

Test Case DI-C19: One-Borrower with Multiple Sources of Income

The purpose of this test case is to illustrate a scenario involving a borrower who has multiple sources of income. These income sources include self-employment, regular employment, and rental income. This test case references reports generated by Fannie Mae's Income Calculator tool. The eligible monthly income for rent and self-employment are calculated using the results of the tool and are included in the loan submission payload associated with a new ArcRole for Income Calculator Reports.

Narrative for Data Integrity Suite Test Case DI-C19:

In this use case, a single URLA-Borrower form is used, along with the URLA-Lender form and a URLA Continuation Sheet.

Key Loan Characteristics

- Conventional
- Fixed – 30 Year
- 1 Unit - Detached
- Construction-to-Permanent – Single-Closing, lot acquired separately
- Primary Residence
- Self-Employment Income with OwnershipInterestType= "GreaterThan25Percent"
- Rental Income

Other Data Elements Stressed in the Test Case

- Support of a new ArcRole to associate Income Calculator reports with declarations of self-employment income and rental income.

Section 1: Borrower Information

Suzi S. Builder, an immigrant holding a green card, arrived in America as a young adult. She initially worked for a builder, where she learned the trade. Subsequently, she made the decision to purchase the company, renaming it "Suzy's Home Improvement." Over the years, she saved diligently and acquired a desirable piece of property featuring a stream and a lake. She is now utilizing her company to construct her dream home. In addition to her entrepreneurial efforts, Suzy has established multiple income streams. She earns \$8,000 monthly through self-employment from her company, works as a consultant for Home Depot earning \$1,500 monthly, and receives \$2,300 per month in net rental income from her property at 5209 Noosh Way.

Section 2: Financial Information – Assets and Liabilities

Suzi Builder's asset and liability information can be found on the included Form 1003. On the form, the asset value of Suzi's 20% share of the company is listed in Section 2b as an "Other" asset, with a value of \$600,000. In the XML identified as ASSET_4, the AssetType is "Other" and the AssetTypeOtherDescription is "OtherNonLiquidAsset."

Section 3: Financial Information – Real Estate

Suzi Builder will retain the four-unit apartment building located at 5209 Noosh Way, which generates a gross rental income of \$3,567 per month.

Section 4: Loan and Property Information

Construction is nearly complete on the single-family detached house located at 1234 Builders Lane, Louisville, KY 40207-1234. Suzi purchased the lot for \$35,000 several years ago; however, the lot now has an appraised value of \$100,000. The lot has an unpaid loan balance of \$25,000, which will be paid off at closing. The property is not situated within a project or Planned Unit Development, nor will any energy improvements be made. The estimated appraised value after the completion of construction is \$375,000.

Section 5 Declarations, Section 6 Acknowledgments, Section 7 Military Service, and Section 8 Demographics

Suzi S Builder answered all the declarations and signed the loan application. She has no military service to report, and she provided her ethnicity, gender, and race information on the Form 1003.

Section 9: Loan Originator Information

The loan originator provided their contact and license information and signed the loan application.

Lender Loan Information

John Done at ABC Mortgage of Kentucky offered Suzi a 30-year conventional fixed-rate loan in the amount of \$290,000, at an interest rate of 4.500%. Additionally, Suzi is obtaining two concurrent subordinate loans. The first loan, in the amount of \$4,000, is provided by a local agency, the Louisville Development Agency. The second loan is a HELOC with a drawn amount of \$7,000 and a credit limit of \$12,000, provided by the Kentucky Housing Agency.

The estimated closing costs total \$9,096, which include prepaid items amounting to \$2,346. Other credits consist of borrower-paid outside closing items totaling \$368, resulting in cash to close of \$7,728.

Supplemental Consumer Information Form (SCIF)

Suzi S Builder completed this form and indicated that her preferred language for loan-related communications is Korean.

Income Calculator Information

Suzi Builder has three distinct sources of income: two from employment, both wage-earner and self-employment, and the other one from rental property. Income Calculator has evaluated her self-employment and rental income. Her qualifying monthly income from self-employment is \$8,000, which the lender will use in the loan submission. Her second employment, as a consultant for Home Depot, has

not been evaluated by Income Calculator due to its classification as wage-earner employment. The third income source is derived from rental proceeds associated with a four-unit apartment building. While only the self-employment and rental income are evaluated by Income Calculator, all three income streams will be included for the purposes of loan qualification in the comprehensive underwriting analysis.

Within the Income Calculator tool (outside of DU), one self-employment Income Calculator evaluation (D896HNM) has been created. The DU:VERIFICATION must be joined to the correct EMPLOYMENT using an ArcRole.

Within the Income Calculator tool (outside of DU) one rental Income Calculator evaluation (D545LPL) has been created. The DU:VERIFIATION must be joined to the correct (owned) ASSET using an ArcRole.

Note: Income Calculator generates a unique evaluation ID for each Borrower/employment. If two borrowers share joint ownership of a single business, the lender is required to create two Income Calculator IDs. Income Calculator generates a unique evaluation ID for each REO, regardless of the number of borrowers who own the property.

Note: Although this test case does not include income from Accessory Dwelling Units (ADUs), Income Calculator instructs lenders to provide ADU income (if any) in the rental property request data and will subtract it from the qualifying rental income amount. Technology Service Providers should continue to report ADU income on rental properties using the MISMO IncomeType of AccessoryUnitIncome.