

Self-Employed Income Analysis

Borrower Name _____

Property Address _____

General Instructions: This form is to be used as a guide in Underwriting the Self-employed borrower. The underwriter has a choice in analysing the individual Tax return by either the Schedule Analysis Method or the Adjusted Gross Income (AGI) Method.

The AGI Method begins with adjusted gross income from the individual tax returns and either increases or decreases that figure after analysing specific lines and schedules of the return. This method derives total income (both business and non-business). If the borrower has passive activity unallowed losses or loss carryovers, use the Schedule Analysis Method of analysing income.

Adjusted Gross Income (AGI) Method

A. Individual Tax Return (1040)

1. Adjusted Gross Income _____

Income Section:

2. Wages, salary considered elsewhere	(-)	_____	_____
3. Taxable Interest Income	(-)	_____	_____
4. Tax-exempt Interest Income	(+)	_____	_____
5. Dividend Income	(-)	_____	_____
6. Taxable Refunds	(-)	_____	_____
7. Alimony	(-)	_____	_____
8. Business Income or Loss - Schedule C		_____	_____
a. Depletion	(+)	_____	_____
b. Depreciation	(+)	_____	_____
c. 50% Meals and Entertainment Exclusion	(-)	_____	_____
9. (-) Capital Gain or (+) Capital Loss - Schedule D		_____	_____
10. IRA Distributions (non-taxable)	(+)	_____	_____
11. Pensions and Annuities (non-taxable)	(+)	_____	_____
12. Schedule E - Depreciation	(+)	_____	_____
13. Schedule F - Depreciation	(+)	_____	_____
14. Unemployment Compensation	(-)	_____	_____
15. Social Security Benefits (non-taxable)	(+)	_____	_____
16. Other		_____	_____
_____		_____	_____
_____		_____	_____

Adjustment Section:

17. IRA Deduction	(+)	_____	_____
18. One-Half of Self-Employed Tax	(+)	_____	_____
19. Self-Employed Health Insurance	(+)	_____	_____
20. Keogh Retirement Plan	(+)	_____	_____
21. Penalty for Early Withdrawal	(+)	_____	_____
22. Alimony Paid	(+)	_____	_____

Additional Schedules:

23. Form 2106 Unreimbursed Expenses(not fully deductible)	(-)	_____	_____
24. Form 4562 Amortization	(+)	_____	_____
25. Total		_____	_____

Complete sections B, C, and D, only if the borrower needs more income to qualify for the loan than is shown in section A and the borrower has the legal right to draw additional income from the business to qualify for the loan.

B. Corporate Tax Return Form (1120) - Corporate Income to qualify the borrower will be considered only if the borrower can provide evidence of access to the funds.

1. Taxable Income (Tax and Payments Section)	(+)	_____	_____	_____
2. Total Tax (Tax and Payments Section)	(-)	_____	_____	_____
3. Depreciation (Deductions Section)	(+)	_____	_____	_____
4. Depletion (Deductions Section)	(+)	_____	_____	_____
5. Mortgages, notes bonds payable in less than one year (Balance Sheets Section)	(-)	_____	_____	_____
6. Subtotal		_____	_____	_____
7. Times individual percentage of ownership	x	_____ %	x	_____ %
8. Subtotal		_____	_____	_____
9. Dividend Income reflected on the borrower's individual income tax returns	(-)	_____	_____	_____
10. Total Income available to borrower		_____	_____	_____

C. S Corporation Tax Returns (Form 1120s) or Partnership Tax Returns (Form 1065) - Partnership or S Corporation income to qualify the borrower will be considered only if the borrower can provide evidence of access to the funds.

1. Depreciation (Deductions Section)	(+)	_____	_____	_____
2. Depletion (Deductions Section)	(+)	_____	_____	_____
3. Mortgages, notes bonds payable in less than one year (Balance Sheets Section)	(-)	_____	_____	_____
4. Subtotal		_____	_____	_____
5. Times individual percentage of ownership	x	_____ %	x	_____ %
6. Total income available to borrower		_____	_____	_____
Total Income Available (add A, B, C)		I _____	II _____	III _____

D. Year-to-Date Profit and Loss

Year-to-Date income to qualify the borrower will be considered only if that income is in the line with the previous year's earnings or if audited financial statements are provided.

1. Salary/Draws to Individual				\$ _____
2. Total Allowable add back	_____	x	_____ %	of individual ownership = \$ _____
3. Total net profit	_____	x	_____ %	of individual ownership = \$ _____
4. Total				\$ _____

Combined Total I, II, III, YTD = \$ _____ divided by _____ months = \$ _____ Monthly Average

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Borrower Name _____

Property Address _____

General Instructions: This form is to be used as a guide in Underwriting the Self-employed borrower. The underwriter has a choice in analyzing the individual Tax return by either the Schedule Analysis Method or the Adjusted Gross Income (AGI) Method. The Schedule Analysis Method derives only self-employed income by analyzing Schedule C, D, F, K-1, and 2106. Non-business income such as dividends, interest, and rental income should be summarized separately on the loan application.

Schedule Analysis Method

A. Individual Tax Return (Form 1040)

1. Schedule C:	_____	_____	_____
a. Net Profit or Loss	_____	_____	_____
b. Depletion	(+) _____	_____	_____
c. Depreciation	(+) _____	_____	_____
d. Less: 50% Exclusion for Meals and Entertainment	(-) _____	_____	_____
2. Schedule D			
Recurring Capital Gains	(+) _____	_____	_____
3. Schedule F:			
a. Net Profit or Loss	_____	_____	_____
b. Depreciation	(+) _____	_____	_____
4. Schedule K-1			
a. Form 1065, Partnership Ordinary Income (Loss) +Guaranteed Payments	_____	_____	_____
b. Form 1120-s Ordinary Income (Loss) + Other Income (Loss)	_____	_____	_____
5. Schedule 2106			
Total Expenses	(-) _____	_____	_____
6. W2 income from Corporation	(+) _____	_____	_____
7. Total	_____	_____	_____

Complete sections B, C, and D only if the borrower needs more income to qualify for the loan than is shown in section A and the borrower has the legal right to draw additional income from the business to qualify for the loan.

B. Corporate Tax Return Form (1120) - Corporate Income to qualify the Borrower will be considered only if the borrower can provide evidence of access to the funds.

1. Taxable Income (Tax and Payments Section)	(+) _____	_____	_____
2. Total Tax (Tax and Payments Section)	(-) _____	_____	_____
3. Depreciation (Deductions Section)	(+) _____	_____	_____
4. Depletion (Deductions Section)	(+) _____	_____	_____
5. Mortgages, notes, bonds payable in less than one year (Balance Sheet Section)	(-) _____	_____	_____
6. Subtotal	_____	_____	_____
7. Times individual percentage of ownership	X _____ %	X _____ %	X _____ %
8. Subtotal	_____	_____	_____
9. Dividend Income reflected on borrower's individual income tax returns	(-) _____	_____	_____
10. Total Income available to borrower	_____	_____	_____

C. S Corporation Tax Returns (Form 1120s) or Partnership Tax Returns (Form 1065) - Partnership or S Corporation income to qualify the borrower will be considered only if the borrower can provide evidence of access to the funds.

1. Depreciation (Deductions Section)	(+) _____	_____	_____
2. Depletion (Deductions Section)	(+) _____	_____	_____
3. Mortgages, notes, bonds payable in less than one year (Balance Sheet Section)	(-) _____	_____	_____
4. Subtotal	_____	_____	_____
5. Times individual percentage of ownership	X _____ %	X _____ %	X _____ %
6. Total income available to borrower	_____	_____	_____
Total Income Available (add A, B, C)	I _____	II _____	III _____

D. Year-to-Date Profit and Loss

Year-to-date income to qualify the borrower will be considered only if that income is in line with the previous year's earnings or if audited financial statements are provided.

1. Salary/Draws to Individual				\$ _____
2. Total Allowable add back	\$ _____	X _____ %	of individual ownership =	\$ _____
3. Total net profit	\$ _____	X _____ %	of individual ownership =	\$ _____
4. Total				\$ _____
Combined Total I, II, III, YTD =	\$ _____	divided by _____	months = \$ _____	Monthly Average

This form is only a reference to help organize information from the tax returns.