, as long as the borrower's most recent signed federal income tax returns reflect the receipt of such income as the same (or greater) level in a field that provides the same products or services as the current business or in an occupation in which he or she had similar responsibilities to those undertaken in connection with the current business. In such cases, the lender must give careful consideration to the nature of the borrower's level of experience, and the amount of debt the business has acquired.

Written Analysis of Income-Fannie Mae

Analysis of Borrower's Personal Income

The lender must prepare a written evaluation of its analysis of a self-employed borrower's personal income, including the business income or loss, reported on the borrower's individual income tax returns. The purpose of this written analysis is to determine the amount of stable and continuous income that will be available to the borrower. This is not required when a borrower is qualified using only salaried income (not derived from self-employment) and self-employment is a secondary and separate source of income (or loss).

The lender may use Fannie Mae's *Cash Flow Analysis* ([Form 1084](#)) or any other type of cash flow analysis that applies the same principles as Fannie Mae's form.

A copy of the written analysis must be included as part of any loan application package that the lender submits to Fannie Mae for a mortgage that is selected for a post-purchase quality control review.

Fannie Mae 2016 Selling Guide B3-3.2-01, Underwriting Factors and Documentation for a Self-Employed Borrower (06/28/2016)

Written Analysis of Income-Fannie Mae

Analysis of Borrower's Business Income

When a borrower is relying upon self-employed income to qualify for a mortgage and the requirements that permit the lender to waive business tax returns are not met, the lender must prepare a written evaluation of its analysis of the borrower's business income. The lender must evaluate the borrower's business through its knowledge of other businesses in the same industry to confirm the stability of the borrower's business income and estimate the potential for long-term earnings.

The purpose of this analysis is to:


- consider the recurring nature of the business income, including identification of pass-through income that may require additional evaluation;
- measure year-to-year trends for gross income, expenses, and taxable income for the business;
- determine (on a yearly or interim basis) the percentage of gross income attributed to expenses and taxable income; and
- determine a trend for the business based on the change in these percentages over time.

The lender may use Fannie Mae's *Comparative Income Analysis (Form 1088)* or any other method of trend analysis that enables it to determine a business's viability, as long as the method used fairly presents the viability of the business and results in a degree of accuracy and a conclusion that is comparable to that which would be reached by use of Form 1088.

A copy of the written analysis and conclusions must be retained in the individual mortgage file.

Fannie Mae 2016 Selling Guide B3-3.2-01, Underwriting Factors and Documentation for a Self-Employed Borrower (06/28/2016)

Form 1088 Trend Analysis

 **Fannie Mae** Comparative Income Analysis

Borrower Name

Company Name

General Instructions: This Form is to be used to compare the borrower's business over a period of years. Each term is defined as follows:

Gross Income: Gross receipts or Sales (-) Returns and Allowances
Expenses: Cost of goods sold (+) Total deductions
Taxable Income: from
 IRS Form 1040, Schedule C = Net Profit or Loss (Sole Proprietorship)
 IRS Form 1065 = Ordinary Income or Loss (Partnership)
 IRS Form 1120(S) = Ordinary Income or Loss (S Corporation)
 IRS Form 1120 = Taxable Income (Corporation)

Calculation Instructions: Determine year-to-year trends in gross income, expenses, and taxable income as described below.

Gross Income
 Step 1. Enter the gross income figure from each year's statement where indicated.
 Step 2. Determine the percentage change in gross income from one year to the next by
 (a) calculating the dollar difference between the two years, and then
 (b) dividing the dollar difference by the previous year's gross income.
 Enter the percentage of increase or decrease where indicated. Be sure to indicate a + (plus) or - (minus) sign.

Year Year Year

Gross Income 100% 100% 100%

% Change (+) or (-) % change** (+) or (-) % change**

Expenses
 Step 1. Enter the expense income figure from each year's statement where indicated.
 Step 2. Determine what percentage expenses are of gross income by dividing the expense amount by the dollar amount of gross income for each year. Enter the results where indicated.
 Step 3. Determine the percentage change in expenses from one year to the next by
 (a) calculating the dollar difference between the two years, and then
 (b) dividing the dollar difference by the previous year's expenses.
 Enter the percentage of increase and decrease where indicated. Be sure to indicate a + (plus) or - (minus) sign.

Year Year Year

Expenses % % %

% Change (+) or (-) % change** (+) or (-) % change**


*The expenses and taxable income each period as a percentage of gross income for that period.
 **The percentage change for each item from the previous period.

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Quick Reference Guide: Fannie Mae's Comparative Analysis Form (Form 1088)

Fannie Mae's Comparative Income Analysis Form (Form 1088) leads the lender through the calculation of percentage increases (or decreases) in gross income, expenses and taxable income, as well as taxable income trend.

This form can be used with any business return, including Sole Proprietor (IRS Form 1040, Schedule C or C-EZ), Partnership (IRS Form 1065), S-Corp (IRS Form 1120S) and Corporate (IRS Form 1120). The guide below shows the line numbers for each form where the information can be found

 **Fannie Mae** Comparative Income Analysis

Borrower Name

Company Name

General Instructions: This Form is to be used to compare the borrower's business over a period of years. Each term is defined as follows:

Gross Income: Gross receipts or Sales (-) Returns and Allowances
Expenses: Cost of goods sold (+) Total deductions
Taxable Income: from
 IRS Form 1040, Schedule C = Net Profit or Loss (Sole Proprietorship)
 IRS Form 1065 = Ordinary Income or Loss (Partnership)
 IRS Form 1120(S) = Ordinary Income or Loss (S Corporation)
 IRS Form 1120 = Taxable Income (Corporation)

Calculation Instructions: Determine year-to-year trends in gross income, expenses, and taxable income as described below.

Gross Income
 Step 1. Enter the gross income figure from each year's statement where indicated.
 Step 2. Determine the percentage change in gross income from one year to the next by
 (a) calculating the dollar difference between the two years, and then
 (b) dividing the dollar difference by the previous year's gross income.
 Enter the percentage of increase or decrease where indicated. Be sure to indicate a + (plus) or - (minus) sign.

Year Year Year

Gross Income 100% 100% 100%

% Change (+) or (-) % change** (+) or (-) % change**

Expenses
 Step 1. Enter the expense income figure from each year's statement where indicated.
 Step 2. Determine what percentage expenses are of gross income by dividing the expense amount by the dollar amount of gross income for each year. Enter the results where indicated.
 Step 3. Determine the percentage change in expenses from one year to the next by
 (a) calculating the dollar difference between the two years, and then
 (b) dividing the dollar difference by the previous year's expenses.
 Enter the percentage of increase and decrease where indicated. Be sure to indicate a + (plus) or - (minus) sign.

Year Year Year

Expenses % % %

% Change (+) or (-) % change** (+) or (-) % change**

*The expenses and taxable income each period as a percentage of gross income for that period.
 **The percentage change for each item from the previous period.

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Form	2016, 2015 & 2014 Line
Sched C	3
C-EZ	1
P/T	1c
S-Corp	1c
Corp	1c

Form	2016, 2015 & 2014 Line
Sched C	4 + 28
C-EZ	2
P/T	2 + 21
S-Corp	2 + 20
Corp	2 + 27

Check Your Investor Implementation Date



Bulletin

TO: Freddie Mac Sellers

October 27, 2016 | 2016-19

SUBJECT: REVISIONS TO INCOME QUALIFICATION REQUIREMENTS

This Guide Bulletin announces revisions to our income qualification requirements and guidance, effective for Mortgages with Settlement Dates on and after March 6, 2017.

The revisions provide more comprehensive requirements and guidance with a focus on matters that impact the analysis of stable monthly income such as:

- Industry employment trends (e.g., employment characteristics)
- Determination of stability and calculation of fluctuating earnings
- Self-employment

Freddie Mac considered Seller inquiries and feedback, broad industry practices and internal review and analysis in developing these updated requirements which will provide greater purchase certainty for our Sellers.

We are updating Guide Chapters 5301, 5302, 5303, 5304, 5305 and 5307, and improving the format through the use of charts, as appropriate. Rental income requirements will be addressed in a future Guide Bulletin.

The following information includes highlights of the changes in each chapter. Additional details are available in [Attachment A](#) of this Bulletin, *Detailed Summary of Income Qualification Requirements Updates*.

CHAPTER 5301, GENERAL REQUIREMENTS FOR ALL STABLE MONTHLY INCOME AND ASSET QUALIFICATION SOURCES

Chapter 5301 is being updated to provide more details on Freddie Mac's expectation for Seller's income analysis (e.g., history and continuance), verification, calculation and determination of the stable monthly income qualification amount.

The content of existing Guide Section 5301.1 is split into Section 5301.1 and new Sections 5301.2 and 5301.3.

Guide impact: Chapter 5301

CHAPTER 5302, GENERAL REQUIREMENTS FOR DOCUMENTATION USED TO VERIFY EMPLOYMENT AND INCOME

The revisions to the requirements and guidance in Chapter 5302 include:

- **Signed tax returns** – Adding alternatives for the Borrower's signature on tax returns (e.g., signed Internal Revenue Service (IRS) Form 8879 evidencing electronic filing)
- **IRS transcripts** – Adding guidance for the use of IRS transcripts
- **Unreimbursed employee expenses** – Adding flexibility by specifying that business expenses must be deducted from the income only when the expenses are associated with commissions greater than or

■ The Effective Date to Previously Announced Income Qualification Requirements

We're extending the effective date for revised income qualification requirements and guidance from March 6, 2017 to July 6, 2017, giving you additional time to prepare. The extension is effective for mortgages with settlement dates on and after July 6, 2017; however, you may implement for mortgages with settlement dates on and after March 6, 2017. If you choose to implement on and after March 6, you must comply with all, not just some, of the new requirements.

Requirements updates

For a detailed explanation of all changes made with Bulletin 2016-19, please review the following tables:

- [Chapter 5301, General Requirements for All Stable Monthly Income and Asset Qualification Sources](#)
- [Chapter 5302, General Requirements for Documentation Used to Verify Employment and Income](#)
- [Chapter 5303, Employed Income](#)
- [Chapter 5304, Self-Employed Income](#)
- [Chapter 5305, Other Income](#)
- [Chapter 5307, Asset Qualification Sources](#)

CHAPTER 5301, GENERAL REQUIREMENTS FOR ALL STABLE MONTHLY INCOME AND ASSET QUALIFICATION SOURCES

General requirements for all stable monthly income and asset qualification sources		
Guide reference	Subject	Update
5301	Chapter 5301	<ul style="list-style-type: none"> • Providing more detail on Freddie Mac's expectation of the Seller's income analysis • Dividing Guide Chapter 5301 into three sections and reformatting each section for specificity
5301.1(a)	Overview: Analysis of stable monthly income amount	Adding an overview of Topic 5300
5301.1(b)	General requirements for all stable monthly income	Consolidating existing requirements in Sections 5301.1(a) and (b) and renaming the section
5301.1(c)	Income stability and history requirements	<p>Expanding guidance for the determination of income stability and history requirements.</p> <p>Emphasizing the analysis of the historical and future income characteristics, for example whether the amount of monthly income:</p> <ul style="list-style-type: none"> • Is a pre-determined fixed amount with guaranteed continued or

Implementation Of Income Requirements Delayed For Loans With Settlement Dates of July 6, 2017 or After; Loan Product Advisor Updated March 6, 2017

Freddie Mac Seller/Servicer Guide

5304.1: Stable monthly income and documentation requirements for self-employed Borrowers (Future effective date 07/06/17)

Self-employed Income	
Self-employment indicator (Guide Section 5304.1)	<p>A borrower who has an ownership interest of 25% or more in a Partnership, S Corporation and/or Corporation is considered to be self-employed. A borrower who is a sole-proprietor is considered to be a self-employed borrower.</p> <p>The Seller must indicate to Loan Product Advisor that a borrower is self-employed when the borrower meets Freddie Mac's definition of self-employed as stated above. This is required in all cases where the self-employment income and/or loss is used to determine the borrower's stable monthly income for qualifying.</p>

The following chart contains requirements and guidance for determining self-employment and verifying the Borrower's business ownership percentage:

Business structure	Self-employment verification of ownership interest percentage
Partnerships, S Corporations and Corporations	The ownership interest percentage must be verified by a review of the federal income tax returns for the business, including the IRS Schedule K-1(s) or IRS Form 1125-E, Compensation of Officers. If these documents do not provide this information, the ownership interest percentage must be verified with a letter from the accountant for the business or similar documents
Sole Proprietorships	Sole proprietorships are unincorporated businesses. A sole proprietor owns 100% of the business and reports the income and expenses from that business on Schedule C of the federal individual income tax return. There is no associated federal business tax return.

Freddie Mac Seller/Servicer Guide

5304.1: Stable monthly income and documentation requirements for self-employed Borrowers (Future effective date 07/06/17)

<p>Self-employment income not used for qualification Guide Section 5304.1(e)</p>	<p>Self-employment disclosed on Uniform Residential Loan Application (or other documentation) but not used to qualify</p> <p>If the Borrower is self-employed and the self-employment is not considered for qualification purposes, pages 1 and 2 of the borrower's tax returns and the applicable schedules (e.g., Schedule C, Schedule E) are still required to determine if there is a business loss that may have an impact on the stable monthly income. Refer to Guide Section 5304.1(e) for complete requirements and guidance.</p> <ul style="list-style-type: none"> ▪ If a business loss is reported and the Borrower qualifies with the loss, then the Seller is not required to obtain any additional documentation relating to the business loss.
<p>Self-employment income not used for qualification (continued) Guide Section 5304.1(e)</p>	<ul style="list-style-type: none"> ▪ If a business loss is reported and the Borrower does not qualify with the loss, then the Seller must perform a business and income analysis to determine whether depreciation adjustments or other factors such as business closure or evidence of a one-time non-recurring event justify a reduction of the reported loss when calculating the stable monthly income. The Seller must obtain additional documentation needed in order to fully evaluate the loss and support the analysis (e.g. business tax returns (final or otherwise), evidence of a one-time non-recurring event). <p>If the tax returns or other documentation in the Mortgage file (e.g., IRS tax transcripts, additional Schedule K-1s) reflect positive income from self-employment but that income is not used to qualify, additional documentation (e.g., complete business or federal individual income tax return(s)) is not required. The Loan Product Advisor self-employed indicator is not required.</p>

When Do We Have To Tell Loan Product Advisor Our Borrower Is Self-Employed?

Freddie Mac Seller/Servicer Guide

5304.1: Stable monthly income and documentation requirements for self-employed Borrowers (Future effective date 07/06/17)

Business and income analysis

Requirements and guidance

Business review and analysis:

The Seller's analysis of the business must support that the business has sufficient liquidity and is financially capable of producing stable monthly income for the Borrower.

- The analysis must include a review of the business tax returns
- The Seller's review must include, at a minimum, an analysis of gross receipts or sales, cost of goods sold and gross profits. All should be typical for the type of business and reflect consistent year over year trends. In addition, the business expenses should be reasonable for the type of business activity and level of business income. Business tenure should be considered.
- The Seller may determine that review and analysis of the business financial statements, business asset statements, and in the case of Partnerships and S corporations, an analysis of the historical cash distributions, is necessary to establish the financial and liquidity standing of the business. In addition, the Seller may calculate and consider the liquidity ratios of the business using generally accepted accounting practices when analyzing the liquidity of the business.

Freddie Mac Seller/Servicer Guide

5304.1: Stable monthly income and documentation requirements for self-employed Borrowers (Future effective date 07/06/17)

Use of business income not reported on the Borrower's federal individual income tax returns

- Income reported on the business tax returns but not on the personal tax returns may be considered as stable monthly income, provided the Seller's analysis confirms that based on the financial strength of the business, the use of these funds as personal income would not have a detrimental impact on the business

Access to business income

Documentation is not required to verify access to business income for the following:

- Sole proprietorships
- Ordinary income, net rental real estate income, other net rental income and guaranteed payments received from partnerships and S corporations
- W-2 income received from S corporations and corporations,
- Corporations, if the Borrower holds 100% ownership interest

If business income not reported on the Borrower's federal individual income tax returns is being used to qualify and none of the categories above apply, then the Seller must verify that the Borrower's legal right to the business income that is used as stable monthly income is not encumbered, restricted or prevented by the corporate resolution, partnership agreement, or other comparable document.

Freddie Mac Seller/Servicer Guide

5304.1: Stable monthly income and documentation requirements for self-employed Borrowers (Future effective date 07/06/17)

- For Partnerships and S corporations, stable monthly income may be based on the Borrower's proportionate share of income (e.g., ordinary income, guaranteed payments) carried from the Form 1065 or 1120 S, through the Schedule K-1 and onto the Borrower's federal individual income tax returns. Although cash distributions reported on the Schedule K-1 may not be used as qualifying income, they may be used to establish business liquidity and access to business funds, provided they are reasonably consistent with the ordinary income.

Topic	Documentation Requirements (Streamlined and Standard Documentation Levels)		
Effective for Mortgages with Freddie Mac Settlement Dates on or after July 6, 2017; but Sellers may implement for Mortgages with Settlement Dates on or after March 6, 2017			
Requirements (continued) Guide Section 5304.1(h)		Business in existence \geq 5 years	Business in existence $<$ 5 years
	Sole proprietorship	Obtain complete signed federal individual (Form 1040) income tax return for the most recent year.	Obtain complete signed federal individual (Form 1040) income tax returns for the most recent two years.
	Partnership	Verify the number of years that the business has been in existence and obtain complete signed federal individual and Partnership (Form 1065) income tax returns, including the Schedule K-1(s) for the most recent year.	Verify the number of years that the business has been in existence and obtain complete signed federal individual and Partnership (Form 1065) income tax returns, including the Schedule K-1(s) for the most recent two years.
	S Corporation	Verify the number of years that the business has been in existence and obtain complete signed federal individual and S corporation (Form 1120S) income tax returns, including the Schedule K-1(s), Form 1125-E and W-2(s) if applicable, for the most recent year.	Verify the number of years that the business has been in existence and obtain complete signed federal individual and S corporation (Form 1120S) income tax returns, including the Schedule K-1(s), Form 1125-E and W-s(s) if applicable, for the most recent two years.
	Corporation	Verify the number of years that the business has been in existence and obtain complete signed federal individual and Corporation (Form 1120) income tax returns, including Form 1125-E and W-2(s) as applicable, for the most recent year.	Verify the number of years that the business has been in existence and obtain complete signed federal individual and Corporation (Form 1120) income tax returns, including Form 1125-E and W-2(s) as applicable, for the most recent two years.

- Verification of how long the business has been in existence:
 - For partnerships, S corporations and corporations, the federal income tax return(s) for the business must indicate the number of years that the business has been in existence
 - For sole proprietorships, the federal individual income tax return(s) and any other documentation or information received must not contradict the number of years that the business has been in existence as documented on [Form 65, Uniform Residential Loan Application](#)

LPA documentation Matrix

Tool to Help document your files

- Updated for loans with settlement dates on or after July 6, 2017.
- If you choose to implement on and after March 6, you must comply with all asset or all the income changes, not just some of the new requirements
- The existing matrix (July 2016) is still available should you or your lender choose to wait to implement until July 6.

Loan Product Advisor SM Documentation Matrix



Effective for Mortgages with Freddie Mac Settlement Dates on or after July 6, 2017; but Sellers may implement for Mortgages with Settlement Dates on or after March 6, 2017

Use the following information as a reference for documenting your Loan Product Advisor loans. For complete documentation information and specific program eligibility requirements, refer to the [Freddie Mac Single-Family Seller/Service Guide \(Guide\)](#). We recommend bookmarking the Guide link (Freddie Mac Guide URL page) for easy access to AllRegs.

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[Credit and Liabilities](#)

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[Verification Requirements](#)

[Requirements for Resubmission to Loan Product Advisor](#)

[Requirements for Resubmission to Loan Product Advisor After the Note Date](#)

Note: Historically, vertical revision bars "I" are used in the margin of this quick reference to highlight new requirements and significant changes, however due to the many revisions and updates for income/employment and assets, we recommend you review the document in its entirety.

February 2017

www.FreddieMac.com/learn/

http://www.freddiemac.com/learn/pdfs/uw/docmatrix_settlement_dates_july_6_2017.pdf



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Quick Reference Guide and Webinars

The screenshot shows the Genworth Financial website's Training page. The navigation bar includes links for Home, Contact Us, Genworth.com, Site Map, and a Log In button. The main menu highlights Training, with other options like MI, Tech Connections, Lender Services, Rates & Guidelines, and Resource Center. A sidebar on the left lists various resources: Mortgage Insurance, Recorded Webinars, Sales & Marketing, Self-Employed Borrower Calculators, TRID Resources, Training FAQs, and Trainer Bios. The main content area is titled 'TRAINING' and describes the comprehensive suite of training opportunities offered. It includes a section 'What You Get with Training from Genworth' with a central graphic showing five interconnected areas: Courses Offered In A Variety Of Formats, Industry Leading Trainers, Customized Training Available, Wide Spectrum Of Course Topics, and That MIGuy®. To the right, there are two callout boxes. The first, 'Webinar Schedule', mentions that sessions address essential topics for mortgage professionals and provides links to 'Monthly Webinar Calendars' and 'Course Catalog', along with a sign-up link for the monthly training webinar calendar. The second, 'Self-Employed Borrower Calculators', links to 'Income Calculation Tools and Reference Guides'. At the bottom, a footer contains links for Privacy and Security, Terms of Use, and Predatory Lending Guidelines, along with a copyright notice for 2006-2015 Genworth Financial Inc.

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Webinar Schedule

Our webinar sessions address topics that are essential to mortgage professionals.

[Monthly Webinar Calendars](#)

[Course Catalog](#)

Sign up to receive the monthly training webinar calendar [here](#).

Self-Employed Borrower Calculators

Income Calculation Tools and Reference Guides

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Quick Reference Guide and Webinars










- ♦ Genworth MI Tutorials
- ♦ Recorded Webinars
- ♦ [Self-Employed Borrower Calculators](#)
- ♦ TRID Resources
- ♦ Training FAQs
- ♦ Trainer Bios

SELF-EMPLOYED BORROWER CALCULATORS

Use the following calculators and quick reference guides to assist you in calculating and analyzing the average monthly income of a self-employed borrower. It provides suggested guidance only and does not replace Fannie Mae/Freddie Mac instructions or applicable guidelines.

Due to various internet browser versions, please download and save PDF before entering data. Please note, calculators are updated periodically.

Automated Income Calculation Tools

-  [Fannie Mae Form 1084 Calculator \(2015-2016\)](#)
-  [Freddie Mac Form 91 Calculator \(2015-2016\)](#)
-  [Scheduled Analysis Method \(SAM\) Calculator \(2015-2016\)](#)
-  [Rental Income Calculator \(2015-2016\)](#)
-  [Fannie Mae Rental Guide \(Calculator 1037\)](#)
-  [Fannie Mae Rental Guide \(Calculator 1038\)](#)
-  [Fannie Mae Rental Guide \(Calculator 1039\)](#)
-  [Quick Ratio – Liquidity Calculator \(2015-2016\)](#)
-  [Current Ratio – Liquidity Calculator \(2015-2016\)](#)

Previous versions of income calculation forms can be found at our [Forms Library](#).


Easy To Use Reference Guide


-  [Fannie Mae Comparative Analysis Guide \(Form 1088\)](#)

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Webinar Schedule

Our webinar sessions address topics that are essential to mortgage professionals.

 [March Webinar Calendar](#)

 [April Webinar Calendar](#)

 [Course Catalog](#)

Sign up to receive the monthly training webinar calendar [here](#).

Borrower(s) Name(s) Loan Number

Property Address



Calculator and Quick Reference Guide: Schedule Analysis Method (SAM)

Please use the following calculator and quick reference guide to assist you in calculating qualifying income from tax returns. It provides suggested guidance only and does not replace Fannie Mae, Freddie Mac, Lender or Investor instructions or applicable guidelines.

I Form 1040 – Page 1		2016	2015	NOTES
1	Self-Employed Wages or Similar Income, W-2 (Line 5)			*If untaxed income can be grossed up, see calculator on fourth page of this guide.
2	Tax-Exempt Interest (Line 8b)	+		
3	Alimony Received (Line 11)	+		
4	IRA Pension/Annuity Distributions (Lines 15a and/or 16a*)	+		
5	Recurring Unemployment Compensation (Line 19)	+		
6	Social Security Benefits (Line 20a*)	+		
7	Other Income (Line 21)	+/-		
8	Other:	+/-		
Form 1040 Subtotal		\$ 0.00	\$ 0.00	

II Form 2106 – Employee Business Expenses		2016	2015	NOTES
9	Total Expenses (Lines 8a + 8b; or 2106-EZ Lines 6 + 5)	-		
10	Depreciation (Line 28, if complete, OR)	+		
11	Business Miles (Line 12; or 2106-EZ Line 8a)			
11a	X Depreciation Rate (2016 and 2015-24c)			
11b	= Total Mileage Depreciation	+	0.00	
Form 2106 Subtotal		\$ 0.00	\$ 0.00	

III Schedule B - Interest and Dividends		2016	2015	NOTES
12	Recurring Interest Income (Line 1) or Line 8a from 1040	+		
13	Recurring Dividend Income (Line 5) or Line 9a from 1040	+		
Schedule B Subtotal		\$ 0.00	\$ 0.00	

IV Schedule C - Sole Proprietorship		2016	2015	NOTES
14	Net Profit or Loss (Line 31)	+/-		
15	Nonrecurring Other (Income) Loss or Expenses (Line 6)	+/-		
16	Depletion (Line 12)	+		
17	Depreciation (Line 13)	+		
18	Meal and Entertainment Exclusion (Line 24b)	-		
19	Business Use of Home (Line 30, Form 8829)	+		
20	Business Miles, Page 2, Part IV (Line 44a)			
20a	X Depreciation Rate (2016 and 2015-24c)			
20b	= Total Mileage Depreciation	+	0.00	
21	Amortization/Casualty Loss only if noted (Page 2, Part V)	+		
Schedule C Subtotal		\$ 0.00	\$ 0.00	

You'll Need

ANALYSIS OF THE SELF-EMPLOYED BORROWER CASE STUDY

The Case Study

You will be working with John and Mary Homeowner who:

- Own a Schedule C business called Red Carpet Security (John)
- Have interest income earned from a Partnership
- Have capital gains reported on a Schedule D
- Own an existing rental property shown on a Schedule E
- Own 50% of an LLC called MHI (Mary)
 - Reported on a 1065 Partnership Return
 - Mary receives a K-1
- Own 100% of an S Corporation called Always Watching Security, Inc. (John)
 - John receives a K-1
 - John received 1120S business tax return
 - John receives a W-2 Wage Statement from the business

Calculator And Quick Reference Guide

You will need Quick Reference Guide

Calculator and Quick Reference Guide: Schedule Analysis Method (SAM)

Please use the following calculator and quick reference guide to assist you in calculating qualifying income from tax returns. It provides suggested guidance only and does not replace Fannie Mae, Freddie Mac, Lender or Investor instructions or applicable guidelines.

I Form 1040 – Page 1			2016	2015	NOTES
1	Self-Employed Wages or Similar Income, W-2 (Line 5)				*If untaxed income can be grossed up, see calculator on fourth page of this guide.
2	Tax-Exempt Interest (Line 8b)	+			
3	Alimony Received (Line 11)	+			
4	IRA Pension/Annuity Distributions (Lines 15a and/or 16a*)	+			
5	Recurring Unemployment Compensation (Line 19)	+			
6	Social Security Benefits (Line 20a*)	+			
7	Other Income (Line 21)	+/-			
8	Other:	+/-			
Form 1040 Subtotal			\$ 0.00	\$ 0.00	

Calculator and Quick Reference Guide

You will need Quick Reference Guide

Calculator and Quick Reference Guide: Schedule Analysis Method (SAM)

Please use the following calculator and quick reference guide to assist you in calculating qualifying income from tax returns. It provides suggested guidance only and does not replace Fannie Mae, Freddie Mac, Lender or Investor instructions or applicable guidelines.

I Form 1040 – Page 1			2016	2015	NOTES
→ 1	Self-Employed Wages or Similar Income, W-2 (Line 5)				*If untaxed income can be grossed up, see calculator on fourth page of this guide.
2	Tax-Exempt Interest (Line 8b)	+			
3	Alimony Received (Line 11)	+			
4	IRA Pension/Annuity Distributions (Lines 15a and/or 16a*)	+			
5	Recurring Unemployment Compensation (Line 19)	+			
6	Social Security Benefits (Line 20a*)	+			
7	Other Income (Line 21)	+/-			
8	Other:	+/-			
Form 1040 Subtotal			\$ 0.00	\$ 0.00	

W-2 Wages

Case Study 1040 and W-2s

- IRS Form 1040, Line 7 shows ALL W-2 wages
- Review each W-2 to determine if it is salary or SEB (ownership of 25% or more)
- DO NOT use IRS Form 1040, Line 7

Form 1040 Department of the Treasury—Internal Revenue Service **2016** U.S. Individual Income Tax Return CMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2016, or other tax year beginning , 2016, ending , 20.

Your first name and initial Last name
John Homeowner
If a joint return, spouse's first name and initial Last name
Mary Homeowner
Home address (number and street). If you have a P.O. box, see instructions.
7 Galloping Hill Road Apt. no.
City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).
Dallas TX 75432
Foreign country name Foreign province/state/country Foreign postal code

Filing Status
1 ☐ Single
2 ☒ Married filing jointly (even if only one had income)
3 ☐ Married filing separately. Enter spouse's SSN above and full name here. ▶
4 ☐ Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶
5 ☐ Qualifying widow(er) with dependent child

Exemptions
6a ☒ Yourself. If someone can claim you as a dependent, do not check box 6a.
b ☒ Spouse
c Dependents:
(1) First name Last name (2) Dependent's social security number (3) Dependent's relationship to you (4) ☒ If child under age 17 qualifying for child tax credit (see instructions)
If more than four dependents, see instructions and check here ☐
d Total number of exemptions claimed 2

Income
7 Wages, salaries, tips, etc. Attach Form(s) W-2 7 5,000.
8a Taxable interest. Attach Schedule B if required 8a 1,710.
b Tax-exempt interest. Do not include on line 8a. 8b
9a Ordinary dividends. Attach Schedule B if required 9a
b Qualified dividends 9b
10 Taxable refunds, credits, or offsets of state and local income taxes
11 Alimony received
12 Business income or (loss). Attach Schedule C or C-EZ 12 8,559.
13 Capital gain or (loss). Attach Schedule D if required. If not required, check here ☐ 13 -3,000.
14 Other gains or (losses). Attach Form 4797 14
15a IRA distributions 15a b Taxable amount 15b
16a Pensions and annuities 16a b Taxable amount 16b
17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E 17 37,302.
18 Farm income or (loss). Attach Schedule F 18
19 Unemployment compensation 19
20a Social security benefits 20a b Taxable amount 20b
21 Other income. List type and amount 21
22 Combine the amounts in the far right column for lines 7 through 21. This is your **total income** ▶ 22 49,571.

Adjusted Gross Income
23 Educator expenses 23
24 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ 24
25 Health savings account deduction. Attach Form 8889 25
26 Moving expenses. Attach Form 3903 26
27 Deductible part of self-employment tax. Attach Schedule SE 27 605.
28 Self-employed SEP, SIMPLE, and qualified plans 28
29 Self-employed health insurance deduction 29
30 Penalty on early withdrawal of savings 30
31a Alimony paid b Recipient's SSN ▶ 31a
32 IRA deduction 32
33 Student loan interest deduction 33
34 Tuition and fees. Attach Form 8917 34
35 Domestic production activities deduction. Attach Form 8803 35
36 Add lines 23 through 35 36 605.
37 Subtract line 36 from line 22. This is your **adjusted gross income** ▶ 37 48,966.

For Disclosure, Privacy Act, and Paperwork Reduction Act notice, see separate instructions. BAA REV 01/25/17 TTW Form **1040** (2016)

Does Our Applicant Have Ownership?

Is this W-2 wage self-employment or salary income?

a Employee's SSN 300-50-1234		b Employer ID No. (EIN) 27-1234567		OMB No. 1545-0008		
c Employer's name, address, and ZIP code JOHN HOMEOWNER ALWAYS WATCHING SECURITY INC. 2 CORPORATE CT DALLAS TX 75432		1 Wgs, tips, other compn 5000.00	2 Fed inc tax withheld 426.55	3 Social security wages 5000.00	Form W-2 Wage and Tax Statement 2016 <small>Copy B To Be Filed with Employee's FEDERAL Tax Return This information is being furnished to the Internal Revenue Service.</small>	
		4 SS tax withheld 310.00	5 Medicare wages & tips 5000.00	6 Medicare tax withheld 72.50		
		7 Social security tips	8 Allocated tips	9		
		10 Depdnt care benefits	11 Nonqualified plans	12a		
d Control No.						
e Employee's name, address, and ZIP code JOHN HOMEOWNER 7 GALLOPING HILL ROAD DALLAS TX 75432		Suff.				
		13 Statutory employee- <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		14 Other 12b 12c 12d		
15 State	Employer's state ID number	16 State wages, tips, etc	17 State income tax	18 Local wages, tips, etc		19 Local income tax
				20 Locality name		

Department of the Treasury — IRS

Schedule E To Validate Ownership

Schedule E (Form 1040) 2016

Attachment Sequence No. **13**

Page **2**

Name(s) shown on return. Do not enter name and social security number if shown on other side.

John & Mary Homeowner

Your social security number

300-50-1234

Caution: The IRS compares amounts reported on your tax return with amounts shown on Schedule(s) K-1.

Part II **Income or Loss From Partnerships and S Corporations** **Note:** If you report a loss from an at-risk activity for which any amount is **not** at risk, you **must** check the box in column (e) on line 28 and attach **Form 6198**. See instructions.

27 Are you reporting any loss not allowed in a prior year due to the at-risk, excess farm loss, or basis limitations, a prior year unallowed loss from a passive activity (if that loss was not reported on Form 8582), or unreimbursed partnership expenses? If you answered "Yes," see instructions before completing this section. ☐ **Yes** ☒ **No**

28	(a) Name	(b) Enter P for partnership; S for S corporation	(c) Check if foreign partnership	(d) Employer identification number	(e) Check if any amount is not at risk
A	MHI LLC	P	<input type="checkbox"/>	26-1234567	<input type="checkbox"/>
B	Always Watching Security Inc.	S	<input type="checkbox"/>	27-1234567	<input type="checkbox"/>
C			<input type="checkbox"/>		<input type="checkbox"/>
D			<input type="checkbox"/>		<input type="checkbox"/>

Passive Income and Loss

Nonpassive Income and Loss

	(f) Passive loss allowed (attach Form 8582 if required)	(g) Passive income from Schedule K-1	(h) Nonpassive loss from Schedule K-1	(i) Section 179 expense deduction from Form 4562	(j) Nonpassive income from Schedule K-1
A					10,624.
B					32,901.
C					
D					
29a Totals					43,525.
b Totals					
30	Add columns (g) and (j) of line 29a				30 43,525.
31	Add columns (f), (h), and (i) of line 29b				31 ()
32	Total partnership and S corporation income or (loss). Combine lines 30 and 31. Enter the result here and include in the total on line 41 below				32 43,525.

1120S K-1

Schedule K-1 (Form 1120S) Department of the Treasury Internal Revenue Service

2016

For calendar year 2016, or tax
year beginning _____ 2016
ending _____, 20____

Shareholder's Share of Income, Deductions, Credits, etc. See back of form and separate instructions.

Part I Information About the Corporation

A Corporation's employer identification number
27-1234567

B Corporation's name, address, city, state, and ZIP code
Always Watching Security Inc.
2 Corporate Court
Dallas, TX 75432

C IRS Center where corporation filed return
e-filed

Part II Information About the Shareholder

D Shareholder's identifying number
300-50-1234

E Shareholder's name, address, city, state, and ZIP code
John Homeowner
7 Galloping Hill Road
Dallas, TX 75432

F Shareholder's percentage of stock
ownership for tax year _____ 100 %

For IRS Use Only

Part III Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items		Credits	
1	Ordinary business income (loss)	13	Credits
2	Net rental real estate income (loss)		
3	Other net rental income (loss)		
4	Interest income		
5a	Ordinary dividends		
5b	Qualified dividends	14	Foreign transactions
6	Royalties		
7	Net short-term capital gain (loss)		
8a	Net long-term capital gain (loss)		
8b	Collectibles (28%) gain (loss)		
8c	Unrecaptured section 1250 gain		
9	Net section 1231 gain (loss)		
10	Other income (loss)	15	Alternative minimum tax (AMT) items
11	Section 179 deduction	16	Items affecting shareholder basis
12	Other deductions	C	339
		D	78,891
		17	Other information

* See attached statement for additional information.

Does Our Applicant Have Ownership?

SEB Or Salary Income? What will you enter on your form?

a Employee's SSN 300-50-1234		b Employer ID No. (EIN) 27-1234567		OMB No. 1545-0008	
c Employer's name, address, and ZIP code JOHN HOMEOWNER ALWAYS WATCHING SECURITY INC. 2 CORPORATE CT DALLAS TX 75432		1 Wgs, tips, other compn 5000.00	2 Fed inc tax withheld 426.55	3 Social security wages 5000.00	Form W-2 Wage and Tax Statement 2016 <small>Copy B To Be Filed with Employee's FEDERAL Tax Return This information is being furnished to the Internal Revenue Service.</small>
		4 SS tax withheld 310.00	5 Medicare wages & tips 5000.00	6 Medicare tax withheld 72.50	
		7 Social security tips	8 Allocated tips	9	
d Control No.		10 Depdnt care benefits	11 Nonqualified plans	12a	
e Employee's name, address, and ZIP code JOHN HOMEOWNER 7 GALLOPING HILL ROAD DALLAS TX 75432		13 Statutory employee- <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		14 Other	12b 12c 12d
15 State	Employer's state ID number	16 State wages, tips, etc	17 State income tax	18 Local wages, tips, etc	19 Local income tax
					20 Locality name

Department of the Treasury — IRS

SEB W-2 Wages

I Form 1040 – Page 1			2016	2015
1	Self-Employed Wages or Similar Income, W-2 (Line 5)		5,000.00	
2	Tax-Exempt Interest (Line 8b)	+		
3	Alimony Received (Line 11)	+		
4	IRA Pension/Annuity Distributions (Lines 15a and/or 16a*)	+		
5	Recurring Unemployment Compensation (Line 19)	+		
6	Social Security Benefits (Line 20a*)	+		
7	Other Income (Line 21)	+/-		
8	Other:	+/-		
Form 1040 Subtotal			\$ 5,000.00	\$ 0.00

Tax-Exempt Interest Income



I Form 1040 – Page 1			2016	2015
1	Self-Employed Wages or Similar Income, W-2 (Line 5)		5,000.00	
2	Tax-Exempt Interest (Line 8b)	+	0.00	
3	Alimony Received (Line 11)	+		
4	IRA Pension/Annuity Distributions (Lines 15a and/or 16a*)	+		
5	Recurring Unemployment Compensation (Line 19)	+		
6	Social Security Benefits (Line 20a*)	+		
7	Other Income (Line 21)	+/-		
8	Other:	+/-		
Form 1040 Subtotal			\$ 5,000.00	\$ 0.00

Income Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld. If you did not get a W-2, see instructions.	7	Wages, salaries, tips, etc. Attach Form(s) W-2	7	5,000.		
	8a	Taxable interest. Attach Schedule B if required	8a	1,710.		
	b	Tax-exempt interest. Do not include on line 8a	8b			
	9a	Ordinary dividends. Attach Schedule B if required	9a			
	b	Qualified dividends	9b			
	10	Taxable refunds, credits, or offsets of state and local income taxes	10			
	11	Alimony received	11			
	12	Business income or (loss). Attach Schedule C or C-EZ	12	8,559.		
	13	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>	13	-3,000.		
	14	Other gains or (losses). Attach Form 4797	14			
15a	IRA distributions	15a		b Taxable amount	15b	
16a	Pensions and annuities	16a		b Taxable amount	16b	

Alimony Received

I Form 1040 – Page 1			2016	2015
1	Self-Employed Wages or Similar Income, W-2 (Line 5)		5,000.00	
2	Tax-Exempt Interest (Line 8b)	+	0.00	
3	Alimony Received (Line 11)	+	0.00	
4	IRA Pension/Annuity Distributions (Lines 15a and/or 16a*)	+		
5	Recurring Unemployment Compensation (Line 19)	+		
6	Social Security Benefits (Line 20a*)	+		
7	Other Income (Line 21)	+/-		
8	Other:	+/-		
Form 1040 Subtotal			\$ 5,000.00	\$ 0.00


Income Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld. If you did not get a W-2, see instructions.	7	Wages, salaries, tips, etc. Attach Form(s) W-2	7	5,000.		
	8a	Taxable interest. Attach Schedule B if required	8a	1,710.		
	b	Tax-exempt interest. Do not include on line 8a	8b			
	9a	Ordinary dividends. Attach Schedule B if required	9a			
	b	Qualified dividends	9b			
	10	Taxable refunds, credits, or offsets of state and local income taxes	10			
	11	Alimony received	11			
	12	Business income or (loss). Attach Schedule C or C-EZ	12	8,559.		
	13	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>	13	-3,000.		
	14	Other gains or (losses). Attach Form 4797	14			
15a	IRA distributions	15a		b Taxable amount	15b	
16a	Pensions and annuities	16a		b Taxable amount	16b	

IRA Pension/Annuity Income

I Form 1040 – Page 1			2016	2015
1	Self-Employed Wages or Similar Income, W-2 (Line 5)		5,000.00	
2	Tax-Exempt Interest (Line 8b)	+	0.00	
3	Alimony Received (Line 11)	+	0.00	
4	IRA Pension/Annuity Distributions (Lines 15a and/or 16a*)	+	0.00	
5	Recurring Unemployment Compensation (Line 19)	+		
6	Social Security Benefits (Line 20a*)	+		
7	Other Income (Line 21)	+/-		
8	Other:	+/-		
Form 1040 Subtotal			\$ 5,000.00	\$ 0.00

Income Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld. If you did not get a W-2, see instructions.	7	Wages, salaries, tips, etc. Attach Form(s) W-2	7	5,000.		
	8a	Taxable interest. Attach Schedule B if required	8a	1,710.		
	b	Tax-exempt interest. Do not include on line 8a	8b			
	9a	Ordinary dividends. Attach Schedule B if required	9a			
	b	Qualified dividends	9b			
	10	Taxable refunds, credits, or offsets of state and local income taxes	10			
	11	Alimony received	11			
	12	Business income or (loss). Attach Schedule C or C-EZ	12	8,559.		
	13	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>	13	-3,000.		
	14	Other gains or (losses). Attach Form 4797	14			
15a	IRA distributions	15a		b Taxable amount	15b	
16a	Pensions and annuities	16a		b Taxable amount	16b	

Recurring Unemployment Compensation

I Form 1040 – Page 1			2016	2015
1	Self-Employed Wages or Similar Income, W-2 (Line 5)		5,000.00	
2	Tax-Exempt Interest (Line 8b)	+	0.00	
3	Alimony Received (Line 11)	+	0.00	
4	IRA Pension/Annuity Distributions (Lines 15a and/or 16a*)	+	0.00	
5	Recurring Unemployment Compensation (Line 19)	+	0.00	
	Social Security Benefits (Line 20a*)	+		
7	Other Income (Line 21)	+/-		
8	Other:	+/-		
Form 1040 Subtotal			\$ 5,000.00	\$ 0.00

15a	IRA distributions	15a		b	Taxable amount	15b	
16a	Pensions and annuities	16a		b	Taxable amount	16b	
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E					17	37,302.
18	Farm income or (loss). Attach Schedule F					18	
19	Unemployment compensation					19	
20a	Social security benefits	20a		b	Taxable amount	20b	
21	Other income. List type and amount					21	
22	Combine the amounts in the far right column for lines 7 through 21. This is your total income					22	49,571.

Social Security Income

I Form 1040 – Page 1			2016	2015
1	Self-Employed Wages or Similar Income, W-2 (Line 5)		5,000.00	
2	Tax-Exempt Interest (Line 8b)	+	0.00	
3	Alimony Received (Line 11)	+	0.00	
4	IRA Pension/Annuity Distributions (Lines 15a and/or 16a*)	+	0.00	
5	Recurring Unemployment Compensation (Line 19)	+	0.00	
6	Social Security Benefits (Line 20a*)	+	0.00	
7	Other Income (Line 21)	+/-		
8	Other:	+/-		
Form 1040 Subtotal			\$ 5,000.00	\$ 0.00

15a	IRA distributions	15a		b Taxable amount	15b	
16a	Pensions and annuities	16a		b Taxable amount	16b	
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E				17	37,302.
18	Farm income or (loss). Attach Schedule F				18	
19	Unemployment compensation				19	
20a	Social security benefits	20a		b Taxable amount	20b	
21	Other income. List type and amount				21	
22	Combine the amounts in the far right column for lines 7 through 21. This is your total income				22	49,571.

Other Income: What Are Some Examples?

I Form 1040 – Page 1			2016	2015
1	Self-Employed Wages or Similar Income, W-2 (Line 5)		5,000.00	
2	Tax-Exempt Interest (Line 8b)	+	0.00	
3	Alimony Received (Line 11)	+	0.00	
4	IRA Pension/Annuity Distributions (Lines 15a and/or 16a*)	+	0.00	
5	Recurring Unemployment Compensation (Line 19)	+	0.00	
6	Social Security Benefits (Line 20a*)	+	0.00	
7	Other Income (Line 21)	+/-	0.00	
8	Other:	+/-	0.00	
Form 1040 Subtotal			\$ 5,000.00	\$ 0.00

16a	Pensions and annuities	16a		b	Taxable amount	16b	
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E					17	37,022.
18	Farm income or (loss). Attach Schedule F					18	
19	Unemployment compensation					19	
20a	Social security benefits	20a		b	Taxable amount	20b	
21	Other income. List type and amount					21	
22	Combine the amounts in the far right column for lines 7 through 21. This is your total income					22	46,701.

Use Notes Section For Comments

Please use the following calculator and quick reference guide to assist you in calculating qualifying income from tax returns. It provides suggested guidance only and does not replace Fannie Mae, Freddie Mac, Lender or Investor instructions or applicable guidelines.

I Form 1040 – Page 1			2016	2015	NOTES
1	Self-Employed Wages or Similar Income, W-2 (Line 5)		5,000.00		*If untaxed income can be grossed up, see calculator on fourth page of this guide. W-2 Wage is from Borrower's S corp Business.
2	Tax-Exempt Interest (Line 8b)	+	0.00		
3	Alimony Received (Line 11)	+	0.00		
4	IRA Pension/Annuity Distributions (Lines 15a and/or 16a*)	+	0.00		
5	Recurring Unemployment Compensation (Line 19)	+	0.00		
6	Social Security Benefits (Line 20a*)	+	0.00		
7	Other Income (Line 21)	+/-	0.00		
8	Other:	+/-	0.00		
Form 1040 Subtotal			\$ 5,000.00	\$ 0.00	

Form 2106 Employee Business Expenses

Was the applicant required to file an IRS Form 2106 with their returns?

- Check page two of the 1040 to verify if borrower “Itemized” or took the “Standard Deduction”

II Form 2106 – Employee Business Expenses			2016	2015
9	Total Expenses (Lines 8a + 8b; or 2106-EZ Lines 6 + 5)	–		
10	Depreciation (Line 28, if complete, OR)	+		
11	Business Miles (Line 13; or 2106-EZ Line 8a)			
11a	X Depreciation Rate (2016 and 2015-24¢)			
11b	= Total Mileage Depreciation	+	0.00	0.00
Form 2106 Subtotal			\$ 0.00	\$ 0.00

Itemized Or Standard Deduction Taken

Review Line 40 Entry vs. Standard Deduction Values on Page 2 of IRS Form 1040

Form 1040 (2016) Page **2**

Tax and Credits	38	Amount from line 37 (adjusted gross income)	38	48,966.
	39a	Check <input type="checkbox"/> You were born before January 2, 1952, <input type="checkbox"/> Blind. <input type="checkbox"/> Spouse was born before January 2, 1952, <input type="checkbox"/> Blind. Total boxes checked <input type="checkbox"/> 39a		
	b	If your spouse itemizes on a separate return or you were a dual-status alien, check here <input type="checkbox"/> 39b		
Standard Deduction for— <ul style="list-style-type: none">• People who check any box on line 39a or 39b or who can be claimed as a dependent, see instructions.• All others:<ul style="list-style-type: none">Single or Married filing separately, \$6,300Married filing jointly or Qualifying widow(er), \$12,600Head of household, \$9,300	40	Itemized deductions (from Schedule A) or your standard deduction (see left margin)	40	63,056.
	41	Subtract line 40 from line 38	41	-14,090.
	42	Exemptions. If line 38 is \$155,650 or less, multiply \$4,050 by the number on line 6d. Otherwise, see instructions	42	8,100.
	43	Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-	43	0.
	44	Tax (see instructions). Check if any from: a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972 c <input type="checkbox"/>	44	0.
	45	Alternative minimum tax (see instructions). Attach Form 6251	45	
	46	Excess advance premium tax credit repayment. Attach Form 8962	46	
	47	Add lines 44, 45, and 46	47	0.
	48	Foreign tax credit. Attach Form 1116 if required	48	
	49	Credit for child and dependent care expenses. Attach Form 2441	49	
	50	Education credits from Form 8863, line 19	50	
	51	Retirement savings contributions credit. Attach Form 8880	51	
	52	Child tax credit. Attach Schedule 8812, if required	52	
	53	Residential energy credits. Attach Form 5695	53	
	54	Other credits from Form: a <input type="checkbox"/> 3800 b <input type="checkbox"/> 8801 c <input type="checkbox"/>	54	
	55	Add lines 48 through 54. These are your total credits	55	
	56	Subtract line 55 from line 47. If line 55 is more than line 47, enter -0-	56	0.

Schedule A For Business Expenses

Review Schedule A, Line 21 for unreimbursed employee expenses

Job Expenses
and Certain
Miscellaneous
Deductions

- 21 Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See instructions.) ▶
- 22 Tax preparation fees
- 23 Other expenses—investment, safe deposit box, etc. List type and amount ▶
- 24 Add lines 21 through 23
- 25 Enter amount from Form 1040, line 38 25
- 26 Multiply line 25 by 2% (.02)
- 27 Subtract line 26 from line 24. If line 26 is more than line 24, enter -0-

SCHEDULE A (Form 1040)		Itemized Deductions		OMB No. 1545-0047	
Department of the Treasury Internal Revenue Service (IRS)		Information about Schedule A and its separate instructions is at www.irs.gov/schedulea .		2016	
Name(s) shown on Form 1040		Attach to Form 1040.		Attachment Sequence No. 07	
John & Mary Homeowner				Your social security number 300-50-1234	
Medical and Dental	Caution: Do not include expenses reimbursed or paid by others.	1	14,664.		
	2 Enter amount from Form 1040, line 38 <u>2</u>	2	49,966.		
	3 Multiply line 2 by 10% (.10). But if either you or your spouse was				
			1,897.	4	9,767.
		21			
		22			
			8,299.		
				9	22,299.
		23			
			7,488.		
		24			
				15	27,488.
		26			
			1,502.		
				19	3,502.
Casualty and Theft Losses	20 Casualty or theft loss(es). Attach Form 4684. (See instructions.)	20			
Job Expenses and Certain Miscellaneous Deductions	21 Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See instructions.) ▶	21			
	22 Tax preparation fees	22			
	23 Other expenses—investment, safe deposit box, etc. List type and amount ▶	23			
		24			
	24 Add lines 21 through 23	24			
	25 Enter amount from Form 1040, line 38 <u>25</u>	25			
	26 Multiply line 25 by 2% (.02)	26			
	27 Subtract line 26 from line 24. If line 26 is more than line 24, enter -0-	27			
Other Miscellaneous Deductions	28 Other—from list in instructions. List type and amount ▶	28			
Total Itemized Deductions	29 Is Form 1040, line 38, over \$155,650? <input checked="" type="checkbox"/> No. Your deduction is not limited. Add the amounts in the far right column for lines 4 through 28. Also, enter this amount on Form 1040, line 40. <input type="checkbox"/> Yes. Your deduction may be limited. See the Itemized Deductions Worksheet in the instructions to figure the amount to enter. 30 If you elect to itemize deductions even though they are less than your standard deduction, check here <input type="checkbox"/>	29	63,056.		

For Paperwork Reduction Act Notice, see Form 1040 instructions. BAA 4 REV 01/25/17 TTW Schedule A (Form 1040) 2016

Form 2106 Employee Business Expenses

Were the applicants required to file IRS Form 2106?

- John and Mary did not have any unreimbursed business expenses
 - We will enter zero
- If applicants do have expenses, follow instructions on the quick reference guide

II Form 2106 – Employee Business Expenses			2016	2015
9	Total Expenses (Lines 8a + 8b; or 2106-EZ Lines 6 + 5)	–	0	
10	Depreciation (Line 28, if complete, OR)	+		
11	Business Miles (Line 13; or 2106-EZ Line 8a)			
11a	X Depreciation Rate (2016 and 2015-24¢)			
11b	= Total Mileage Depreciation	+	0.00	0.00
Form 2106 Subtotal			\$ 0.00	\$ 0.00

**Fannie Mae And Freddie Mac Guidelines Differ For 2106 Expenses;
Always Follow Investor Guidelines.**

Interest And Dividends

Don't use unless needed

– Look for:

- Two year history of stable receipt
- Likelihood of continuance

– When amount is less that \$1500:

- No Schedule B is required
- Income may be listed on 1040, Lines 8a and/or 9a

– Review for income from assets held by a business

- Check guidelines for usage information

SCHEDULE B
(Form 1040A or 1040)
(Rev. January 2017)
Department of the Treasury
Internal Revenue Service (99)

Interest and Ordinary Dividends

▶ Attach to Form 1040A or 1040.
▶ Information about Schedule B and its instructions is at www.irs.gov/scheduleb.

OMB No. 1545-0074
2016
Attachment
Sequence No. **08**

Your social security number
300-50-1234

Name(s) shown on return
John & Mary Homeowner

Part I
Interest

1 List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see instructions on back and list this interest first. Also, show that buyer's social security number and address.

	Amount
Community Bank	988.
American Credit Union	699.
MHI LLC	23.

(See instructions on back and the instructions for Form 1040A, or Form 1040, line 8a.)

Note: If you received a Form 1099-INT, Form 1099-OID, or substitute statement from a brokerage firm, list the firm's name as the payer and enter the total interest from that form.

2 Add the amounts on line 1. **2** 1,710.

3 Excludable interest on series EE and I U.S. savings bonds issued after 1989. Attach Form 8815. **3**

4 Subtract line 3 from line 2. Enter the result here and on Form 1040A, or Form 1040, line 8a. **4** 1,710.

Note: If line 4 is over \$1,500, you must complete Part III.

Part II
5 List name of payer

	Amount

8a Taxable interest. Attach Schedule B if required. **8a** 1,710.

b Tax-exempt interest. Do not include on line 8a. **8b**


9a Ordinary dividends. Attach Schedule B if required. **9a**

b Qualified dividends. **9b**

III Schedule B - Interest and Dividends			2016	2015
12	Recurring Interest Income (Line 1) or Line 8a from 1040	+	0.00	
13	Recurring Dividend Income (Line 5) or Line 9a from 1040	+	0.00	
Schedule B Subtotal			\$ 0.00	\$ 0.00

Schedule C Sole Proprietorship

SCHEDULE C (Form 1040) Department of the Treasury Internal Revenue Service (99)		Profit or Loss From Business (Sole Proprietorship) ▶ Information about Schedule C and its separate instructions is at www.irs.gov/schedulec . ▶ Attach to Form 1040, 1040NR, or 1041; partnerships generally must file Form 1065.		OMB No. 1545-0074 2016 Attachment Sequence No. 09
Name of proprietor John Homeowner			Social security number (SSN) 300-50-1234	
A Principal business or profession, including product or service (see instructions) body guard/personal security			B Enter code from instructions ▶ 5 6 1 6 0 0	

IV Schedule C - Sole Proprietorship			2016	2015
	Net Profit or Loss (Line 31)	+/-		
15	Nonrecurring Other (Income) Loss or Expenses (Line 6)	+/-		
16	Depletion (Line 12)	+		
17	Depreciation (Line 13)	+		
18	Meal and Entertainment Exclusion (Line 24b)	-		
19	Business Use of Home (Line 30, Form 8829)	+		
20	Business Miles, Page 2, Part IV (Line 44a)			
20a	X Depreciation Rate (2016 and 2015-24¢)			
20b	= Total Mileage Depreciation	+	0.00	0.00
21	Amortization/Casualty Loss only if noted (Page 2, Part V)	+		
Schedule C Subtotal			\$ 0.00	\$ 0.00

and (b) the part of your home used for business: 300 Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30		30	1,500.
31 Net profit or (loss). Subtract line 30 from line 29. • If a profit, enter on both Form 1040, line 12 (or Form 1040NR, line 13) and on Schedule SE, line 2. (If you checked the box on line 1, see instructions). Estates and trusts, enter on Form 1041, line 3. • If a loss, you must go to line 32.		31	8,559.

Schedule C Sole Proprietorship

IV Schedule C - Sole Proprietorship			2016	2015
14	Net Profit or Loss (Line 31)	+/-	8,559.00	
→ 15	Nonrecurring Other (Income) Loss or Expenses (Line 6)	+/-		
16	Depletion (Line 12)	+		
17	Depreciation (Line 13)	+		
18	Meal and Entertainment Exclusion (Line 24b)	-		
19	Business Use of Home (Line 30, Form 8829)	+		
20	Business Miles, Page 2, Part IV (Line 44a)			
20a	X Depreciation Rate (2016 and 2015-24c)			
20b	= Total Mileage Depreciation	+	0.00	0.00
21	Amortization/Casualty Loss only if noted (Page 2, Part V)	+		
Schedule C Subtotal			\$ 8,559.00	\$ 0.00

31 Net profit or (loss). Subtract line 30 from line 29.

- If a profit, enter on both Form 1040, line 12 (or Form 1040NR, line 13) and on Schedule SE, line 2. (If you checked the box on line 1, see instructions). Estates and trusts, enter on Form 1041, line 3.

31	8,559.
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Schedule C Sole Proprietorship

IV Schedule C - Sole Proprietorship			2016	2015
14	Net Profit or Loss (Line 31)	+/-	8,559.00	
15	Nonrecurring Other (Income) Loss or Expenses (Line 6)	+/-	(5,000.00)	
16	Depletion (Line 12)	+		
17	Depreciation (Line 13)	+		
18	Meal and Entertainment Exclusion (Line 24b)	-		
19	Business Use of Home (Line 30, Form 8829)	+		
20	Business Miles, Page 2, Part IV (Line 44a)			
20a	X Depreciation Rate (2016 and 2015-24c)			
20b	= Total Mileage Depreciation	+	0.00	0.00
21	Amortization/Casualty Loss only if noted (Page 2, Part V)	+		
Schedule C Subtotal			\$ 3,559.00	\$ 0.00

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked <input type="checkbox"/>	1	54,900.
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	54,900.
4	Cost of goods sold (from line 42)	4	
5	Gross profit. Subtract line 4 from line 3	5	54,900.
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	5,000.
7	Gross income. Add lines 5 and 6 <input type="checkbox"/>	7	59,900.

Schedule C Sole Proprietorship

IV Schedule C - Sole Proprietorship			2016	2015
14	Net Profit or Loss (Line 31)	+/-	8,559.00	
15	Nonrecurring Other (Income) Loss or Expenses (Line 6)	+/-	(5,000.00)	
16	Depletion (Line 12)	+	0.00	
17	Depreciation (Line 13)	+		

Part II Expenses. Enter expenses for business use of your home **only** on line 30.

8	Advertising	8	6,999.	18	Office expense (see instructions)	18	600.
9	Car and truck expenses (see instructions).	9	13,331.	19	Pension and profit-sharing plans .	19	
10	Commissions and fees	10		20	Rent or lease (see instructions):		
11	Contract labor (see instructions)	11		a	Vehicles, machinery, and equipment	20a	
12	Depletion	12		b	Other business property	20b	
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions).	13	1,476.	21	Repairs and maintenance	21	
14	Employee benefit programs (other than on line 19)	14		22	Supplies (not included in Part III) .	22	2,190.
15	Insurance (other than health)	15		23	Taxes and licenses	23	600.
16	Interest:			24	Travel, meals, and entertainment:		
a	Mortgage (paid to banks, etc.)	16a		a	Travel	24a	13,786.
b	Other	16b		b	Deductible meals and entertainment (see instructions) .	24b	2,571.
17	Legal and professional services	17	2,500.	25	Utilities	25	1,788.
				26	Wages (less employment credits) .	26	
				27a	Other expenses (from line 48) . .	27a	4,000.
				b	Reserved for future use	27b	

Schedule C Sole Proprietorship

IV Schedule C - Sole Proprietorship			2016	2015
14	Net Profit or Loss (Line 31)	+/-	8,559.00	
15	Nonrecurring Other (Income) Loss or Expenses (Line 6)	+/-	(5,000.00)	
16	Depletion (Line 12)	+	0.00	
17	Depreciation (Line 13)	+	1,476.00	
→ 18	Meal and Entertainment Exclusion (Line 24b)	-		

Part II Expenses. Enter expenses for business use of your home **only** on line 30.

8	Advertising	8	6,999.	18	Office expense (see instructions)	18	600.
9	Car and truck expenses (see instructions).	9	13,331.	19	Pension and profit-sharing plans .	19	
10	Commissions and fees	10		20	Rent or lease (see instructions):		
11	Contract labor (see instructions)	11		a	Vehicles, machinery, and equipment	20a	
12	Depletion	12		b	Other business property	20b	
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions).	13	1,476.	21	Repairs and maintenance	21	
14	Employee benefit programs (other than on line 19)	14		22	Supplies (not included in Part III) .	22	2,190.
15	Insurance (other than health)	15		23	Taxes and licenses	23	600.
16	Interest:			24	Travel, meals, and entertainment:		
a	Mortgage (paid to banks, etc.)	16a		a	Travel	24a	13,786.
b	Other	16b		b	Deductible meals and entertainment (see instructions) .	24b	2,571.
17	Legal and professional services	17	2,500.	25	Utilities	25	1,788.
				26	Wages (less employment credits) .	26	
				27a	Other expenses (from line 48) . .	27a	4,000.
				b	Reserved for future use	27b	

Schedule C Sole Proprietorship

IV Schedule C - Sole Proprietorship			2016	2015
14	Net Profit or Loss (Line 31)	+/-	8,559.00	
15	Nonrecurring Other (Income) Loss or Expenses (Line 6)	+/-	(5,000.00)	
16	Depletion (Line 12)	+	0.00	
17	Depreciation (Line 13)	+	1,476.00	
18	Meal and Entertainment Exclusion (Line 24b)	-	2,571.00	
→ 19	Business Use of Home (Line 30, Form 8829)	+		

Part II Expenses. Enter expenses for business use of your home **only** on line 30.

8	Advertising	8	6,999.	18	Office expense (see instructions)	18	600.
9	Car and truck expenses (see instructions).	9	13,331.	19	Pension and profit-sharing plans .	19	
10	Commissions and fees .	10		20	Rent or lease (see instructions):		
11	Contract labor (see instructions)	11		a	Vehicles, machinery, and equipment	20a	
12	Depletion	12		b	Other business property	20b	
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions).	13	1,476.	21	Repairs and maintenance	21	
14	Employee benefit programs (other than on line 19) . .	14		22	Supplies (not included in Part III) .	22	2,190.
15	Insurance (other than health)	15		23	Taxes and licenses	23	600.
16	Interest:			24	Travel, meals, and entertainment:		
a	Mortgage (paid to banks, etc.)	16a		a	Travel	24a	13,786.
b	Other	16b		b	Deductible meals and entertainment (see instructions) .	24b	2,571.
17	Legal and professional services	17	2,500.	25	Utilities	25	1,788.
				26	Wages (less employment credits) .	26	
				27a	Other expenses (from line 48) . .	27a	4,000.
				b	Reserved for future use	27b	

Schedule C Sole Proprietorship

IV Schedule C - Sole Proprietorship			2016	2015
14	Net Profit or Loss (Line 31)	+/-	8,559.00	
15	Nonrecurring Other (Income) Loss or Expenses (Line 6)	+/-	(5,000.00)	
16	Depletion (Line 12)	+	0.00	
17	Depreciation (Line 13)	+	1,476.00	
18	Meal and Entertainment Exclusion (Line 24b)	-	2,571.00	
19	Business Use of Home (Line 30, Form 8829)	+	1,500.00	
→ 20	Business Miles, Page 2, Part IV (Line 44a)			
20a	X Depreciation Rate (2016 and 2015-24c)			
20b	= Total Mileage Depreciation	+	0.00	0.00
21	Amortization/Casualty Loss only if noted (Page 2, Part V)	+		
Schedule C Subtotal			\$ 3,964.00	\$ 0.00

30	Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method (see instructions). Simplified method filers only: enter the total square footage of: (a) your home: <u>4200</u> and (b) the part of your home used for business: <u>300</u> . Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30	30	1,500.
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Schedule C Sole Proprietorship

IV Schedule C - Sole Proprietorship			2016	2015
14	Net Profit or Loss (Line 31)	+/-	8,559.00	
15	Nonrecurring Other (Income) Loss or Expenses (Line 6)	+/-	(5,000.00)	
16	Depletion (Line 12)	+	0.00	
17	Depreciation (Line 13)	+	1,476.00	
18	Meal and Entertainment Exclusion (Line 24b)	-	2,571.00	
19	Business Use of Home (Line 30, Form 8829)	+	1,500.00	
20	Business Miles, Page 2, Part IV (Line 44a)			
20a	X Depreciation Rate (2016 and 2015-24c)			
20b	= Total Mileage Depreciation	+	0.00	0.00
21	Amortization/Casualty Loss only if noted (Page 2, Part V)	+		
Schedule C Subtotal			\$ 3,964.00	\$ 0.00

Part IV **Information on Your Vehicle.** Complete this part **only** if you are claiming car or truck expenses on line 9 and are not required to file Form 4562 for this business. See the instructions for line 13 to find out if you must file Form 4562.

43 When did you place your vehicle in service for business purposes? (month, day, year) ▶ _____

44 Of the total number of miles you drove your vehicle during 2016, enter the number of miles you used your vehicle for:

a Business

b Commuting (see instructions) _____

c Other _____

45 Was your vehicle available for personal use during off-duty hours? ☐ Yes ☐ No

46 Do you (or your spouse) have another vehicle available for personal use? ☐ Yes ☐ No

Schedule C

Verify 4562 is for the Schedule C

- Review Page 2 of the worksheet
- Line #30

Form 4562		Depreciation and Amortization (Including Information on Listed Property) ▶ Attach to your tax return.		OMB No. 1545-0172	
Department of the Treasury Internal Revenue Service (990)		▶ Information about Form 4562 and its separate instructions is at www.irs.gov/form4562 .		2016 Attachment Sequence No. 179	
Name(s) shown on return John & Mary Homeowner		Business or activity to which this form relates Sch C body guard/personal security		Identifying number 300-50-1234	

Part I Election To Expense Certain Property Under Section 179					
Note: If you have any listed property, complete Part V before you complete Part I.					
1	Maximum amount (see instructions)	1	500,000.		
2	Total cost of section 179 property placed in service (see instructions)	2			
3	Threshold cost of section 179 property before reduction in limitation (see instructions)	3	2,010,000.		
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4			
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions	5			
6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost		
7	Listed property. Enter the amount from line 29	7			
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8			
9	Tentative deduction. Enter the smaller of line 5 or line 8	9			
10	Carryover of disallowed deduction from line 13 of your 2015 Form 4562	10			
11		11			
12		12			

Form 4562		Depreciation and Amortization (Including Information on Listed Property) ▶ Attach to your tax return.		OMB No. 1545-0172	
Department of the Treasury Internal Revenue Service (990)		▶ Information about Form 4562 and its separate instructions is at www.irs.gov/form4562 .		2016 Attachment Sequence No. 179	
Name(s) shown on return John & Mary Homeowner		Business or activity to which this form relates Sch C body guard/personal security		Identifying number 300-50-1234	

Section A						
17	MACRS deductions for assets placed in service in tax years beginning before 2016	17	728.			
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here <input type="checkbox"/>					
Section B—Assets Placed in Service During 2016 Tax Year Using the General Depreciation System						
(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only—see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property						
c 7-year property		5,235.	7.0	HY	200 DB	748.
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs.		S/L	
h Residential rental property			27.5 yrs.	MM	S/L	
i Nonresidential real property			27.5 yrs.	MM	S/L	
			39 yrs.	MM	S/L	
				MM	S/L	
Section C—Assets Placed in Service During 2016 Tax Year Using the Alternative Depreciation System						
20a Class life					S/L	
b 12-year			12 yrs.		S/L	
c 40-year			40 yrs.	MM	S/L	
Part IV Summary (See instructions.)						
21	Listed property. Enter amount from line 28	21				
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations—see instructions	22	1,476.			
23	For assets shown above and placed in service during the current year, enter the					

Schedule C

Form 4562 (2016) Page **2**

Part V Listed Property (Include automobiles, certain other vehicles, certain aircraft, certain computers, and property used for entertainment, recreation, or amusement.)

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete **only** 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A—Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles.)

24a Do you have evidence to support the business/investment use claimed? ☒ **Yes** ☐ **No** **24b** If "Yes," is the evidence written? ☒ **Yes** ☐ **No**

(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/Convention	(h) Depreciation deduction	(i) Elected section 179 cost
25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use (see instructions) 25								
26 Property used more than 50% in a qualified business use:								
Range Rover	01/03/2015	53.82 %						
		%						
		%						
27 Property used 50% or less in a qualified business use:								
		%				S/L -		
		%				S/L -		
		%				S/L -		
28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1								28
29 Add amounts in column (i), line 26. Enter here and on line 7, page 1								29

Section B—Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

	(a) Vehicle 1	(b) Vehicle 2	(c) Vehicle 3	(d) Vehicle 4	(e) Vehicle 5	(f) Vehicle 6
30 Total business/investment miles driven during the year (don't include commuting miles)	7,899					
31 Total commuting miles driven during the year						
32 Total other personal (noncommuting) miles driven	6,778					
33 Total miles driven during the year. Add lines 30 through 32	14,677					
34 Was the vehicle available for personal use during off-duty hours?	Yes No	Yes No	Yes No	Yes No	Yes No	Yes No
	X					
35 Was the vehicle used primarily by a more than 5% owner or related person?	Yes No	Yes No	Yes No	Yes No	Yes No	Yes No
	X					
36 Is another vehicle available for personal use?	Yes No	Yes No	Yes No	Yes No	Yes No	Yes No
	X					

Business Miles Of 7,899 x 24¢ is \$1,895 In Additional Depreciation That Could Be Added Back.

IRS Publication 463



Department
of the
Treasury
Internal
Revenue
Service

Publication 463
Cat. No. 11081L

Travel, Entertainment, Gift, and Car Expenses

For use in preparing
2016 Returns



Get forms and other information faster and easier at:
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Dec 30, 2016

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Rate of Depreciation Allowed in Standard Mileage Rate

<u>Year(s)</u>	<u>Depreciation Rate per Mile</u>
2015–2016	\$0.24
2014	0.22
2012–2013	0.23
2011	0.22
2010	0.23
2008–2009	0.21
2007	0.19
2005–2006	0.17
2003–2004	0.16
2001–2002	0.15
2000	0.14

Schedule C Sole Proprietorship

IV Schedule C - Sole Proprietorship			2016	2015
14	Net Profit or Loss (Line 31)	+/-	8,559.00	
15	Nonrecurring Other (Income) Loss or Expenses (Line 6)	+/-	(5,000.00)	
16	Depletion (Line 12)	+	0.00	
17	Depreciation (Line 13)	+	1,476.00	
18	Meal and Entertainment Exclusion (Line 24b)	-	2,571.00	
19	Business Use of Home (Line 30, Form 8829)	+	1,500.00	
20	Business Miles, Page 2, Part IV (Line 44a)		7,899.00	
20a	X Depreciation Rate (2016 and 2015-24c)		\$ 0.24	
20b	= Total Mileage Depreciation	+	1,895.76	0.00
21	Amortization/Casualty Loss only if noted (Page 2, Part V)	+	2,500.00	
Schedule C Subtotal			\$ 8,359.76	\$ 0.00

Part V Other Expenses. List below business expenses not included on lines 8-26 or line 30.

gym membership	500.
membership gun club	1,000.
Amortization	2,500.
48 Total other expenses. Enter here and on line 27a	48 4,000.

Schedule C Sole Proprietorship

IV Schedule C - Sole Proprietorship			2016	2015
14	Net Profit or Loss (Line 31)	+/-	8,559.00	
15	Nonrecurring Other (Income) Loss or Expenses (Line 6)	+/-	(5,000.00)	
16	Depletion (Line 12)	+	0.00	
17	Depreciation (Line 13)	+	1,476.00	
18	Meal and Entertainment Exclusion (Line 24b)	-	2,571.00	
19	Business Use of Home (Line 30, Form 8829)	+	1,500.00	
20	Business Miles, Page 2, Part IV (Line 44a)		7,899.00	
20a	X Depreciation Rate (2016 and 2015-24c)		\$ 0.24	
20b	= Total Mileage Depreciation	+	1,895.76	0.00
21	Amortization/Casualty Loss only if noted (Page 2, Part V)	+	2,500.00	
Schedule C Subtotal			\$ 8,359.76	\$ 0.00

Schedule D Capital Gains

V Schedule D - Capital Gains or Losses			2016	2015	NOTES
22	Recurring Capital Gains or Loss, <i>Page 2, (Line 16, Details on Form 8949)*</i>	+/-			*Verify no recurring losses that need to be considered.
Schedule D Subtotal			\$ 0.00	\$ 0.00	

Schedule D Capital Gains

Don't use unless needed for qualifying

- Two year history, stable receipt and likely to continue
- Check investor overlays before using
- Let's Review IRS Form 1040, Line 13

SCHEDULE D (Form 1040)		Capital Gains and Losses		OMB No. 1545-0074	
Department of the Treasury Internal Revenue Service (IRS)		▶ Attach to Form 1040 or Form 1040NR. ▶ Information about Schedule D and its separate instructions is at www.irs.gov/scheduleD . ▶ Use Form 8949 to list your transactions for lines 1b, 2, 3, 8b, 9, and 10.		2016 Attachment Sequence No. 12	
Name(s) shown on return John & Mary Homeowner		Your social security number 300-50-1234			
Part I Short-Term Capital Gains and Losses—Assets Held One Year or Less					
See instructions for how to figure the amounts to enter on the lines below. This form may be easier to complete if you round off cents to whole dollars.		(d) Proceeds (sales price)	(e) Cost (or other basis)	(g) Adjustments to gain or loss from Form(s) 8949, Part I, line 2, column (g)	(f) Gain or (loss) Subtract column (e) from column (d) and combine the result with column (g)
1a Totals for all short-term transactions reported on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments (see instructions). However, if you choose to report all these transactions on Form 8949, leave this line blank and go to line 1b					
1b Totals for all transactions reported on Form(s) 8949 with Box A checked					
2 Totals for all transactions reported on Form(s) 8949 with Box B checked					
3 Totals for all transactions reported on Form(s) 8949 with Box C checked					
4 Short-term gain from Form 6252 and short-term gain or (loss) from Forms 4684, 6781, and 8824					4
5 Net short-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1					5
6 Short-term capital loss carryover. Enter the amount, if any, from line 8 of your Capital Loss Carryover Worksheet in the instructions					6 (16,554)
13 Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>				13	-3,000
14 Other gains or (losses). Attach Form 4797				14	
15a IRA distributions		15a		b Taxable amount	
				15b	
8a Totals for all long-term transactions reported on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments (see instructions). However, if you choose to report all these transactions on Form 8949, leave this line blank and go to line 8b					
8b Totals for all transactions reported on Form(s) 8949 with Box D checked					
9 Totals for all transactions reported on Form(s) 8949 with Box E checked					
10 Totals for all transactions reported on Form(s) 8949 with Box F checked					
11 Gain from Form 4797, Part I; long-term gain from Forms 2439 and 6252; and long-term gain or (loss) from Forms 4684, 6781, and 8824					11
12 Net long-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1					12
13 Capital gain distributions. See the instructions					13
14 Long-term capital loss carryover. Enter the amount, if any, from line 13 of your Capital Loss Carryover Worksheet in the instructions					14 ()
15 Net long-term capital gain or (loss). Combine lines 8a through 14 in column (f). Then go to Part III on the back					15

Pages 2 and 8

Schedule D

SCHEDULE D (Form 1040)		Capital Gains and Losses		OMB No. 1545-0074
Department of the Treasury Internal Revenue Service (99)		<p>▶ Attach to Form 1040 or Form 1040NR.</p> <p>▶ Information about Schedule D and its separate instructions is at www.irs.gov/scheduled.</p> <p>▶ Use Form 8949 to list your transactions for lines 1b, 2, 3, 8b, 9, and 10.</p>		<p>2016</p> <p>Attachment Sequence No. 12</p>
Name(s) shown on return John & Mary Homeowner		Your social security number 300-50-1234		OMB No. 1545-0074
Part I Short-Term Capital Gains and Losses—Assets Held One Year or Less				
See instructions for how to figure the amounts to enter on the lines below. This form may be easier to complete if you round off cents to whole dollars.		(d) Proceeds (sales price)	(e) Cost (or other basis)	(g) Adjustments to gain or loss from Form(s) 8949, Part I, line 2, column (g)
				(h) Gain or (loss) Subtract column (e) from column (d) and combine the result with column (g)
1a Totals for all short-term transactions reported on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments (see instructions). However, if you choose to report all these transactions on Form 8949, leave this line blank and go to line 1b				
1b Totals for all transactions reported on Form(s) 8949 with Box A checked				
2 Totals for all transactions reported on Form(s) 8949 with Box B checked				
3 Totals for all transactions reported on Form(s) 8949 with Box C checked				
4 Short-term gain from Form 6252 and short-term gain or (loss) from Forms 4684, 6781, and 8824				4
5 Net short-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1				5
6 Short-term capital loss carryover. Enter the amount, if any, from line 8 of your Capital Loss Carryover Worksheet in the instructions				6 (16,554.)
7 Net short-term capital gain or (loss). Combine lines 1a through 6 in column (h). If you have any long-term capital gains or losses, go to Part II below. Otherwise, go to Part III on the back				7 -16,554.
<p>13 Capital gain distributions. See the instructions</p> <p>14 Long-term capital loss carryover. Enter the amount, if any, from line 13 of your Capital Loss Carryover Worksheet in the instructions</p>				

Page 8

Where Did The \$16,544 Loss On Line 6 Come From?

The 1040 Showed a \$3,000 Loss

Schedule D

Part III Summary

16	Combine lines 7 and 15 and enter the result	16	-16,554.
<ul style="list-style-type: none"> If line 16 is a gain, enter the amount from line 16 on Form 1040, line 13, or Form 1040NR, line 14. Then go to line 17 below. If line 16 is a loss, skip lines 17 through 20 below. Then go to line 21. Also be sure to complete line 22. If line 16 is zero, skip lines 17 through 21 below and enter -0- on Form 1040, line 13, or Form 1040NR, line 14. Then go to line 22. 			
17	Are lines 15 and 16 both gains?		

V Schedule D - Capital Gains or Losses

			2016	2015
22	Recurring Capital Gains or Loss, Page 2, (Line 16, Details on Form 8949)*	+/-	0.00	
Schedule D Subtotal			\$ 0.00	\$ 0.00

for Form 1040, line 44 (or in the instructions for Form 1040NR, line 42). **Don't** complete lines 21 and 22 below.

☐ **No.** Complete the **Schedule D Tax Worksheet** in the instructions. **Don't** complete lines 21 and 22 below.

21 If line 16 is a loss, enter here and on Form 1040, line 13, or Form 1040NR, line 14, the **smaller** of:

- The loss on line 16 or
- (\$3,000), or if married filing separately, (\$1,500)

Note: When figuring which amount is smaller, treat both amounts as positive numbers.

22 Do you have qualified dividends on Form 1040, line 9b, or Form 1040NR, line 10b?

☐ **Yes.** Complete the **Qualified Dividends and Capital Gain Tax Worksheet** in the instructions for Form 1040, line 44 (or in the instructions for Form 1040NR, line 42).

☒ **No.** Complete the rest of Form 1040 or Form 1040NR.

21 (3,000.)

IRS Form 6252

Installment Sale Income

- If using, obtain:
 - Copy of agreement
 - Proof of timely receipt
- Principal flows to Form 6252
- Interest portion, if any flows to Schedule B
 - Did you already give credit for the interest?

Form 6252 **Installment Sale Income** OMB No. 1545-0028
 Department of the Treasury Internal Revenue Service **2015** Attachment Sequence No. 79
 Name(s) shown on return Identifying number

▶ Use a separate form for each sale or other disposition of property on the installment method.
 ▶ Information about Form 6252 and its instructions is at www.irs.gov/form6252.

1 Description of property ▶ b Date sold (mm/dd/yyyy) ▶

2a Date acquired (mm/dd/yyyy) ▶

3 Was the property sold to a related party (see instructions) after May 14, 1980? If "No," skip line 4. ☐ Yes ☐ No

4 Was the property you sold to a related party a marketable security? If "Yes," complete Part III. If "No," complete Part III for the year of sale and the 2 years after the year of sale. ☐ Yes ☐ No

Part I Gross Profit and Contract Price. Complete this part for the year of sale only.

5 Selling price including mortgages and other debts. Do not include interest, whether stated or unstated 5

6 Mortgages, debts, and other liabilities the buyer assumed or took the property subject to (see instructions) 6

7 Subtract line 6 from line 5 7

8 Cost or other basis of property sold 8

9 Depreciation allowed or allowable 9

10 Adjusted basis. Subtract line 9 from line 8 10

11 Commissions and other expenses of sale 11

12 Income recapture from Form 4797, Part III (see instructions) 12

13 Add lines 10, 11, and 12 13

14 Subtract line 13 from line 5. If zero or less, do not complete the rest of this form (see instructions) 14

15 If the property described on line 1 above was your main home, enter the amount of your excluded gain (see instructions). Otherwise, enter -0- 15

16 Gross profit. Subtract line 15 from line 14 16

17 Subtract line 13 from line 6. If zero or less, enter -0- 17

18 Contract price. Add line 7 and line 17 18

Part II Installment Sale Income. Complete this part for the year of sale and any year you receive a payment or have certain debts you must treat as a payment on installment obligations.

19 Gross profit percentage (expressed as a decimal amount). Divide line 16 by line 18. For years after the year of sale, see instructions 19

20 If this is the year of sale, enter the amount from line 17. Otherwise, enter -0- 20

21 Payments received during year (see instructions). Do not include interest, whether stated or unstated 21

22 Add lines 20 and 21 22

23 Payments received in prior years (see instructions). Do not include interest, whether stated or unstated 23

24 Installment sale income. Multiply line 22 by line 19 24

25 Enter the part of line 24 that is ordinary income under the recapture rules (see instructions) 25

26 Subtract line 25 from line 24. Enter here and on Schedule D or Form 4797 (see instructions) 26

Part III Related Party Installment Sale Income. Do not complete if you received the final payment this tax year.

27 Name, address, and taxpayer identifying number of related party

VI Form 6252 - Installment Sale Income

			2016	2015	NOTES
23	Principal Payments (Line 21)	+/-			
	Form 6252 Subtotal		\$ 0.00	\$ 0.00	

No Example

30 Selling price of property sold by related party (see instructions) 30

31 Enter contract price from line 18 for year of first sale 31

32 Enter the smaller of line 30 or line 31 32

33 Total payments received by the end of your 2015 tax year (see instructions) 33

34 Subtract line 33 from line 32. If zero or less, enter -0- 34

35 Multiply line 34 by the gross profit percentage on line 19 for year of first sale 35

36 Enter the part of line 35 that is ordinary income under the recapture rules (see instructions) 36

37 Subtract line 36 from line 35. Enter here and on Schedule D or Form 4797 (see instructions) 37

For Paperwork Reduction Act Notice, see page 4.

Cat. No. 13601R

Form 6252 (2015)

Schedule E Royalty Income

Only Royalty Income is entered on SAM Form, Section VII.

- Rental income is calculated separately on a rental income worksheet

VII Schedule E - Supplemental Income and Loss*			2016	2015	NOTES
24	Royalty Income (Line 4)	+			*Rental income is calculated separately and not included with the SAM Form.
25	Total Expenses (Line 20)	-			
26	Depletion (Line 18)	+			
Subtotal			\$ 0.00	\$ 0.00	

Rental Income

In Your Materials:

- Locate Calculator and Quick Reference Guide for Rental Income
- Turn to Schedule E, Part I, Rentals

SCHEDULE E (Form 1040) **Supplemental Income and Loss** OMB No. 1545-0074
(From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.) **2016**
Department of the Treasury Internal Revenue Service (IRS) **Attachment Sequence No. 13**
▶ Information about Schedule E and its separate instructions is at www.irs.gov/scheduleee.

Name(s) shown on return: **John & Mary Homeowner** Your social security number: **300-50-1234**

Part I Income or Loss From Rental Real Estate and Royalties Note: If you are in the business of renting personal property, use Schedule C or C-EZ (see instructions). If you are an individual, report farm rental income or loss from Form 4835 on page 2, line 40.

A Did you make any payments in 2016 that would require you to file Form(s) 1099? (see instructions) ☐ Yes ☒ No
B If "Yes," did you or will you file required Forms 1099? ☐ Yes ☒ No

1a Physical address of each property (street, city, state, ZIP code)
A 234C Condo Court Dallas TX 75432
B
C

1b Type of Property (from list below) **2** For each rental real estate property above, report the number of fair market value days. Check the **Q** only if you meet the requirements of a qualified joint venture. See instructions.

Type of Property:
1 Single Family Residence 3 Vacation/Short-Term Rental 5
2 Multi-Family Residence 4 Commercial 6

Income: **Properties:**
3 Rents received
4 Royalties received

Expenses:
5 Advertising
6 Auto and travel (see instructions)
7 Cleaning and maintenance
8 Commissions
9 Insurance
10 Legal and other professional fees
11 Management fees
12 Mortgage interest paid to banks, etc. (see instructions)
13 Other interest
14 Repairs
15 Supplies
16 Taxes
17 Utilities
18 Depreciation expense or depletion
19 Other (list) ▶ Association Dues
20 Total expenses. Add lines 5 through 19
21 Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a loss, see instructions to find out if you must file Form 6198
22 Deductible rental real estate loss after limitation, if any, on Form 8582 (see instructions)
23a Total of all amounts reported on line 3 for all rental properties
b Total of all amounts reported on line 4 for all royalty properties
c Total of all amounts reported on line 12 for all properties
d Total of all amounts reported on line 18 for all properties
e Total of all amounts reported on line 20 for all properties
24 **Income.** Add positive amounts shown on line 21. **Do not** include losses.
25 **Losses.** Add royalty losses from line 21 and rental real estate losses.
26 **Total rental real estate and royalty income or (loss).** Combine Parts II, III, IV, and line 40 on page 2 do not apply to you, a 17, or Form 1040NR, line 18. Otherwise, include this amount.

For full functionality, download PDF first before entering data. Please download before each calculation as calculators are updated periodically.

Genworth

Calculator and Quick Reference Guide: Rental Income

Please use the following calculator and quick reference guide to assist in calculating rental income from IRS Form 1040 Schedule E. It provides suggested guidance only and does not replace Fannie Mae or Freddie Mac instructions or applicable guidelines. This method should not be used when calculating rental income on a borrower's primary residence. Check applicable guidelines when rental income is declining year to year. Please check with your own legal advisors for interpretations of legal and compliance principles applicable to your business.

Property 1 Calculator Usage Note: Click Gray Buttons to Divide for Monthly Totals

Rental Income Calculation	2016	2015	NOTES
1 Gross Rents (Line 3)			*Only include if using the full PITI payment on Line 12 of this calculator or qualifying ratios.
2 Expenses (Line 20)	-		
3 Depreciation (Line 18)	+		
4 Amortization/Casualty Loss/Nonrecurring Expenses (Line 19)	+		**Net rental losses are typically included with liabilities when calculating the debt ratio.
5 Insurance (Line 9)	+		
6 Mortgage Interest (Line 12)*	+		
7 Taxes (Line 14)*	+		
8 Other:	+/		***Check applicable guidelines if not using 12 months.
9 Annual Rental Income/Loss	=	\$ 0.00	\$ 0.00
10 Number of Months Considered (Line 2)*	/		
11 Monthly Income/Loss	=	\$ 0.00	\$ 0.00
12 Monthly Mortgage Payment (Verified)	-		
13 Monthly Net Rental Income/Loss**	=	\$ 0.00	\$ 0.00

Property 2

Rental Income Calculation	2016	2015	NOTES
1 Gross Rents (Line 3)			*Only include if using the full PITI payment on Line 12 of this calculator or qualifying ratios.
2 Expenses (Line 20)	-		
3 Depreciation (Line 18)	+		
4 Amortization/Casualty Loss/Nonrecurring Expenses (Line 19)	+		**Net rental losses are typically included with liabilities when calculating the debt ratio.
5 Insurance (Line 9)	+		
6 Mortgage Interest (Line 12)*	+		
7 Taxes (Line 14)*	+		
8 Other:	+/		***Check applicable guidelines if not using 12 months.
9 Annual Rental Income/Loss	=	\$ 0.00	\$ 0.00
10 Number of Months Considered (Line 2)*	/		
11 Monthly Income/Loss	=	\$ 0.00	\$ 0.00
12 Monthly Mortgage Payment (Verified)	-		
13 Monthly Net Rental Income/Loss**	=	\$ 0.00	\$ 0.00

Rental Income

In Your Materials:

- Locate Calculator and Quick Reference Guide for Rental Income
- Turn to Schedule E, Part I, Rentals

SCHEDULE E (Form 1040)		Supplemental Income and Loss (From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.)		OMB No. 1545-0074	
Department of the Treasury Internal Revenue Service (IRS)		▶ Attach to Form 1040, 1040NR, or Form 1041. ▶ Information about Schedule E and its separate instructions is at www.irs.gov/schedulee .		2016 Attachment Sequence No. 13	
Name(s) shown on return John & Mary Homeowner				Your social security number 300-50-1234	
Part I Income or Loss From Rental Real Estate and Royalties Note: If you are in the business of renting personal property, use Schedule C or C-EZ (see instructions). If you are an individual, report farm rental income or loss from Form 4835 on page 2, line 40.					
A Did you make any payments in 2016 that would require you to file Form(s) 1099? (see instructions) <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No					
B If "Yes," did you or will you file required Forms 1099? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No					
1a Physical address of each property (street, city, state, ZIP code)					
A 234C Condo Court Dallas TX 75432					
B					
C					
1b Type of Property (from list below)		2 For each rental real estate property listed above, report the number of fair rental and personal use days. Check the QJV box only if you meet the requirements to file as a qualified joint venture. See instructions.		Fair Rental Days	Personal Use Days
A 1				A 366	0
B				B	
C				C	
Type of Property:					
1 Single Family Residence		3 Vacation/Short-Term Rental		5 Land	
2 Multi-Family Residence		4 Commercial		6 Royalties	
				7 Self-Rental	
				8 Other (describe)	
Income:		Properties:		A	B
3 Rents received		3		26,540.	
4 Royalties received		4			
Expenses:					
5 Advertising		5			
6 Auto and travel (see instructions)		6			
7 Cleaning and maintenance		7		2,655.	
8 Commissions		8			
9 Insurance		9		1,466.	
10 Legal and other professional fees		10			
11 Management fees		11		450.	
12 Mortgage interest paid to banks, etc. (see instructions)		12		8,199.	
13 Other interest		13			
14 Repairs		14		800.	
15 Supplies		15		1,200.	
16 Taxes		16		8,102.	
17 Utilities		17		777.	
18 Depreciation expense or depletion		18		7,127.	
19 Other (list) ▶ Association Dues		19		1,987.	
20 Total expenses. Add lines 5 through 19		20		32,763.	
21 Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a (loss), see instructions to find out if you must file Form 6198		21		-6,223.	
22 Deductible rental real estate loss after limitation, if any, on Form 8582 (see instructions)		22		-6,223.	
23a Total of all amounts reported on line 3 for all rental properties		23a		26,540.	
b Total of all amounts reported on line 4 for all royalty properties		23b			
c Total of all amounts reported on line 12 for all properties		23c		8,199.	
d Total of all amounts reported on line 18 for all properties		23d		7,127.	
e Total of all amounts reported on line 20 for all properties		23e		32,763.	
24 Income. Add positive amounts shown on line 21. Do not include any losses		24			
25 Losses. Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here		25		6,223.	
26 Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Form 1040, line 17, or Form 1040NR, line 18. Otherwise, include this amount in the total on line 41 on page 2		26		-6,223.	

Mortgage Statement/Payment Coupon

A mortgage statement/payment coupon can verify:

- If loan is impounded or escrowed
- What property associated with the mortgage payment
- Current tax and insurance information
- Current HOA dues: most investors want verification PUD, Condo or Coop

YOUR MORTGAGE COMPANY

Return Mail Operations
PO Box 12345
Any Town, USA 12345-0000

01234567 1 AT 1.123 012345678901234 012 01 ABCDEFGH 012
JOE HOMEOWNER
1234 MAIN STREET
SMALLTOWN USA 00000-1234

Quarterly Mortgage Statement

Statement Date 03/15/09
Payment Due Date 04/01/09
Loan Number 01234567890

Customer Service
Online
yourmortgagecompany.com

Telephone
(888) 012-3456

Fax
(888) 012-0123

Payments PO Box 01234
Big City, USA 01234

Correspondence PO Box 56789
Any Town, USA 56789

Summary

Payment (Principal and/or Interest, Escrow)	\$1,033.50
Optional Product(s)	\$0.00
Current Monthly Payment	\$1,033.50
Overdue Payments	\$0.00
Unpaid Late Charge(s)	\$0.00
Other Charges	\$0.00
TOTAL PAYMENT	\$1,033.50

Property Address
1234 MAIN STREET
SMALLTOWN USA 00000-1234

Unpaid Principal Balance \$128,522.58
(Contact Customer Service for pre-paid interest balance)

Interest Rate 5.875%
Interest Paid Year-to-Date \$1,893.00
Taxes Paid Year-to-Date \$5.00
Escrow Balance \$910.97

Activity Since Your Last Statement

Date	Description	Total	Principal	Interest	Escrow	Late Charge	Other
03/01	PAYMENT	\$1,033.50	\$299.18	\$626.03	\$111.29		
02/01	PAYMENT	\$1,033.50	\$290.84	\$631.27	\$111.29		
01/01	PAYMENT	\$1,033.50	\$288.70	\$633.58	\$111.29		

Mortgage Statement/Payment Coupon

Payment Information Below Is From a Borrower Provided Mortgage Statement And HOA Coupon.

– Taxes, Insurance and HOA Dues are Impounded

Mortgage Liabilities (HELOC, Mortgage)

To indicate which mortgage and HELOC liabilities are associated with the subject property and/or a rental property, click Subject Property Lien and Rental Property Lien, as appropriate. If you need to enter REO information for your purposes or for a government loan, please use the Full 1003.

Omit	Paid By Close	Account Owner	Creditor Name	Liability Type	Monthly Payment	Balance	Subject Property Lien	Rental Property Lien
<input type="checkbox"/>	<input type="checkbox"/>	JOHN H <input type="text"/>	mortgage on rental	Mortgage <input type="text"/>	\$1,687	\$100,000.00	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	<input type="text"/>	HOA DUES <input type="text"/>	\$165	<input type="text"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="checkbox"/>	<input type="checkbox"/>

For Non-Impounded Loans: Obtain Tax And Insurance Information.

Property 1

Calculator Usage Note: Click Gray Buttons to Divide for Monthly Totals

Rental Income Calculation			2016	2015	NOTES
1	Gross Rents (Line 3)				*Only include if using the full PITI payment on Line 12 of this calculator or qualifying ratios.
2	Expenses (Line 20)	-			
3	Depreciation (Line 18)	+			**Net rental losses are typically included with liabilities when calculating the debt ratio.
4	Amortization/Casualty Loss/Nonrecurring Expenses (Line 19)	+			
5	Insurance (Line 9)*	+			***Check applicable guidelines if not using 12 months.
6	Mortgage Interest (Line 12)*	+			
7	Taxes (Line 16)*	+			
8	Other:	+/-			
9	Annual Rental Income/Loss	=	\$ 0.00	\$ 0.00	
10	Number of Months Considered (Line 2)***	/			
11	Monthly Income/Loss	=	<input type="text"/>	<input type="text"/>	
12	Monthly Mortgage Payment (Verified)	-			
13	Monthly Net Rental Income/Loss**	=	\$ 0.00	\$ 0.00	



Income:		Properties:		A	B
3	Rents received		3	26,540.	
4	Royalties received		4		
Expenses:					
5	Advertising		5		
6	Auto and travel (see instructions)		6		
7	Cleaning and maintenance		7	2,655.	
8	Commissions		8		
9	Insurance		9	1,466.	
10	Legal and other professional fees		10		
11	Management fees		11	450.	
12	Mortgage interest paid to banks, etc. (see instructions)		12	8,199.	
13	Other interest		13		
14	Repairs		14	800.	
15	Supplies		15	1,200.	
16	Taxes		16	8,102.	
17	Utilities		17	777.	
18	Depreciation expense or depletion		18	7,127.	
19	Other (list) ► Association Dues		19	1,987.	
20	Total expenses. Add lines 5 through 19		20	32,763.	
21	Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a (loss), see instructions to find out if you must file Form 6198		21	-6,223.	
22	Deductible rental real estate loss after limitation, if any, on Form 8582 (see instructions)		22	(-6,223.)	()

2016 Schedule E Rental Income

Property 1		Calculator Use	
Rental Income Calculation			2016
1	Gross Rents (Line 3)		\$ 26,540.00
2	Expenses (Line 20)	-	
3	Depreciation (Line 18)	+	
4	Amortization/Casualty Loss/Nonrecurring Expenses (Line 19)	+	
5	Insurance (Line 9)*	+	
6	Mortgage Interest (Line 12)*	+	
7	Taxes (Line 16)*	+	
8	Other:	+/-	
9	Annual Rental Income/Loss	=	\$ 26,540.00

Income:		Properties:	A	B	C
3	Rents received	3	26,540.		
4	Royalties received	4			
Expenses:					
5	Advertising	5			
6	Auto and travel (see instructions)	6			
7	Cleaning and maintenance	7	2,655.		
8	Commissions	8			
9	Insurance	9	1,466.		
10	Legal and other professional fees	10			
11	Management fees	11	450.		
12	Mortgage interest paid to banks, etc. (see instructions)	12	8,199.		
13	Other interest	13			
14	Repairs	14	800.		
15	Supplies	15	1,200.		
16	Taxes	16	8,102.		
17	Utilities	17	777.		
18	Depreciation expense or depletion	18	7,127.		
19	Other (list) ▶ Association Dues	19	1,987.		
20	Total expenses. Add lines 5 through 19	20	32,763.		
21	Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a (loss), see instructions to find out if you must file Form 6198	21	-6,223.		
22	Deductible rental real estate loss after limitation, if any, on Form 8582 (see instructions)	22	(-6,223.)	()	()
23a	Total of all amounts reported on line 3 for all rental properties	23a	26,540.		
b	Total of all amounts reported on line 4 for all royalty properties	23b			
c	Total of all amounts reported on line 12 for all properties	23c	8,199.		
d	Total of all amounts reported on line 18 for all properties	23d	7,127.		
e	Total of all amounts reported on line 20 for all properties	23e	32,763.		
24	Income. Add positive amounts shown on line 21. Do not include any losses	24			
25	Losses. Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here	25	(6,223.)		
26	Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Form 1040, line 17, or Form 1040NR, line 18. Otherwise, include this amount in the total on line 41 on page 2	26	-6,223.		

2016 Schedule E Rental Income

Property 1 Calculator Use

Rental Income Calculation			2016
1	Gross Rents (Line 3)		\$ 26,540.00
2	Expenses (Line 20)	-	32,763.00
→ 3	Depreciation (Line 18)	+	
4	Amortization/Casualty Loss/Nonrecurring Expenses (Line 19)	+	
5	Insurance (Line 9)*	+	
6	Mortgage Interest (Line 12)*	+	
7	Taxes (Line 16)*	+	
8	Other:	+/-	
9	Annual Rental Income/Loss	=	(\$ 6,223.00)

Income:		Properties:	A	B	C
3	Rents received	3	26,540.		
4	Royalties received	4			
Expenses:					
5	Advertising	5			
6	Auto and travel (see instructions)	6			
7	Cleaning and maintenance	7	2,655.		
8	Commissions.	8			
9	Insurance	9	1,466.		
10	Legal and other professional fees	10			
11	Management fees	11	450.		
12	Mortgage interest paid to banks, etc. (see instructions)	12	8,199.		
13	Other interest.	13			
14	Repairs.	14	800.		
15	Supplies	15	1,200.		
16	Taxes	16	8,102.		
17	Utilities.	17	777.		
18	Depreciation expense or depletion	18	7,127.		
19	Other (list) ▶ Association Dues	19	1,987.		
20	Total expenses. Add lines 5 through 19	20	32,763.		
21	Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a (loss), see instructions to find out if you must file Form 6198	21	-6,223.		
22	Deductible rental real estate loss after limitation, if any, on Form 8582 (see instructions)	22	(-6,223.)	()	()
23a	Total of all amounts reported on line 3 for all rental properties	23a	26,540.		
b	Total of all amounts reported on line 4 for all royalty properties	23b			
c	Total of all amounts reported on line 12 for all properties	23c	8,199.		
d	Total of all amounts reported on line 18 for all properties	23d	7,127.		
e	Total of all amounts reported on line 20 for all properties	23e	32,763.		
24	Income. Add positive amounts shown on line 21. Do not include any losses	24			
25	Losses. Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here	25	(6,223.)		
26	Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Form 1040, line 17, or Form 1040NR, line 18. Otherwise, include this amount in the total on line 41 on page 2	26	-6,223.		

2016 Schedule E Rental Income

Property 1		Calculator Use	
Rental Income Calculation			2016
1	Gross Rents (Line 3)		\$ 26,540.00
2	Expenses (Line 20)	-	32,763.00
3	Depreciation (Line 18)	+	7,127.00
→ 4	Amortization/Casualty Loss/Nonrecurring Expenses (Line 19)	+	
5	Insurance (Line 9)*	+	
6	Mortgage Interest (Line 12)*	+	
7	Taxes (Line 16)*	+	
8	Other:	+/-	
9	Annual Rental Income/Loss	=	\$ 904.00

Income:		Properties:	A	B	C
3	Rents received	3	26,540.		
4	Royalties received	4			
Expenses:					
5	Advertising	5			
6	Auto and travel (see instructions)	6			
7	Cleaning and maintenance	7	2,655.		
8	Commissions	8			
9	Insurance	9	1,466.		
10	Legal and other professional fees	10			
11	Management fees	11	450.		
12	Mortgage interest paid to banks, etc. (see instructions)	12	8,199.		
13	Other interest	13			
14	Repairs	14	800.		
15	Supplies	15	1,200.		
16	Taxes	16	8,102.		
17	Utilities	17	777.		
18	Depreciation expense or depletion	18	7,127.		
19	Other (list) ▶ Association Dues	19	1,987.		
20	Total expenses. Add lines 5 through 19	20	32,763.		
21	Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a (loss), see instructions to find out if you must file Form 6198	21	-6,223.		
22	Deductible rental real estate loss after limitation, if any, on Form 8582 (see instructions)	22	(-6,223.)	()	()
23a	Total of all amounts reported on line 3 for all rental properties	23a	26,540.		
b	Total of all amounts reported on line 4 for all royalty properties	23b			
c	Total of all amounts reported on line 12 for all properties	23c	8,199.		
d	Total of all amounts reported on line 18 for all properties	23d	7,127.		
e	Total of all amounts reported on line 20 for all properties	23e	32,763.		
24	Income. Add positive amounts shown on line 21. Do not include any losses	24			
25	Losses. Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here	25	(6,223.)		
26	Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Form 1040, line 17, or Form 1040NR, line 18. Otherwise, include this amount in the total on line 41 on page 2	26	-6,223.		

2016 Schedule E Rental Income

Property 1 <input type="text"/>			Calculator Use
Rental Income Calculation			2016
1	Gross Rents (Line 3)		\$ 26,540.00
2	Expenses (Line 20)	-	32,763.00
3	Depreciation (Line 18)	+	7,127.00
4	Amortization/Casualty Loss/Nonrecurring Expenses (Line 19)	+	0.00
→ 5	Insurance (Line 9)*	+	
6	Mortgage Interest (Line 12)*	+	
7	Taxes (Line 16)*	+	
8	Other:	+/-	
9	Annual Rental Income/Loss	=	\$ 904.00



Income:		Properties:	A	B	C
3	Rents received	3	26,540.		
4	Royalties received	4			
Expenses:					
5	Advertising	5			
6	Auto and travel (see instructions)	6			
7	Cleaning and maintenance	7	2,655.		
8	Commissions	8			
9	Insurance	9	1,466.		
10	Legal and other professional fees	10			
11	Management fees	11	450.		
12	Mortgage interest paid to banks, etc. (see instructions)	12	8,199.		
13	Other interest	13			
14	Repairs	14	800.		
15	Supplies	15	1,200.		
16	Taxes	16	8,102.		
17	Utilities	17	777.		
18	Depreciation expense or depletion	18	7,127.		
19	Other (list) ► Association Dues	19	1,987.		
20	Total expenses. Add lines 5 through 19	20	32,763.		
21	Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a (loss), see instructions to find out if you must file Form 6198	21	-6,223.		
22	Deductible rental real estate loss after limitation, if any, on Form 8582 (see instructions)	22	(-6,223.)	()	()
23a	Total of all amounts reported on line 3 for all rental properties	23a	26,540.		
b	Total of all amounts reported on line 4 for all royalty properties	23b			
c	Total of all amounts reported on line 12 for all properties	23c	8,199.		
d	Total of all amounts reported on line 18 for all properties	23d	7,127.		
e	Total of all amounts reported on line 20 for all properties	23e	32,763.		
24	Income. Add positive amounts shown on line 21. Do not include any losses	24			
25	Losses. Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here	25	(6,223.)		
26	Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Form 1040, line 17, or Form 1040NR, line 18. Otherwise, include this amount in the total on line 41 on page 2	26	-6,223.		

2016 Schedule E Rental Income

Property 1 <input type="text"/>			Calculator Use
Rental Income Calculation			2016
1	Gross Rents (Line 3)		\$ 26,540.00
2	Expenses (Line 20)	-	32,763.00
3	Depreciation (Line 18)	+	7,127.00
4	Amortization/Casualty Loss/Nonrecurring Expenses (Line 19)	+	0.00
5	Insurance (Line 9)*	+	1,466.00
6	Mortgage Interest (Line 12)*	+	
7	Taxes (Line 16)*	+	
8	Other:	+/-	
9	Annual Rental Income/Loss	=	\$ 2,370.00

Income:		Properties:	A	B	C
3	Rents received	3	26,540.		
4	Royalties received	4			
Expenses:					
5	Advertising	5			
6	Auto and travel (see instructions)	6			
7	Cleaning and maintenance	7	2,655.		
8	Commissions	8			
9	Insurance	9	1,466.		
10	Legal and other professional fees	10			
11	Management fees	11	450.		
12	Mortgage interest paid to banks, etc. (see instructions)	12	8,199.		
13	Other interest	13			
14	Repairs	14	800.		
15	Supplies	15	1,200.		
16	Taxes	16	8,102.		
17	Utilities	17	777.		
18	Depreciation expense or depletion	18	7,127.		
19	Other (list) ▶ Association Dues	19	1,987.		
20	Total expenses. Add lines 5 through 19	20	32,763.		
21	Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a (loss), see instructions to find out if you must file Form 6198	21	-6,223.		
22	Deductible rental real estate loss after limitation, if any, on Form 8582 (see instructions)	22	(-6,223.)	()	()
23a	Total of all amounts reported on line 3 for all rental properties	23a	26,540.		
b	Total of all amounts reported on line 4 for all royalty properties	23b			
c	Total of all amounts reported on line 12 for all properties	23c	8,199.		
d	Total of all amounts reported on line 18 for all properties	23d	7,127.		
e	Total of all amounts reported on line 20 for all properties	23e	32,763.		
24	Income. Add positive amounts shown on line 21. Do not include any losses	24			
25	Losses. Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here	25	(6,223.)		
26	Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Form 1040, line 17, or Form 1040NR, line 18. Otherwise, include this amount in the total on line 41 on page 2	26	-6,223.		

2016 Schedule E Rental Income

Property 1 <input type="text"/>			Calculator Use
Rental Income Calculation			2016
1	Gross Rents (Line 3)		\$ 26,540.00
2	Expenses (Line 20)	-	32,763.00
3	Depreciation (Line 18)	+	7,127.00
4	Amortization/Casualty Loss/Nonrecurring Expenses (Line 19)	+	0.00
5	Insurance (Line 9)*	+	1,466.00
6	Mortgage Interest (Line 12)*	+	8,199.00
7	Taxes (Line 16)*	+	
8	Other:	+/-	
9	Annual Rental Income/Loss	=	\$ 10,569.00

Income:		Properties:	A	B	C
3	Rents received	3	26,540.		
4	Royalties received	4			
Expenses:					
5	Advertising	5			
6	Auto and travel (see instructions)	6			
7	Cleaning and maintenance	7	2,655.		
8	Commissions.	8			
9	Insurance	9	1,466.		
10	Legal and other professional fees	10			
11	Management fees	11	450.		
12	Mortgage interest paid to banks, etc. (see instructions)	12	8,199.		
13	Other interest.	13			
14	Repairs.	14	800.		
15	Supplies	15	1,200.		
16	Taxes	16	8,102.		
17	Utilities.	17	777.		
18	Depreciation expense or depletion	18	7,127.		
19	Other (list) ► Association Dues	19	1,987.		
20	Total expenses. Add lines 5 through 19	20	32,763.		
21	Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a (loss), see instructions to find out if you must file Form 6198	21	-6,223.		
22	Deductible rental real estate loss after limitation, if any, on Form 8582 (see instructions)	22	(-6,223.)	()	()
23a	Total of all amounts reported on line 3 for all rental properties	23a	26,540.		
b	Total of all amounts reported on line 4 for all royalty properties	23b			
c	Total of all amounts reported on line 12 for all properties	23c	8,199.		
d	Total of all amounts reported on line 18 for all properties	23d	7,127.		
e	Total of all amounts reported on line 20 for all properties	23e	32,763.		
24	Income. Add positive amounts shown on line 21. Do not include any losses	24			
25	Losses. Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here	25	(6,223.)		
26	Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Form 1040, line 17, or Form 1040NR, line 18. Otherwise, include this amount in the total on line 41 on page 2	26	-6,223.		

2016 Schedule E Rental Income

Property 1 <input type="text"/>			Calculator Use
Rental Income Calculation			2016
1	Gross Rents (Line 3)		\$ 26,540.00
2	Expenses (Line 20)	-	32,763.00
3	Depreciation (Line 18)	+	7,127.00
4	Amortization/Casualty Loss/Nonrecurring Expenses (Line 19)	+	0.00
5	Insurance (Line 9)*	+	1,466.00
6	Mortgage Interest (Line 12)*	+	8,199.00
7	Taxes (Line 16)*	+	8,102.00
8	Other:	+/-	
9	Annual Rental Income/Loss	=	\$ 18,671.00



Income:		Properties:	A	B	C
3	Rents received	3	26,540.		
4	Royalties received	4			
Expenses:					
5	Advertising	5			
6	Auto and travel (see instructions)	6			
7	Cleaning and maintenance	7	2,655.		
8	Commissions.	8			
9	Insurance	9	1,466.		
10	Legal and other professional fees	10			
11	Management fees	11	450.		
12	Mortgage interest paid to banks, etc. (see instructions)	12	8,199.		
13	Other interest.	13			
14	Repairs.	14	800.		
15	Supplies	15	1,200.		
16	Taxes	16	8,102.		
17	Utilities.	17	777.		
18	Depreciation expense or depletion	18	7,127.		
19	Other (list) ▶ Association Dues	19	1,987.		
20	Total expenses. Add lines 5 through 19	20	32,763.		
21	Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a (loss), see instructions to find out if you must file Form 6198	21	-6,223.		
22	Deductible rental real estate loss after limitation, if any, on Form 8582 (see instructions)	22	(-6,223.)	()	()
23a	Total of all amounts reported on line 3 for all rental properties	23a	26,540.		
b	Total of all amounts reported on line 4 for all royalty properties	23b			
c	Total of all amounts reported on line 12 for all properties	23c	8,199.		
d	Total of all amounts reported on line 18 for all properties	23d	7,127.		
e	Total of all amounts reported on line 20 for all properties	23e	32,763.		
24	Income. Add positive amounts shown on line 21. Do not include any losses	24			
25	Losses. Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here	25	(6,223.)		
26	Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Form 1040, line 17, or Form 1040NR, line 18. Otherwise, include this amount in the total on line 41 on page 2	26	-6,223.		

2016 Schedule E Rental Income

Property 1				Calculator Use
Rental Income Calculation				2016
1	Gross Rents (Line 3)			\$ 26,540.00
2	Expenses (Line 20)	-		32,763.00
3	Depreciation (Line 18)	+		7,127.00
4	Amortization/Casualty Loss/Nonrecurring Expenses (Line 19)	+		0.00
5	Insurance (Line 9)*	+		1,466.00
6	Mortgage Interest (Line 12)*	+		8,199.00
7	Taxes (Line 16)*	+		8,102.00
8	Other: HOA Fees	+/-		1,987.00
9	Annual Rental Income/Loss	=		\$ 20,658.00

2016 Schedule E Rental Income

Property 1 <input type="text"/>			Calculator Use
Rental Income Calculation			2016
1	Gross Rents (Line 3)		\$ 26,540.00
2	Expenses (Line 20)	-	32,763.00
3	Depreciation (Line 18)	+	7,127.00
4	Amortization/Casualty Loss/Nonrecurring Expenses (Line 19)	+	0.00
5	Insurance (Line 9)*	+	1,466.00
6	Mortgage Interest (Line 12)*	+	8,199.00
7	Taxes (Line 16)*	+	8,102.00
8	Other: HOA Fees	+/-	1,987.00
9	Annual Rental Income/Loss	=	\$ 20,658.00
10	Number of Months Considered (Line 2)***	/	12
11	Monthly Income/Loss	=	\$ 1,721.50
12	Monthly Mortgage Payment (Verified)	-	\$ 1,852.00
13	Monthly Net Rental Income/Loss**	=	(\$ 130.50)

Net Rental Income

Compare “rental income” figure with loan application (Fannie Mae Form 1003)

- Most systems calculate rental income from the REO section of the 1003
- Review the 1003 to verify what appears as rental income/rental loss
- If the number is different, override your system to reflect the true income/loss based on the tax returns

Monthly Income and Combined Housing Expense

Gross Monthly Income

	JOHN H	MARY H
Base Income	\$5,200.00	\$0.00
Overtime	\$0.00	\$0.00
Bonuses	\$0.00	\$0.00
Commissions	\$0.00	\$0.00
Dividends/Interest	\$0.00	\$0.00
Other	\$0.00	\$0.00
Subtotal	\$5,200.00	\$0.00
Net Rental	\$-131	
Subject Net Cash	\$0.00	\$0.00
Total	\$5,200.00	\$0.00

Net Rental Income

Do not use leases; Use the “Cash Flow” from the property.

- Flag the mortgage payment in your system as a rental property lien so that it will NOT count it in the debt ratio
- You may need to override your REO Section

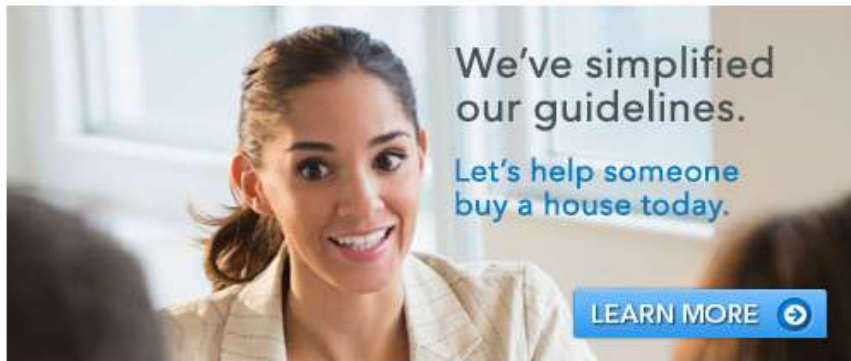
Schedule of Real Estate Owned (If additional properties are owned, use continuation sheet.)

Property Address (enter S if sold, PS if pending sale or R if rental being held for income)	Type of Property	Present Market Value	Amount of Mortgages & Liens	Gross Rental Income	Mortgage Payments	Insurance, Maintenance, Taxes & Misc.	Net Rental Income
44 Renters Way	R	\$225,000	\$180,400	\$3,500	\$2,500	\$875	\$-131

Mortgage Liabilities (HELOC, Mortgage)

To indicate which mortgage and HELOC liabilities are associated with the subject property and/or a rental property, click Subject Property Lien and Rental Property Lien, as appropriate. If you need to enter REO information for your purposes or for a government loan, please use the Full 1003.

Omit	Paid By Close	Account Owner	Creditor Name	Liability Type	Monthly Payment	Balance	Subject Property Lien	Rental Property Lien
<input type="checkbox"/>	<input type="checkbox"/>	JOHN H	mortgage on rental	Mortgage	\$1,852	\$100,000.00	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>						<input type="checkbox"/>	<input type="checkbox"/>



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 [Rate Express](#) (426K)

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 [Mobile App User Guide](#) (1,728K)

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Underwriting Guidelines

Genworth Mortgage Insurance underwritten by:
Genworth Mortgage Insurance Corporation



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Add the Expertise of Genworth to Your Support Team

Genworth Mortgage Insurance is working to make sure you have the resources you need, when you need them. These seasoned professionals will help you with Genworth's expanding suite of mortgage insurance solutions and demonstrate why MI is a better way to buy a home in today's market. Easy to reach. Easy to work with. Every time.

Please address questions to one of Genworth's Expert Underwriters:



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To deliver a full package for underwriting, simply log on to mi.genworth.com, locate the appropriate underwriting section and select the applicable option for your file.

We look forward to serving you, and welcome any feedback that will help us make your loan submission process as fast and easy as possible.

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Quick Reference Guide and Webinars

The screenshot shows the Genworth Financial website's Training page. The navigation bar includes links for Home, Contact Us, Genworth.com, Site Map, and a Log In button. The main menu highlights Training, with other options like MI, Tech Connections, Lender Services, Rates & Guidelines, and Resource Center. A sidebar on the left lists various resources: Mortgage Insurance, Recorded Webinars, Sales & Marketing, Self-Employed Borrower Calculators, TRID Resources, Training FAQs, and Trainer Bios. The main content area is titled 'TRAINING' and describes the comprehensive suite of training opportunities. It features a central graphic with five segments: Courses Offered In A Variety Of Formats, Industry Leading Trainers, Customized Training Available, Wide Spectrum Of Course Topics, and That MIGuy®. To the right, there are two callout boxes: 'Webinar Schedule' and 'Self-Employed Borrower Calculators'. Red arrows point from the 'Training' menu item to these two boxes. The footer contains links for Privacy and Security, Terms of Use, and Predatory Lending Guidelines, along with a copyright notice for 2006-2015 Genworth Financial Inc.

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Income Calculation Tools and Reference Guides

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SELF-EMPLOYED BORROWER CALCULATORS

Use the following calculators and quick reference guides to assist you in calculating and analyzing the average monthly income of a self-employed borrower. It provides suggested guidance only and does not replace Fannie Mae/Freddie Mac instructions or applicable guidelines.

Due to various internet browser versions, please download and save PDF before entering data. Please note, calculators are updated periodically.

Automated Income Calculation Tools

-  [Fannie Mae Form 1084 Calculator \(2015-2016\)](#)
-  [Freddie Mac Form 91 Calculator \(2015-2016\)](#)
-  [Scheduled Analysis Method \(SAM\) Calculator \(2015-2016\)](#)
-  [Rental Income Calculator \(2015-2016\)](#)
-  [Fannie Mae Rental Guide \(Calculator 1037\)](#)
-  [Fannie Mae Rental Guide \(Calculator 1038\)](#)
-  [Fannie Mae Rental Guide \(Calculator 1039\)](#)
-  [Quick Ratio – Liquidity Calculator \(2015-2016\)](#)
-  [Current Ratio – Liquidity Calculator \(2015-2016\)](#)

Previous versions of income calculation forms can be found at our [Forms Library](#).




Easy To Use Reference Guide

-  [Fannie Mae Comparative Analysis Guide \(Form 1088\)](#)

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Webinar Schedule

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- Find Previous Quotes With “Scenario ID”
- Like The Rate? Order MI Directly From The Results Screen
- Compare Up To 4 Quotes!

The screenshot displays the 'Rate Express' web interface. At the top, there are two tabs: 'Rate Express' (active) and 'HARP Info'. Below the tabs, there is a section titled 'Find previous scenario:' with a 'Scenario ID' input field, a 'Find >' button, and a 'View Demo' link. The main section is titled 'Find and compare rates:'. It contains a 'User Information' section with the instruction 'Complete for most accurate quote'. This section includes a 'User Org ID' field with a question mark icon, a 'B22222' input field, and a 'Login >' button. Below this is the 'Loan Information' section, which includes fields for 'Loan Amount' (with a dollar sign), 'State' (with a dropdown arrow), 'Representative Credit Score' (with a question mark icon and a 'Nontraditional Credit' checkbox), 'LTV' (with a question mark icon and a percentage sign), and 'Loan Purpose' (with a dropdown arrow).

Visit mi.genworth.com To Run A Rate Today!

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Compare MI to FHA

HARP Info

Scenario ID: FC022CCDA

Your results:

	Monthly Premium MI - Nonrefundable	FHA
Premium Payment Type	BPMI	BPMI
Interest Rate	4.000%	3.875%
Loan Amount	\$200,000	\$200,000
Upfront/Initial MI Rate	0.0000	0.0175
Upfront/Initial MI Premium	\$0.00	\$3,500.00
Total Loan Amount	\$200,000	\$203,500
Monthly/Annual MI Rate	0.0041	0.0080
Monthly MI Premium	\$68.33	\$133.33

Order your preferred
premium MI now!

Order >

Your totals:

Total Monthly P&I and MI *	\$1,023.16	\$1,090.27
Total MI Payment over 5 Years *	\$4,099.80	\$11,200.48
MI Savings with Genworth	\$7,100.68	
Estimated # months until cancellation	105 or less	Never

This calculator does not consider underwriting program acceptability. Contact our Loan Scenario Hotline Monday through Friday 8am-8pm EST. Call 800 444.5664, Option 6 or email us at Action.Center@Genworth.com with any questions.

Your inputs:

Loan Amount	\$200,000
State	MS
Representative Credit Score	760
LTV	95%-90.01%
Property Type	Single Family
Loan Term	30 years
Loan Type	Fixed Rate/Fixed Payment
Loan Purpose	Purchase
Affordable Housing Program	N/A
Coverage %	30%
AUS Results	DU Approve/Eligible
Occupancy	Primary Residence
DTI	38.00%
Renewal	Level
Interest Rate	4.000%
FHA Interest Rate	3.875%
Will Upfront MI Payment be Financed?	FHA Only
Special Features	None
NMLS ID	
Email Address	
Lender Loan Number	

GENWORTH RESOURCES

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