

Income Documentation

Temporary Income Reduction

For borrowers with a temporary reduction of income due to a short-term disability or similar temporary leave, lenders may consider the Borrower's current income as effective income, IF it can verify and document that:

- The borrower intends to return to work
- The borrower has the right to return to work, and
- The borrower qualifies for the mortgage taking into account any reduction of income due to the circumstances

For borrowers returning to work before or at the time of the first mortgage payment due date, the mortgagee may use the borrower's pre-leave income

For borrower's returning to work after the first mortgage payment due date, the mortgagee may use the borrower's current income plus available surplus liquid asset reserves above and beyond any required reserves as an income supplement up to the amount of the borrower's pre-leave income. The amount of the monthly income supplement is the total amount of surplus reserves divided by the number of months between the first payment due date and the borrower's intended date of return to work.

Required Documentation - The Mortgagee must provide the following documentation for Borrowers on temporary leave:

- a written statement from the Borrower confirming the Borrower's intent to return to work, and the intended date of return;
- documentation generated by current employer confirming the Borrower's eligibility to return to current employer after temporary leave; and
- documentation of sufficient liquid assets, in accordance with FHA guidelines, used to supplement the Borrower's income through intended date of return to work with current employer.