

## Explanation of Form

Ability-to-pay (ATP) calculations must be performed for all owner-occupied housing applicants. To determine an applicant's ATP, the following calculation must be performed:

**Step A: Calculate Gross Household Income:** This includes wages, tips, self-employment income, alimony, interest, dividends, social security, SSI, public assistance or public welfare, including unemployment, retirement, disability income, VA and insurance payments from all adult individuals residing in the household. It does not include income earned by a child less than 18 years, foster care payments, hostile fire pay, inheritance income, medical cost reimbursements, lump-sum asset payments, educational scholarships or the income of a live-in aide.

**Step B: Deduct \$480 for each dependent.** A dependent is defined as any household member who is not the head, co-head or spouse, but is under the age of 18 years, or disabled (of any age), or is a full-time student (of any age). The client file must include verification of the student status of any dependent over 18 years.

**Step C: Deduct \$400 per elderly household.** An elderly household is one in which the head, spouse or sole member is 62 years or older.

**Step D: Deduct documented, out-of-pocket medical expenses in excess of 3% of annual gross household income for any member in an elderly or disabled household.**

**Step E: Calculate Adjusted Gross Income:**  $A - (B + C + D) = AGI$

**Step F: Calculate Monthly Income:**  $AGI / 12$

**Step G: Calculate Income Available for Housing:** Multiple monthly income of homeowners by 0.25.

**Step H: Calculate Monthly Housing Costs:** The only eligible fees are mortgage payments, including those for the supplemental loan program, home insurance, real estate taxes and utility allowances. The only eligible utility allowances are gas, electric, heat, water and garbage costs.

**Step I: The amount available for Loan Repayment is Step G (income available for housing) minus Step H (monthly housing costs).**

The minimum monthly payment will be \$25 for all beneficiaries. Waivers may be requested in writing from the Grantee to DHCD with a strong justification.

**✱ Ability-to-pay may be reviewed on an annual basis. It must be recalculated if the composition of the household changes or if requested by the beneficiary, and the monthly payment toward the loan payment adjusted accordingly.**

## ABILITY-TO-PAY WORKSHEET

### Homeowners

Step A: Gross Household Income: \$\_\_\_\_\_ (A)

Step B: (-) Dependents \$\_\_\_\_\_ (B)

\$480 for each dependent under the age of 18 years old.  
Do not include head of household or spouse.

Step C: (-) Elderly – must be head of household \$\_\_\_\_\_ (C)  
\$400 per elderly Household (age 62 years and older).

Step D: (-) Other Deductibles \$\_\_\_\_\_ (D)

Include documented, out-of pocket medical expenses in excess of three (3%) of annual income.

Step E: A- (B+C+D) =Adjusted Gross Income (AGI) \$\_\_\_\_\_ (E)

Step F: Monthly Income (AGI/12) \$\_\_\_\_\_ (F)

Step G: Income Available for Housing \$\_\_\_\_\_ (G)  
(Monthly Income of Homeowners x .25)

Step H: Monthly Housing Costs

Mortgage Payment	\$ _____
Home Insurance	\$ _____
Real Estate Taxes	\$ _____
Utility Allowance	\$ _____ (gas, electricity, heat, water, public sewer & garbage only)

Total Monthly Housing Costs \$\_\_\_\_\_ (H)

Step I: G- H = Amount Available for Loan Repayment \$\_\_\_\_\_ (I)

*(The Ability-to-Pay minimum monthly payment will be \$25 for all beneficiaries unless written waiver from DHCD is in client file.)*

Step A: Loan Amount (base, exceptions and demolition costs) (A) \$\_\_\_\_\_

Step B: Monthly Amount to Fully Amortize Loan (B) \$\_\_\_\_\_  
(For 0%, 10 years - multiply loan amount by 1/120)

Step C: Client Payment Amount (C) \$\_\_\_\_\_  
(From Ability to Pay Calculations—line I)

Step D: Monthly Amount Forgiven  
Subtract (C) from (B) = (D) (D) \$\_\_\_\_\_

Step E: If (B) is greater than (C): (C) is the monthly payment from client;  
(D) is the monthly loan amount forgiven;

BUT

If (C) is greater than (B): nothing is forgiven and  
(B) is the monthly payment from client;

Notes: