







Overtime Activity

Please Record your answers in the space provided.

-  Documentation for overtime includes:
-  How do you calculate the usable monthly income for overtime?
-  What do you need to evaluate borrower:
-  If the borrower has recently changed jobs, what should you do?
-  What is NOT an acceptable source of income for overtime?
-  What documentation can be obtained to consider the overtime income?



Watch Me!

Overtime, Commission and Bonuses video & answer as you go. Pause the video at Commissions.



Answer Me!

Notes:

Commission

Commission income is a form of compensation that creates an incentive for employees to perform.

This type of income tends to vary from one pay period to another (or even from year to year); therefore an average of the last two years of earnings is be used to qualify the borrower.

Commission income that has been received between 12 and 24 months may be used for qualifying as long as the file contains compensating factors to help balance the risk of the shorter income history.

- Written verifications of employment or letters from the borrower's employer should be reviewed to determine if the commission earnings have a two-year history.
- Evidence the borrower is still actively employed with proof of year-to-date earnings. We will talk more about this step shortly.

Sometimes borrowers are paid a salary along with commission income. If the commission income totals 25% or more of the borrower's total annual income, these items must be evident in the file:

- The most recent two years of tax returns. In order for the commissions to be considered as qualifying income, the commission income reported on the tax returns must cover at least 12 months
- An earnings trend must be established to show the commission income is remaining consistent or on an upward trend from one year to another. If the trend for commission earnings shows a decline, then it cannot be considered as stable qualifying income.



Read Me!

Notes:


Bonus Income


Bonus income can be paid to a borrower in addition to his or her regular wages and may be paid annually or at different intervals throughout the year.

Bonus income is more difficult than other types of income to see the future income potential. It should be used as a compensating factor whenever possible.

Please Record your answers in the space provided.

Documentation for Bonus Income includes:

-  What is the challenge with qualifying Bonus Income?

-  What information can you obtain to determine if this income could be considered?



Watch Me!


Continue the Overtime, Commission and Bonuses video for Bonus Income



Answer Me!

Notes:

Bonus Income (cont.)

 Review the scenarios below. Please check the box next to the scenario that you feel presents the least amount of risk.

☐ A Senior Vice President at a Pharmaceutical Company with 30% of total income based on bonus, if the bonus is paid on a specific profit for the entire company, the bonus is dependent upon many aspects of the business and possibly not all directly within the borrower's control. (i.e Profit, Company Income, Performance goals may influence the bonus potential and may not be within the borrower's control.)

☐ A Sales Representative at an Telecommunication Company with a 30% bonus if he/she reaches their own personal sales goals, regardless of company profits (volume, market share, performance goals). When supported by a two year history, is this more or less risky than the executive level bonus described in the first example?

 Why?

(Be sure to check your answer by watching the Commission & Bonus Income Video!)



Next Steps

Review your company guidelines regarding the use of bonus income.



Answer Me!