HOUSING ASSISTANCE COUNCIL
SELF-HELP HOMEOWNERSHIP OPPORTUNITY PROGRAM (SHOP)
DEFINITION OF ANNUAL INCOME

To determine homebuyer income eligibility, HAC affiliates will use "adjusted income" as defined by USDA (7 CFR Part 3550), as a majority of HAC's affiliates utilize the Section 502 program which provide clear guidelines in determining whether an applicant is income-eligible to receive a program loan or payment subsidy. Adjusted income is calculated in two steps. First, the annual income of all household members is calculated. Annual income is the income of all household members from all sources that include the following:

- Earned income of persons under the age of 18 unless they are the borrower or a spouse of a member of the household
- Payments received for the care of foster children or foster adults
- Amounts granted for or in reimbursement of the cost of medical expenses
- Temporary, nonrecurring, or sporadic income (including gifts)
- Lump sum additions to family assets such as inheritances, insurance payments under health, accident, or worker's compensation policies, settlement of personal or property losses, Social Security benefits received in a lump sum
- Earned income tax credit
- Adoption assistance
- Refunds or rebates under State or local law for property taxes paid on dwelling
- State agency amounts paid to a family with developmentally disabled family member living at home to offset the cost of services and equipment needed
- Full amount of any student financial aid
- Other revenue exempted by a Federal statue

Once annual income has been determined, certain household deductions for which the family may qualify are subtracted from annual income to compute adjusted income. Household deductions include: disabled family members 18 years or older or full-time students; reasonable expenses for the care of minor 12 years of age or under; expenses related to the care of household members with disabilities; and, medical expenses that are not reimbursed from insurance or another source (for elderly households only).

Under the Section 502 program, calculated adjusted income is compared to the income limits to determine the category in which each household falls. Income limits, adjusted for household size, are as follow: (1) very low-income limit is established at approximately 50% of the AMI, (2) low-income limit is established at approximately 80% of the AMI, and (3) moderate-income level limit is established by adding $5,500 to the low-income limit.

HAC consulted and obtained vital input from its SHOP Advisory Committee on the issue of income eligibility. Both USDA TMA and self-help housing providers agree that the USDA income-eligibility criterion to determine adjusted income is the most effective and avoid imposing additional requirements for qualifying homebuyers.