



we do so you can.

# **WHEDA**

# **FHA Advantage**

# **Origination Guide**

*Information contained in this guide supersedes FHA guidelines. Any information not contained in this guide should follow HUD Handbook 4155.1 and subsequent applicable Mortgage Letters.*

3/28/12



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# WHEDA FHA Advantage

Eligible Properties	Purchase of: <ul style="list-style-type: none"> <li>• Existing Single Family</li> <li>• HUD Approved HRAP Warrantable Condominiums</li> <li>• 2 unit more than 5 years old</li> </ul>
Loan Term	30 years
Interest Rate	Fixed rate. 45 day lock period. May change daily. See <a href="http://www.wheda.com">www.wheda.com</a> for the most current rate.
Maximum LTV	96.5% (Base Maximum Mortgage Amount)
Maximum CLTV	103%
Automated Underwriting DO/DU®	FHA Total Scorecard Approve / Eligible
Minimum Credit Score	620 Non Traditional Credit must be manually underwritten by WHEDA
Total Debt Ratio	31% / 43% for manual underwrite 45% for loans that receive Approve/Eligible
Minimum Borrower Contribution	None
Home Buyer Education	Required CLTV greater than 96.5% requires education provided by a WHEDA approved counseling agency Landlord Counseling is required for 2 unit properties
UFMIP	1.75%
Annual Mortgage Insurance Premium	1.20% - 95% LTV and less 1.25% - greater than 95% LTV
Assumable	Yes
Job Loss Protection	Paid by WHEDA
Servicing	All loans will be serviced by WHEDA
Exclusions	New Construction Major Rehabilitation Income from non-occupying co-borrowers Non-Warrantable and DELRAP Approved Condominiums 3 – 4 Unit Properties Manufactured Homes Community Land Trusts Repairs may not be added to the loan



# WHEDA Easy Close Advantage

Maximum Loan Amount	Greater of 3% or \$3,000 - Fannie Mae Advantage Greater of 3.5% or \$3,500 - FHA Advantage
Loan Purpose	Down payment , closing cost assistance, mortgage insurance premiums
Loan Term	10 years
Interest Rate	1% higher than the first mortgage
Minimum LTV	None
Maximum CLTV	105% Fannie Mae Advantage 103% FHA Advantage
Minimum Credit Score*	620
Ratios*	45% Single Qualifying Ratio
Other	<ul style="list-style-type: none"> <li>• Minimum loan amount \$1,000</li> <li>• Borrower cannot have more than \$10,000 in liquid assets at time of application</li> <li>• All Easy Close loans will be serviced by WHEDA</li> <li>• First payment date is 30 days from the Note date</li> <li>• Secured by a second mortgage and remain in second lien position if other down payment assistance is being obtained</li> <li>• Available for WHEDA first mortgage loan products</li> <li>• Loan amount must be rounded down to the nearest dollar</li> </ul>
Important: Refer to WHEDA Advantage Origination Guides	
* <i>Subject to compliance with private mortgage insurer's guidelines, if applicable.</i>	

## Introduction

The Wisconsin Housing and Economic Development Authority (WHEDA®) was created in 1972 by the Wisconsin Legislature as an independent authority, not a state agency. WHEDA is self supporting. No federal or state tax dollars are received by WHEDA for the funding of its lending programs. Proceeds from the sale of mortgage revenue bonds typically fund our first mortgage loans and allows us to provide low-interest, fixed rate mortgages to low and moderate income first time home buyers.

This guide provides our lending partners with the information needed to carry out their responsibilities as an approved WHEDA originating lender. Lenders agree to originate and sell loans to WHEDA in accordance with the terms and conditions set forth in the Loan Origination Agreement a/k/a Loan Purchase Agreement, the Lenders Warranty and this Origination Guide a/k/a Origination Manual.

To be eligible to use the WHEDA FHA Advantage loan product, lenders must have Title II Unconditional Direct Endorsement lending authority.

## Gramm-Leach Bliley Act

To respect the privacy of our respective customers and to protect the security and confidentiality of those customers' nonpublic personal information, WHEDA shall comply with the applicable requirements of the Gramm-Leach Bliley Act (15 USC 6801-6809, Disclosure of Nonpublic Personal Information).

## Program Information Directory

Questions Regarding	Telephone Number	E-mail Address
Underwriting	1-800-334-6873	info@wheda.com
Loan Status	(608) 266-3528	info@wheda.com
Loan Funding	(608) 266-3528	info@wheda.com
WHEDA's web site	1-800-334-6873	info@wheda.com
<b>FAX Numbers</b>		
Rate Lock Request Only	(608) 267-1095	
All Other Faxes	(608) 266-0729	

## On Demand Training

WHEDA offers a variety of [On Demand Training](#) sessions on our website. These sessions are designed to provide easy access to training on products and guidelines.

## Compliance Requirements

### First-Time Home Buyer

Anyone signing the Mortgage must be a first-time home buyer. The definition of a first-time home buyer is someone who has:

- Never owned real estate
- Owned real estate but has not lived in the property during the past three years
- Owned a mobile home but did not own the land

Exceptions to the first-time home buyer requirement are:

- The subject property is located in a federally designated Target area
- Veterans, provided the following conditions are met:
  - The veteran served in the military and has received an honorable discharge or release, or was eligible for an honorable discharge or release but has re-enlisted as verified by a Form DD214
  - The Form DD214 must indicate a status of “Member 4” in the lower right corner

### Income Limits

The combined gross annual income of all adults intending to occupy the property cannot exceed the [income limit](#) for the county in which the property is located.

**GOOD TO KNOW:**

Compliance income applies to all adult occupants. The number of occupants may be different than the number of loan applicants.

### Citizenship

All borrowers must have a Social Security Number and be one of the following:

- U.S. citizen
- Permanent resident alien (I-551)
- Temporary resident alien ( I-766, I-94 or I-551 temporary stamp) with a card issued by the Department of Homeland Security U.S. Citizenship and Immigration Services. Include a copy of the card in the application package

### Occupancy

The borrowers must occupy the property as their principal full-time residence within 60 days after the loan closing. The property must be occupied by the borrower for the term of the loan.

**GOOD TO KNOW:**

Residency in the State of Wisconsin at the time of application is not a requirement.

## **Compliance Requirements, continued**

### **Child Support/Maintenance**

Arrearages for child support, birthing, maintenance or other expenses owed to the state must be paid in full prior to closing.

### **Federal Recapture Tax**

Borrowers obtaining a WHEDA first mortgage product may be subject to an IRS Recapture Tax. This tax may apply if the home is sold within the first 9 years. If the borrower refinances their WHEDA loan, Recapture Tax is not applicable at that time. The determination of any Recapture Tax liability is only performed upon sale of the home.

For home owners that sell their home within the first 9 years and were obligated to pay an IRS recapture tax, WHEDA will reimburse them for this penalty.

## **Income**

### **Required Employment Documentation**

Provide the previous 2 years W-2 forms and most recent 30 day's worth of paystubs which show year-to-date earnings. The sum of the W-2s must match the federal tax returns.

If the borrower has been on their present job for less than 1 year, a full written Verification of Employment (VOE) is required.

### **Current Employment Documentation**

Documentation for current employment must include:

- Wage rate
- Average hours and overtime hours worked per week
- Year-to-date earnings
- Date of employment
- Frequency of payment
- Previous year earnings

### **Previous Employment Documentation**

For all previous employment in the last 2 years provide a verbal Verification of Termination which must include the start and termination dates of employment.

### **Other Income documentation:**

- Current Social Security Award Letter
- One year history of child support verified through the Department of Workforce Development
- Pension Letter
- A disability policy or benefits statement and a statement from the benefits payer

## Require Employment Documentation, continued

### Tax Transcripts

IRS transcripts and W-2s for the last 2 years will be required for all individuals who intend to occupy the property.

Transcripts will be reviewed for compliance income, self employed activity, unreimbursed employee expenses, and income from assets.

### Self Employed Borrower

For individuals participating in partnerships and/or corporations provide copies of the business tax returns for the last 2 years in addition to the personal tax transcripts from the last 2 years

### Compliance Income

Compliance income is the anticipated income of anyone age 18 or older who intends to occupy the property, regardless of their relationship to the borrower. This may include adult children, parents, aunts, uncles, grandparents, partners, companions, etc.

Compliance income is generally calculated using the greater of:

- Current gross income projected 12 months forward, or
- Gross income from all sources earned in the last tax year

**GOOD TO KNOW:**

Compliance income is not the same as qualifying income.

#### Inclusions:

- Earned income of all occupants over the age of 18
- Unearned income of all occupants under the age of 18
- Social Security Income (SSI)
- Child support
- Alimony
- Pension/retirement
- Disability
- Public Assistance
- Interest and dividend income on funds retained after closing
- Self employment income (adding back depreciation, depletion, meals and entertainment, and business use of home). If a business is operated at a loss, such loss may not be used to offset income generated from other sources

#### Exclusions:

- Earned income for all occupants under the age of 18
- Foster care income
- Food stamps
- Non-recurring payments from:
  - Inheritances
  - Insurance settlements
  - Lottery winnings
  - Gambling winnings
  - Capital gains
  - Settlements for personal loss

## **Income, continued**

### **Qualifying Income**

Qualifying income is the verified, stable income of the borrower and is used to calculate ratios. A 2 year history of stable employment is required.

**GOOD TO KNOW:**

Qualifying income is not the same as Compliance income.

### **Overtime**

Overtime income must show a history of at least 24 months with the current employer.

### **Commission, Bonus, Tip, and Profit Sharing**

Commission, bonus, tip, and profit sharing income must show a history of at least 24 months with the current employer.

### **Non-taxable Income (Child Support, SSI)**

Non-taxable income is adjusted upward 110%. This source of income should be expected to continue for the next 3 years.

Child support and alimony must be documented with a 12 month history from the Department of Workforce Development.

Social Security, pension/retirement, and public assistance must be verified with a current award letter.

Disability income must be verified with a copy of the disability policy or benefits statement and a statement from the benefits payer.

### **VA Benefits**

Direct compensation, such as for a service-related disability, is acceptable subject to the following documentation from the VA:

- Award Letter, AND
- Copy of current check, or 12 months bank statements

Education benefits used to offset education expenses are not acceptable

### **Second Job**

Second job (part-time or full-time) income requires a 24 month history and a strong likelihood of continuation.

### **Military Income**

For full time military personnel, use base pay plus additional pay (hazard pay, rations, clothing allowance, etc) if the additional pay is likely to be received in the future.

Reserve pay may be used as qualifying income if it can be verified as having been uninterrupted for the previous 2 years and has a strong likelihood of continuation.

**Qualifying Income, continued****Seasonal and Unemployment**

Seasonal employment and unemployment compensation may be considered if there is a minimum 2 year history with the same employer.

**Other Real Estate Owned**

Rental income from other real estate owned must be documented with 2 years federal tax transcripts. Add depreciation to the net income or loss. Positive rental income can be used for qualifying purposes. Negative rental income must be treated as a recurring liability.

If the property was acquired since the last income tax filing and is not shown on the Schedule E, a current lease or other rental agreement must be provided. Only 75% of the gross rental amount can be used for qualifying purposes.

**Unreimbursed Employee Expense**

Calculate a 24 month average of Unreimbursed Employee Expenses as listed on the borrower's personal tax returns and reduce monthly qualifying income. If the expenses are auto lease or auto loan related, count the monthly payment as a debt.

**Self Employment, Corporation, Partnership, and S Corporation Income**

A Business credit report is required for borrower(s) with an interest in a partnership or corporation for manually underwritten loans.

Average the net income from the prior two years personal and business returns. If the income for the most recent year shows a substantial decline, that income from that year will be used. A sharp decline in the most recent year will be closely reviewed to determine if the business has the ability to support the borrower's debt obligations.

**Business Operated at a Loss**

Negative cash flow from a business reduced other qualifying income. Business loss reported on the borrower's individual income tax return will be amortized over a 12 month period and included in ratios. If the business is operated at a loss, such loss may not be used to offset income generated from other sources when determining compliance with income limits.

## **Down Payment**

The minimum down payment is 3.5 percent of the lesser of the appraised value of the property or the sales price. The down payment requirement may come from any acceptable source listed below.

### **Source of Down Payment**

#### **Cash on Deposit**

Funds must be invested in the borrower's account at least 2 months prior to the loan application date. Verify the source of any large increases in excess \$500.

#### **Gifts**

An acceptable gift donor may be a:

- Spouse, parent, sibling, child, grandparent, aunt, uncle, cousin
- Domestic partner or fiancé who has lived with the borrower for the last 12 months

Verify and document the gift using [Form 11](#).

All gift funds must be verified and received by the borrower prior to the closing.

For funds verification, the following is required:

- Copy of cancelled gift check (or withdrawal documentation) to Borrower showing the Donor as the remitter.
- Copy of Borrower's Deposit receipt or a bank statement that shows the deposit.

#### **Gift of Equity and Identity of Interest Transactions**

A gift of equity is allowed if the borrower is purchasing a family member's primary residence. For all other transactions involving an Identify of Interest refer to FHA Guidelines, [HUD Handbook 4155.1](#), Chapter 2.B.2 for restrictions and waivers.

#### **Easy Close**

Second mortgage that is available at the time of home purchase with a WHEDA first mortgage. All Easy Close loans must be originated in WHEDA's name and will be serviced by WHEDA for the life of the loan.

Standard guidelines apply in addition to the following

- Borrower's liquid assets may not exceed \$10,000.00 at the time of application
- Must be in second lien position

Refer to the [Easy Close Advantage Fact Sheet](#) for more details.

#### **Earnest Money**

Provide a copy of the cancelled earnest money check.

#### **Forgivable Grants or Secured Loans**

Acceptable if the non-profit agency is HUD approved or a government entity. Refer to FHA Connection for a list of HUD Approved Agencies.

## **Down Payment, continued**

### **Retirement Funds**

The net withdrawal amount, after any penalties, may be an acceptable source of down payment. Use 60% of the vested balance when calculating available cash to close and reserve funds if the withdrawal has not yet occurred.

### **Sale of Personal Asset**

The purchaser of the asset cannot have an interest in the transaction. Provide the following:

- proof of ownership
- fair market value of the item sold
- bill of sale or copy of the transferred title
- receipt of funds

### **Tax Refund**

Satisfactory documentation includes:

- Copies of the refund checks
- Proof of deposit in the borrower's account
- Copy of the borrower's tax return

### **Borrowed Funds**

The loan must be fully secured by the borrower's own asset, repayable on a monthly installment basis, and fully amortized. Provide the following:

- Copy of the fully executed note
- Receipt of funds
- Proof of ownership
- Verification of asset value

The term of the loan must be reasonable based on the life of the asset.

### **Cash at Home**

Cash at home generally is not an acceptable source of down payment.

Exceptions may be made if the borrower has no history of using:

- Checking accounts
- Savings accounts
- Loans
- Credit cards

Funds must be deposited and verified prior to closing.

### **Repayment of Debt**

Funds received from repayment of loans to family and friends should be verified and reconciled with the borrower's ability to have made such loans.

## Down Payment, continued

### Interested Party Contributions (IPC)

Interested party contributions are allowed up to 6% of the purchase price for the borrower's closing costs and prepaid escrows.

The property seller may not increase the sales prices on a finalized purchase contract to cover closing costs.

The lender may contribute a maximum of \$500 in closing cost assistance, provided that the lender is not the property seller, affiliated with the property seller, or another interested party to the sales transaction.

An interested party (other than a family member) may not contribute to the down payment.

**GOOD TO KNOW:**

The appraiser must be provided with the fully executed sales contract and other information concerning all IPCs for the subject property.

### Rent with Option to Buy

Credit for the down payment is determined by calculating the difference between the market rent and the actual rent paid for the last 12 months. The market rent is determined by the appraiser. Provide a copy of the rental agreement and cancelled checks from the borrower for the last 12 months.

## **Credit**

### **Credit Report**

Obtain a triple merged credit report for all borrowers, including a non-applicant spouse, if applicable.

### **Non Traditional Credit Report (NTRC)**

Borrowers that do not have a credit score must be manually underwritten by WHEDA. The lender must order a NTRC through LandSafe. A minimum of 3 sources of credit must be provided to obtain a report.

Required alternative credit references for non –traditional credit borrowers are:

Verification of Rent – verification from someone other than a professional management company should be verified with copies of 12 months cancelled checks. Banks statements do not, by themselves, validate payments, but can be used to supplement other sources.

A utility payment reference (i.e. gas, electric)

Examples of other alternative credit references are:

- Utilities (i.e. telephone, cell phone, gas, electric, cable bills)
- Auto insurance premiums paid monthly

All references must include all of the following:

- Creditor's name
- Name of person providing the reference
- Date account was opened
- Amount of highest credit
- Current status of the account
- Required payment amount
- Unpaid balance
- Payment history

### **Credit Scores**

The credit report must include 3 credit scores for each borrower. The credit score selected for underwriting and eligibility will be determined as follows:

- One borrower, use the middle score
- More than 1 borrower, determine the middle score for all borrowers and use the lowest middle score
- One borrower with 3 credit scores and 1 borrower without a score use the middle score of the borrower with scores
- Use the lower score if only 2 scores are generating

Refer to the [Fact Sheet](#) for credit score requirements.

### **Length of Credit History**

The borrower's credit report must have 2 years of active credit history with a minimum of three 12-month trade lines. Applicants with a credit score that have insufficient traditional trade lines (thin credit file) may supplement their credit history with alternative credit references. See the Non-Traditional Credit section for acceptable sources.

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## **Credit, continued**

### **Analysis of Credit Report**

Credit history within the past 12 months will be a strong factor in the underwriting decision. Borrowers should exhibit no late payments, judgments or new collections within the past 12 months. Late payments within 13 – 24 months will be evaluated on a case-by-case basis.

### **Rental Verification**

A rental verification is required for loans that are manually underwritten. If rent is being paid to someone other than a professional management company it should be verified with copies of 12 months cancelled checks.

### **Collections**

Medical collections cannot exceed an aggregate total of \$1,000.

Non-medical collections must be paid-in-full.

### **Judgments, Tax Liens, Charge-Offs, Repossessions**

Must be paid-in-full prior to closing. Provide a recorded satisfaction.

### **Derogatory Accounts, Foreclosures, Bankruptcy's, etc.**

The following amount of time must pass from the date of the derogatory issue:

- 4 years since discharge of Chapter 7 bankruptcy
- 2 years since discharge of Chapter 13 bankruptcy
- 7 years since foreclosure

A strong and satisfactory 24 month credit history since the derogatory issue is required.

If the borrower had a previous WHEDA loan that was the subject of a foreclosure, deed-in- lieu or short sale that resulted in a loss, the borrower is not eligible.

### **Recent credit inquiries**

An explanation and / or documentation will be required for all recent credit inquiries within the last 90 days.

### **Debt Management**

Borrowers who have used the services of a debt management company must have 12 months of re-established credit from the conclusion of the plan.

### **Undisclosed Debt**

Document any discrepancies between the credit report and information disclosed in the application or elsewhere. All debts must be documented and the payments will be included in ratios.

### **Disputed Accounts**

Any disputed account noted on the credit report must be remedied prior to loan approval. A revised findings report, if applicable, must be submitted to WHEDA for review. The borrower will incur the cost of any fees associated with resolving the disputed account.

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## **Debt Analysis**

### **Ratios**

Refer to the [FHA Advantage Fact Sheet](#) for ratio limits.

### **Housing Payment**

The monthly payment includes principal and interest, taxes, hazard insurance and FHA monthly mortgage insurance premium (PITI). Add to the PITI any monthly association fees and/or flood insurance premium.

### **Revolving Accounts**

WHEDA reserves the right to use 3% of the outstanding balance of a revolving account for the monthly payment if the 3% payment is higher than what appears on the credit report.

Use 5% of the balance if no payment amount is listed on the credit report.

Monthly payments on revolving or open-ended accounts, regardless of the balance, are counted as a liability for qualifying purposes even if the account appears likely to be paid off within 10 months or less.

Payment in full of revolving debts to obtain satisfactory qualifying ratios is not allowed.

### **Installment Debt**

Include all installment debt with a remaining term of 10 months or more.

Installment debts with fewer than 10 months remaining are generally excluded. However, debts with less than 10 months must be counted if the amount of the debt affects the borrower's ability to pay the mortgage payments immediately after closing.

Principal reductions of installment debt to reduce the remaining term to less than 10 payments are not allowed.

Lease payments are always included in ratios.

### **Authorized User Accounts**

Do not count authorized user accounts as a credit reference unless the borrowers can provide cancelled checks to verify they have been making the payments for at least 12 months. If the borrowers have been making the payments, include the monthly payment in the borrowers' debt ratio.

If the borrower is an authorized user of a trade line that belongs to a non-applicant spouse the lender must include the monthly payment when calculating the borrower's debt ratio.

### **Non-applicant Spouse Debt**

All open and active accounts will be included in ratios.

The borrower will not be held responsible for payment of collections and judgments incurred by a non-applicant spouse prior to the documented date of the marriage.

**Debt Analysis, continued**

**Child Support and Maintenance**

Include all child support obligations with a remaining term of 10 months or more.

All child support, birthing expenses, and maintenance arrearages must be paid prior to closing.

**Student Loans**

Include debt that will go into repayment within the next 12 months.

Provide documentation to verify the first payment due date and fully-amortized payment amount.

Loans going into repayment within the next 18 months may be included based on risk factors that include ratios, assets, large loan balance, earning potential and past credit history

**Business Debt**

Obtain 12 months of cancelled checks to verify the obligation was paid with company funds. If delinquencies have occurred in the past 12 months, include the debt as part of the borrower's individual obligations.

**Co-Signature Debt**

A borrower's co-signed obligation is not considered debt if the borrower can provide documentation that the last 12 months of payments have been paid by the primary debtor.

## Program Requirements

The lender is responsible for review of property valuation, property condition, and assessment of the marketability of the property following standard property guidelines except as noted below.

### Principal Residence

The property must be the borrower's principal residence. The borrower must occupy the subject property within 60 days of loan closing and maintain occupancy for the life of the loan.

### Location

The property:

- Must be located in Wisconsin
- Should be located within 50 miles of the borrower's place of employment

### Purchase Price

The total acquisition cost of the property cannot exceed the [Purchase Price Limit](#). Additional expenses incurred in the acquisition of the property (auction fees, past-due taxes/assessments) and any expenses paid by the borrower on behalf of the seller will be added to the purchase price to determine the total acquisition cost.

Only the acquisition of real property and fixtures (carpeting, built-in appliances, drapes, etc) can be financed.

## Property Types

### Eligible Properties

- Existing single family dwelling
- HRAP Approved Condominiums

### Ineligible Properties

The following types of properties are not acceptable:

- DELRAP Approved Condominiums
- 2 – 4 unit properties
- Manufactured Homes
- New Construction or Major Rehabilitation
- Commercially used properties
- Time share units
- Earth homes
- Dome homes
- Geothermal homes
- Log homes

### Property Flipping

If the property has been owned for less than 90 days by the seller, the current sales price cannot be greater than or equal to a 20% increase over the seller's original acquisition cost.

### Property Use

No more than 15% of the property can be used for trade or business purposes.

The property cannot be subdivided, farmed, or used commercially.

### Condominiums

Condominiums are considered single family properties. The condominium must be HRAP approved and comply with FHA guidelines:

- Commercial use is less than or equal to 25%
- No more than 10% of the units are owned by the same one investor
- No more than 15% of the units can be in arrears on condominium association fees
- At least 50% of the total units must be sold
- At least 50% of the units must be owner-occupied
- Meets FHA concentration level requirements
- Homeowners' association budget review is adequate
- Insurance requirements

Complete the Lender Certification to Condominium Requirements ([Exhibit 6](#)) on lender's letterhead.

### Offer to Purchase

Provide a copy of the complete and fully executed contract including all addendums, counters, amendments, and notices.

FHA requires the following items to be a part of the contract:

- Amendatory Clause
- Real Estate Certification
- FHA as the type of financing
- Disclosure of any type of subordinate financing
- Identity of Interest disclosure

**GOOD TO KNOW:**

Did you know that the #1 reason for underwriting delay is an unsigned Offer to Purchase? Include copies signed by both the buyer and the seller.

### Personal Property

Only the acquisition of real property and fixtures (carpeting, built-in appliances, drapes, etc) can be financed.

### Real Estate Condition Report

Provide a copy of the Real Estate Condition Report. Address any concerns noted on the report.

## Offer to Purchase, continued

### Sales Concessions

The value of excessive sales concessions must be deducted from the sales price when calculating the LTV and CLTV for underwriting and eligibility purposes.

### Joint Party Agreements

Obtain a copy of the recorded joint party agreement if the property shares a driveway, well, septic system, or wall with an adjoining property. The agreement must "run with the land."

## Appraisal

Appraiser must be on the FHA Approved Appraiser Roster via FHA Connection.

Appraisal requirements are as follows:

- Obtained in compliance with the Appraiser Independence Requirements
- An interior & exterior review by a licensed appraiser
- Based on the "as is" value of the property
- Appraiser must confirm they were provided with a complete copy of the Offer to Purchase and verify Interested Party Contributions (IPCs), if applicable
- FHA case number displayed on all pages

The following exhibits must accompany the appraisal:

- Exterior building sketch with dimensions
- Street map that shows the location of the property and comparables
- Original photographs showing the front, back, and street scene of the subject property and the front of each comparable
- Interior photographs of the kitchen, all bathrooms, main living area, examples of physical deterioration, examples of recent updates
- Must include the 1004 MC addendum

### Declining Market Appraisal Requirements

In a declining market the appraiser must:

- Include a minimum of 2 active listing or pending sales in the appraisal
- Include at least 2 comparable sales that closed within 90 days prior to the effective date of the appraisal; otherwise a detailed explanation is required why the sales could not be provided
- Ensure active listings and pending sales are market tested and have reasonable market exposure to avoid the use of over-priced properties as comparables. Reasonable market exposure is reflected by typical marketing times for the neighborhood
- Adjust active listings to reflect list-to-sale-price ratios for the market
- Adjust pending sales to reflect the contract purchase price whenever possible, or adjust pending sales to reflect list-to-sale-price ratios
- Include the original list price, revised list prices, and total days on the market

### HUD REO Properties

If the buyer of the REO property is financing the purchase with an FHA loan, the lender must use the HUD appraisal as long as it is still valid. The validity period from the date of inspection is 120 days.

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## Appraisal, continued

### Acceptable Forms

Standard Fannie Mae appraisal forms and exhibits are acceptable with the exception of the Qualitative Analysis Report (FNMA Form 2065) and the Property Inspection Report (FNMA Form 2075).

### Condition of Property

The property must be in average or better condition. Remedy any repairs noted on the Appraisal, Property Inspection, or Real Estate Condition Report.

### Acreage/Land Value

The value of the home should be 60% of the total appraised value.

### Well and Septic Systems

Inspections are required for any property where these systems are in place. Generally, the offer to purchase and / or the appraisal will disclose the presence of these systems.

Septic and well systems must meet state, federal and community standards and provide adequate service to the property. If shared facilities are used, the owners of the subject property must have the right to access those facilities on an on-going basis through a legally binding agreement for access and maintenance.

The lender is responsible for providing a copy of the well and septic inspections in the application package for WHEDA review. If the property is subject to replacement of these systems, replacement must be completed prior to loan closing.

### Code Requirements

The property must meet state and local code compliance requirements. If code violations are noted, they must be corrected prior to closing or funds escrowed with the lender to ensure correction after closing.

## FHA Connection

Lenders will be required to enter all information in FHA Connection to complete the loan transaction from the point of origination to the point of transferring of servicing and holder to WHEDA.

## Pre-Purchase Education Requirement

The borrower must complete the following education requirements prior to closing.

### First Mortgage Education – 1 unit properties

Home Buyer Education is required for the primary wage earner and must have been completed within the last 12 months.

All LTVs - While face to face education is always encouraged and provides the best benefit to the borrower, it is acceptable to use online community home buyer education from a mortgage insurance company.

CLTV greater than 97% - Home buyer education is required through a [WHEDA approved counseling agency](#).

## Preapproval

A lender may obtain a preliminary loan decision based on the borrower's income and credit history. The Preapproval Certificate will include eligible PITI, LTV, and conditions required for final approval.

**GOOD TO KNOW:**

The loan does not need to be rate locked in order to submit a preapproval.

## File Submission

Submit the original documents indicated on the Preapproval Application Checklist ([Form 6d](#)). Applications will be underwritten for income and credit only.

There are several ways to submit a Preapproval application to WHEDA:

- Mail
- Fax
- [WHEDA-Connect](#)

Applications will not be accepted through email attachment.

WHEDA will underwrite the application within 48 hours of receipt of a complete preapproval package.

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## Underwriting Decision - Preapproval

### Approval

The Preapproval Certificate will be valid for 60 days. The certificate will specify any conditions and documentation required for final approval.

If the interest rate has been locked, the preapproval does not extend the rate lock period.

Extensions will not be granted. If the Preapproval Certificate has expired, it will be necessary to submit a new application.

### Pend

The lender will be notified detailing the items necessary to decision the application.

### Denial

If the loan does not meet underwriting or compliance guidelines, the lender will receive a phone call and a Notice of Adverse Action will be mailed to the borrower(s) and the lender.

## Before Rate Lock

### Fees that may be charged to the borrower

- Up Front Mortgage Insurance Premium (may be financed in the loan)
- Out-of-pocket costs the lender has incurred (appraisal, credit report, etc)
- Prepaid interest
- Escrow funds to the date of first payment
- Closing fee charged by an outside closing agent, or if closed in-house a maximum of \$200
- Lender miscellaneous fees up to \$1,000
- Home buyer counseling fee (may not exceed \$600)

### Lender Compensation and Fees

Lender compensation will be paid by WHEDA. Refer to the [Schedule of Fees](#) for detailed information.

## Rate Lock

At any time after receipt of an accepted Offer to Purchase the rate may be locked by faxing a completed Request for Rate Lock (Form 1). Review the various pricing options. WHEDA will issue a Confirmation of Rate Lock which will expire after 45 days. The loan must close on or before the expiration date.

If the property changes, cancel the original rate lock and submit a new Request for Rate Lock ([Form 1](#)).

If the rate lock has expired, the loan may not be relocked until 30 days after the initial expiration date.

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## Rate Lock, continued

### Rate Extension Fee

If unforeseeable circumstances arise where the loan cannot close prior to the rate expiration date, the lender may request a one-time extension for up to 30 days. A [fee](#) will be assessed and withheld at the time funds are transferred.

## Application Submission

WHEDA FHA Advantage loans must be submitted through the closed loan purchase channel. However, the loan must be submitted to WHEDA for a full pre-closing underwrite for bond, compliance and investor quality. See the Loan Delivery Chapter for details.

There are two ways to submit an application to WHEDA:

- Mail
- [WHEDA-Connect](#)

Submit the original documents indicated on the Application Package Checklist ([Form 6](#)). Files sent via regular or overnight mail are to be submitted in a legal sized manila folder and fastened with a binder clip. Documents should not be two-hole punched. WHEDA will underwrite a complete application within 2 business days of receipt.

Incomplete loan applications will not be underwritten until all missing documentation is received.

### Age of Documents

- Documents must be dated within 90 days of closing
- The Appraisal must be dated within 120 days of closing

### FHA TOTAL Scorecard using Desktop Underwriter® (DU®)

FHA loans must be scored through using FHA Total Scorecard. It is important to note that the automated underwriting decision is a recommendation. The final underwriting decision must be based on prudent underwriting and the overall strengths and weaknesses of the file.

WHEDA will accept an Approve/Eligible decision under the following conditions:

- The most recent version of DU was used
- Information was verified and entered completely and accurately
- The loan meets WHEDA FHA Advantage Program requirements
- The loan meets FHA guidelines
- Maximum 45% single qualifying ratio
- Minimum of three 12-month credit references for each borrower

If the borrower is using the WHEDA Easy Close Advantage loan:

- The payment should be entered as “other financing”
- The \$3,000 balance should be included in subordinate financing

Loans receiving a decision other than Approve / Eligible will be manually underwritten according to this Origination Guide. A verification of rent will be required.

## Application Submission, continued

### Qualified Participants

Provide documentation to verify the following parties to the transaction are not listed on the General Services Administration (GSA) Excluded Party List or the HUD Limited Denial of Participation List (LDP List).

- Borrower
- Coborrower
- Loan Originator
- Seller
- Listing Agent
- Selling Agent

### Underwriting Decision

#### Approval

Full approval of the loan consists of WHEDA's written approval. Review the Approval documents for accuracy.

Approval is subject to a Mortgage Insurance Certificate from HUD within 60 days of closing.

Submit documentation to satisfy funding conditions listed on the Approval Letter with the Closing Package.

The approval is valid until the rate lock expiration date.

#### Pend

The lender will be notified detailing the items necessary to decision the application.

**GOOD TO KNOW:**  
Submit all pend items at one time.

#### Denial

If the loan does not meet underwriting or compliance guidelines, the lender will receive a phone call and a Notice of Adverse Action will be mailed to the borrower(s) and the lender.

#### Timeline

<b>From date of rate lock to closing:</b>	45 days
<b>Order WHEDA Second Mortgage Funds:</b>	Submit the Funding Certificate within 48 hours of closing
<b>Send the origination and closing package:</b>	Submit within 10 business days of closing
<b>Send final case binder to FHA:</b>	Post closing
<b>From closing to occupancy by borrower:</b>	60 days
<b>Confirmation of Mortgage Insurance:</b>	60 days from closing

## Pre-Closing

All first mortgage loans will initially be serviced by WHEDA and then subsequently sold to our Master Servicer. Borrower(s) will be notified of the transfer of servicing within 60 days of the closing. The lender is responsible for meeting the following requirements:

### Verbal Verification of Employment documentation requirements

Provide a verbal verification of employment, including probability of continued employment, for each borrower dated within 10 business days prior to the Note date.

1. Verbal Verification of Employment requirements for hourly, salary and commission income employees are:

- Verify and document the phone number and address for the borrower(s) employer independently through the phone book, the internet, directory assistance, or by contacting the applicable licensing bureau. The verbal VVOE should include:
  - The name and title of the person who confirmed the employment
  - The date of the call
  - The source of the phone number
  - The borrower's current employment status
  - The borrower's job title
  - The borrower's date of hire / dates of employment

If a verbal VOE cannot be obtained, one of the following options may be used:

- The Work Number Website
    - If the verification is obtained from [The Work Number](#) Web site, the 10-business period is measured from the date of the Client's request to the vendor, not the date the information was updated in the vendor's database. However, the information from the database must have been updated within the last 35 calendar days.
    - Obtain a written verification of employment sent directly to the employer.
2. Verbal Verification of Employment requirements for self-employed borrowers are:
- Verify the existence of the borrower's business within 30 calendar days of the Note Date:
    - From a third-party such as a CPA, regulatory agency, or the applicable licensing bureau, if possible; and
    - Verify a phone listing and address for the borrower's business using a telephone book, internet, or directory assistance
    - If the contact is made verbally, document the source of the information and the name/title of the lender's employee who obtained the information
3. Verbal Verification of Employment requirements for Seasonal Employment
- If verbal verification occurs during the off season and the borrower is currently not working for that business, independent verification that the business exists and that the borrower previously worked for that business as stated on the loan application is required, at a minimum.

## Pre-Closing, continued

### Escrows

Escrows, including a 1 month cushion, are required for the following:

- Real estate taxes
- Hazard insurance (including condo contents, if applicable)
- Monthly mortgage insurance premium
- Flood insurance (if applicable)

At closing collect borrower's prepaid escrows per HUD's aggregate accounting method.

Round the total payment up to the nearest dollar by adjusting the escrow payment.

### Insurance

#### Title Insurance

Verify the Title Insurance Commitment meets the following requirements:

- The FHA mortgage must be the first and paramount lien position
- No exceptions or liens
- Ensure that building restrictions, easements, restrictive covenants and other exceptions do not affect the priority of the FHA mortgage
- Long or short forms are acceptable
- The minimum amount of coverage must be equal to the first mortgage
- Issued by an insurer licensed in the state of Wisconsin
- The mortgagee clause should read:  
The Originating Lender's name, and/or The Secretary of Housing and Urban Development, their successors and/or assigns as their interests may appear

#### Hazard Insurance

Insurance must be written by an insurance carrier that has an acceptable rating from either A.M. Best, Demotech, or S&P.

Verify the hazard insurance policy meets the following requirements:

- Maximum deductible is \$1000
- Minimum coverage, based on replacement value, is the lesser of:
  - Unpaid principal balance of the mortgage
  - 100% of the insurable value of the improvements
- The mortgagee clause should be assigned to:  
WHEDA, it's successors and/or assigns  
PO Box 1728  
Madison, WI 53701-1728

Provide receipt for first year premium.

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## Insurance, continued

### Condominium Insurance

Complete the Lender Certification for Individual Unit Financing, [Exhibit 6](#).

If the master or blanket policy does not cover interior walls, fixtures, and equipment inside the individual units, the borrower must obtain standard hazard insurance.

### Flood Insurance

Obtain flood insurance if the property is located in a 100 year flood plain.

Verify the flood insurance policy meets the following requirements:

- Maximum deductible is \$1000
- Minimum coverage, based on replacement value, is the lesser of:
  - Unpaid principal balance of the mortgage
  - 100% of the insurable value of the improvements
- The mortgagee clause should be assigned to:  
WHEDA, it's successors and/or assigns  
PO Box 1728  
Madison, WI 53701-1728

Provide receipt for first year premium.

### Servicing Transfer Notification

The lender must provide the following contact information to the borrower:

- Servicing phone number: 1-800-562-5546
- Hours of operation: 8:00 am to 5:00 pm
- Address: Loan Servicing  
WHEDA  
PO Box 1728  
Madison, WI 53701-1728

### Disclosures

Provide the borrower with all standard disclosures. If WHEDA discovers disclosure violations, curative action will be taken.

### Appraisal

The lender is required to provide documentation that the borrower received a copy of the appraisal at least three business days prior to closing.

### Quality Control

WHEDA will randomly select loans for quality assurance prior to loan approval.

## Closing Documents

### Note

Execute the Note and assign to WHEDA.

Use a Note that is in an acceptable FHA format as referenced in the [Handbook 4155.2.6](#).

The endorsement should read:

“Pay to the Order of WHEDA without recourse”

\_\_\_\_\_  
Officer Name and Title  
Lending Institution

- All monthly installment payments will be due on the first day of each month
- Interest is charged in arrears
- The first payment will be due:

Example: Closing on July 15, first payment date will be September 1. Collect prepaid interest

Example: Closing on September 1st (30 day month), first payment date will be October 1. Do not collect prepaid interest

Example: Closing on December 1st or 2nd (31 day month), first payment date will be January 1. Do not collect prepaid interest

### Other Documents

Use a Mortgage that is in an acceptable FHA format as referenced in the [Handbook 4155.2.6](#)

Execute and record the following

- Mortgage
- Mortgage Rider ([Form 21](#))
- Assignment of Mortgage to WHEDA
- Condominium Rider - FNMA/FHLMC Form 3140, if applicable
- 1-4 Family Rider - FNMA/FHLMC Form 3170, for 2-Unit properties

## Easy Close Advantage Funding

The loan must be in second lien position and originated in WHEDA's name. The loan must be table-funded and will be serviced by WHEDA for the life of the loan.

- Execute the Note using Fannie Mae/Freddie Mac Form 3250 or comparable first mortgage note
- Payments begin 30 days from the note date
- Use a 15 day grace period with a 5% late charge
- Prepare the Real Estate Mortgage using Fannie Mae/Freddie Mac Form 3050 or a comparable first mortgage
- Provide a copy of the Good Faith Estimate
- Provide a copy of the Truth-in-Lending Disclosure
- Provide a copy of the HUD-1A Settlement Statement

### Requesting Easy Close Funds

Submit the Easy Close Funding Certificate (Form 7a), within 48 hours of the closing.

- Funds will be transferred to the lender on the date of closing
- WHEDA will issue a Confirmation of Funds Transfer. Review this document for accuracy.

### Changes to Easy Close Funding

Notify WHEDA of any changes to the Confirmation of Funds Transfer prior to or at closing. Fax a revised Easy Close Funding Certificate (Form 7a) with the changes and a revised confirmation will be faxed to the lender.

Failure to notify WHEDA of any change may result in a penalty that will be debited from the lender's account.

If for any reason the closing does not take place, funds must be returned to WHEDA immediately. Call WHEDA for instructions. Failure to do so will result in a penalty and interest charge for the days the funds are held.

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## Post Closing Requirements

### Upfront Mortgage Insurance Premium

The lender will pay the premium 24 hours after the loan closing. A confirmation of payment, to be included in the closing package.

### Closing Documents

Submit the Closing Package documentation and any conditions listed on the Approval Letter within 10 business days of closing. Documents not available within the 10 day time period should be submitted within 9 months. A per document, per month fee will be charged for any other closing documents outstanding for more than 9 months.

The lender is responsible for submitting the full HUD Case Binder to the Denver Homeownership Center, after closing for the final Mortgage Insurance Certificate. Include the Application for Insurance confirmation.

U.S. Department of Housing and Urban Development  
Denver Homeownership Center  
Processing & Underwriting – 20<sup>th</sup> Floor  
1670 Broadway  
Denver, CO 80202-4801

Lender will be required to transfer the servicing and holder of the loan to WHEDA in FHA Connection before WHEDA's purchase of the loan.

### Final Mortgage Insurance Certificate (MIC)

Confirmation of the final mortgage insurance certificate from HUD is required within 60 days of the closing.

### Late Endorsement Requirements

Lender to obtain WHEDA approval prior to a late endorsement request. Upon WHEDA approval the lender will be provided with a loan payment history.

### Notice of Return (NOR)

The lender will be notified of any HUD Case Binder returned for non-compliance. The lender must submit the necessary information to HUD in a timely manner in order to meet the 60 day requirement for receipt of the final MIC.

If the lender is unable to obtain a final MIC, for any reason, the loan will be subject to repurchase.

### Resources

Many useful resources are available on this website:

- Income and Purchase Price Limits
- Home Buyer Counselors
- Forms
- Tax returns
- Department of Workforce Development (Child Support Verifications)
  - Phone: 414-615-2400
  - Fax: 414-615-2424

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## Closed Loan Purchase

Loans must be closed in the lender's name and processed through this submission channel. As noted in the Procedures chapter, all loans are to be submitted to WHEDA for a pre-closing underwrite for bond, compliance, and investor quality.

- Loan must receive an Approve/Eligible TOTAL Scorecard decision
- The borrower may not receive cash back at closing.
- Principal balance reductions are acceptable up to \$500.00

The lender will submit documentation listed on the [Closing Package Checklist](#) (Form 12), along with any outstanding conditions required on the Closed Loan Approval Letter to WHEDA no later than 10 business days after loan closing. Loans not delivered within the specified time frame will be assessed a [fee](#).

WHEDA will perform a purchase review (underwrite) within 2 business days of receipt. WHEDA will not purchase loans with incomplete documentation.

### Purchase Review

WHEDA will review the documentation for bond, compliance and investor quality and reserves the right to deny purchase as applicable.

WHEDA may randomly order soft-hit credit reports to verify there were no substantial changes in the borrower's other debt obligations prior to loan closing.

### AUS Post Close Validation

Loan file information, the AUS and delivery information must be consistent. The last AUS decision is the official record of the terms of the loan.

WHEDA may request the lender to resubmit the loan to DU to validate the AUS and loan file information. The following requirements apply:

- Resubmitted loan must have an Approve/Eligible decision to be eligible for purchase
- Refer feedback messages are not acceptable unless previously approved by WHEDA
- The original credit report should be used

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## Closed Loan Purchase, continued

### Purchase Review Decision

#### Approval

Full approval consists of lenders receipt of a Confirmation of Funds Transfer. Funds will be transferred to the lender via ACH.

#### Pend

The lender will be notified detailing items necessary to complete the purchase review. Items listed must be sent to WHEDA within 5 business days.

#### Notice of Deficiency

The application has been approved for purchase and funds have been transferred, however deficiencies have been discovered during the review. The lender will be notified of the deficiencies and will have the option to cure post-purchase.

If WHEDA's investor or mortgage insurer at any time requires these or any other deficiencies to be cured, the lender will be required to either cure the deficiencies or repurchase the loan.

#### Notice of Non-Purchase

If WHEDA's underwriting review has found the loan to be non-compliant with bond compliance or investor eligibility the lender will be notified in writing.

### Representations and Warranties Regarding Mortgage Loans

Lender acknowledges representations and warranties as identified in the Loan Origination Agreement, this Origination Guide and the Lender's Warranty.

### Post-Purchase Review Monitoring

WHEDA will regularly monitor the mix of business and performance of loans submitted through the closed loan channel. WHEDA reserves the right to broaden or revoke delegated underwriting authority.

### Closed Loan Purchase Funding

After the loan has been approved, a Confirmation of Funds Transfer will be sent to the lender. The Confirmation of Funds Transfer will itemize the amount of funds transferred.

The lender is responsible for reporting the closing interest received from the borrower to the IRS and to the borrower at the end of the year.

Example: Loan closes on April 15. The lender will collect 16 days of prepaid interest from the borrower and will report this interest to the IRS. WHEDA purchases the loan on May 3. The lender will receive 2 days of interest from WHEDA .

Example: Loan closes on April 2. The lender will collect 29 days of prepaid interest from the borrower and report this interest to the IRS. WHEDA purchases the loan on April 28. WHEDA will net out 2 days of interest from the funds transferred.

This initiative allows borrowers certain variances from standard credit underwriting guidelines.

### **Borrower Eligibility**

- Individuals with disabilities, including borrowers who have court appointed guardians
- Guardians will be required to document evidence of court approval to enter into a mortgage contract on behalf of the borrower
- Home buyers with disabled parents or dependent children living with them
- The applicant or their legal guardian must complete Home Buyer Education

A disability is defined as a physical or mental impairment that results in a substantial or functional limitation in any of the following areas of major life activities:

- Self-care
- Receptive and expressive language
- Learning
- Mobility
- Self-direction
- Capacity for independent living
- Economic self-sufficiency

### **Boarder Income**

If the loan-to-value is 90% or less, monthly rental income received from roommates may be added to the applicant's other income before ratio analysis.

Rental income can be considered as acceptable stable income, in an amount up to 30% of total gross income that is used to qualify the borrower for the mortgage if:

- The individual has lived with borrower for 12 months
- Boarder can prove history of shared residency
- Boarder can provide a history of rental payments for 12 months via copies of canceled checks

### **Guarantors/Co-Signers**

If the loan-to-value is 90% or less, the applicant's parents or siblings may co-sign the loan.

- Underwriting analysis will include income, employment and credit review of both the applicants and the co-signer
- The ratio limit for the borrower and the co-borrower is 45%

Additional documentation on the guarantor/co-signer includes the following:

- Residential Loan Application
- Verification of Employment
- Verification of Deposit
- Triple-Merged Credit Report

The co-signer's income will not be used for compliance purposes unless the co-signer will be occupying the property.

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## Section 8 Voucher Guidelines

Standard underwriting guidelines apply with the following exceptions:

- Each municipality's Section 8 Home Ownership Voucher program must be approved by WHEDA
- Borrower must meet the eligibility requirements determined by the municipality. This includes, but is not limited to, minimum down payment, inspections and other eligibility guidelines
- Maximum loan-to-value is 97%
- Maximum ratios are 33% / 38%

Add the amount of the Section 8 Voucher to qualifying income.

## Rate Lock and Application Package Submission

Write "Section 8" prominently at the top of the Request for Rate Lock ([Form 1](#)) and the appropriate Application Package Checklist.

All loan applications must be submitted to WHEDA for a manual underwrite.

A copy of the Housing Assistance Payment (HAP) Calculation Worksheet from the agency administering the voucher program must be submitted with the loan application.

A lender (.i.e. bank, savings bank, savings and loan association, credit union or mortgage banker licensed under ) must be approved to do business with WHEDA. A lender may participate directly with WHEDA (a “Direct Lender”) or they may originate loans as a Third-Party Originator (TPO) or network of TPOs (a “Wholesale Lender”). This section sets forth the requirements for participation in the WHEDA Advantage program as a Direct Lender and as a Wholesale Lender.

## Lender Eligibility

### Lender Eligibility

WHEDA determines a lender’s qualifications and eligibility by reviewing the lender’s financial condition, organization, staffing and other relevant factors.

To be approved, a lender must, at a minimum:

- Have a tangible net worth of \$1,000,000
- Have as its principal business purpose, the origination and selling of single-family residential mortgages.
- Have demonstrated the ability to originate and sell the types of single-family residential mortgages for which approval is being requested.
- Have adequate facilities and staff experiences in originating and selling single-family residential mortgages for which approval is being requested.
- Be duly organized, validly existing , properly licensed (in good standing) or otherwise authorized to conduct business in the State of Wisconsin to originate and sell single-family residential mortgages.
- Have internal audit and management control systems to evaluate and monitor the overall quality of its loan production.
- Implement and maintain a comprehensive quality control plan that monitors mortgage loan quality, verifies the existence and accuracy of legal documents, credit documentation and property appraisals and a plan that monitors early payment defaults.
- Have written procedures for the approval and management of vendors and other third-party service providers.
- Have written procedures to assure appraiser independence.
- Have a fidelity bond and an errors and omissions policy in effect and agree to modify them as necessary to meet WHEDA’s requirements.
- Have the ability to repurchase any mortgage loan sold to WHEDA that fails to meet the standards as defined in the Loan Origination Agreement (a/k/a Loan Purchase Agreement), the WHEDA Advantage Origination Guide(aka the Origination Guide) or the Lenders Warranty.
- Have a disaster recovery plan in effect.

#### Wholesale Lender Eligibility

A lender that applies as a Wholesale Lender may contract with a TPO such as a mortgage broker, a financial institution that does not meet participation requirements, or a qualified lender who chooses not to be a Direct Lender with WHEDA. In addition to meeting the Lender Eligibility requirements set forth above, the Wholesale Lender must also:

- Have a tangible net worth of \$2,500,000
- Not have any regulatory orders, including cease and desist orders pending

#### New Lender Application Requirements

Lenders applying to do business with WHEDA must submit the following:

- A completed [Lender Application Checklist](#)
- A completed [Lender Application](#)
- Any required documentation, as specified on the Lender Application Checklist
- The Loan Origination Agreement, executed by an authorized senior officer
- [An ACH Agreement](#) signed by two (2) authorized signatories of the lender

In addition, lenders applying as a Wholesale Lender must submit the following:

- [TPO Application Form](#)
- [TPO Authorization Form](#) countersigned by the Wholesale Lender for each TPO

WHEDA reserves the right to request additional documentation as deemed necessary to render a decision on an application. Failure to provide documentation requested by WHEDA will result in denial of an application.

Approval or rejection of a lender's application, and its TPOs if applicable, is at WHEDA's sole discretion and is based on WHEDA's business judgment with respect to the totality of the lender's circumstances.

#### Contracts and Agreements

The Loan Origination Agreement establishes the basic legal relationship between a lender and WHEDA.

The Agreement:

- Establishes the lender as an approved originator and seller of mortgages to WHEDA.
- Provides the general terms and conditions of those sales, supplemented by the WHEDA Advantage Origination Guide, Lender's Warranty, lender announcements, letters and Origination Guide changes and any other agreement entered into by WHEDA and the lender.

#### Lender Identification Number

WHEDA assigns a lender identification number to an approved lender. In addition, Wholesale Lenders will receive an identification number for each TPO. The identification number is necessary for submitting a [rate lock request](#).

#### Annual Recertification

All currently approved WHEDA lenders will be recertified annually to determine continued eligibility.

Each lender will receive a Lender Application that must be completed and returned to WHEDA within the timeframe specified in the recertification letter.

Lenders pursuing re-certification as a WHEDA-approved lender must submit the following:

- A completed [Lender Application Checklist](#)
- A completed [Lender Application](#)
- Any required documentation, as specified on the Lender Application Checklist
- [An ACH Agreement](#) signed by two (2) authorized signatories of the lender
- Wholesale Lenders will reverify their TPOs for continued eligibility

WHEDA will review each lender's financial condition, organization and staffing, origination activity and volume, the performance and mix-of-business of its loans previously funded by WHEDA, and any other factors WHEDA deems relevant.

Approval or rejection of a lender's recertification is at WHEDA's sole discretion and is based on WHEDA's business judgment with respect to the totality of the lender's circumstances.

### Lender Responsibilities

#### Best Practices and Policies

The lender's operating policies and procedures must reflect prudent, sound and responsible business practices in its marketing and origination of residential mortgage loans.

#### Compliance

The lender must comply with:

- All federal, state and local laws and regulations that are applicable to fair housing, fair lending, equal credit opportunity, truth-in-lending, wrongful discrimination, appraisals, real estate settlement procedures, borrower privacy, data security, escrow account administration, credit reporting, electronic signatures or transactions, predatory lending or terrorist activity.
- Appraiser Independence Requirements
- All requirements of the Loan Origination Agreement (a/k/a the Loan Purchase Agreement), the WHEDA Advantage Origination Guide and the Lender's Warranty
- The Department of Treasury's Office of Foreign Assets Control (OFAC) as it applies to lender's key principals.
- The Secure and Fair Enforcement (SAFE) Mortgage Licensing Act of 2008.
- All IRS and Regulatory requirements pertaining to certain real estate transactions
- Any company or individual involved in the origination, underwriting, or servicing of the mortgage is not listed on the General Services Administration (GSA) Excluded Party List or the HUD Limited Denial of Participation List (LDP List)

#### Compliance, continued

In addition, a Wholesale Lender is responsible for:

- Ensuring that business is conducted in accordance with WHEDA's requirements and expectations
- Loans submitted are pursuant to the WHEDA Loan Origination Agreement
- Assuming all liability on TPO loans as if it originated those loans itself
- Ensuring TPOs have access to the WHEDA Origination Guide(s) and Updates
- Diligent monitoring to ensure the TPO does not use the HUD or FHA logo or HUD seal in any promotion or advertisement
- Ensuring a TPO is not named on HUD's Limited Denial of Participation List (LDP) and the Federal General Services Administration (GSA) Excluded Parties List System (EPLS)
- Notifying WHEDA immediately upon termination of a TPO or a change in their eligibility to access WHEDA programs

#### Internal Audit and Management Control Systems

The lender must maintain adequate internal audit and management control systems to:

- Ensure that mortgages that are originated and sold to WHEDA meet all investor/guarantor/insurer requirements as they apply
- Monitor the performance of staff and third party originators, if applicable
- Guard against dishonest, fraudulent, or negligent acts
- Guard against errors and omissions by officers, employees, or other authorized persons

#### Minimum Loan Volume Requirement

A lender must originate at least one loan in a 24-month period to maintain an active status. A [fee](#) will be charged for reinstatement and recertification if the lender falls below the threshold.

#### Responsible Advertising

A lender may not engage in misrepresentative advertising of the WHEDA brand. If a lender internally determines a branch or employee or TPO has engaged in misrepresentative WHEDA advertising, immediate action must be taken to ensure this does not happen again. If WHEDA discovers a lender has engaged in misrepresentative advertising of the WHEDA brand, action will be taken up to and including termination of a lender's WHEDA approval.

Examples of misrepresentative advertising may include:

- Improperly using the WHEDA logo or name to imply an advertisement is from or endorsed by WHEDA
- Improper use of the WHEDA logo or name to imply content is from or endorsed by WHEDA
- Improper use of the official FHA logo or HUD seal in a promotion or advertisement
- Improper use of a government or state form to imply endorsement or representation of such an agency
- Improper creation of a website with WHEDA listed in the URL

## Compliance, continued

### Changes in the Lender Organization

A lender must provide written notice of the following changes:

- Any mergers, consolidations, or reorganizations
- Any substantial change in ownership
- Any change in the corporate name
- A change in a depository institution's charter from federal to state or vice versa, and
- A significant change in the lender's financial position
- Contact information, [Form 16](#)

### Lender Compensation

Lenders will be compensated by an origination fee. Refer to the [Schedule of Fees](#) for detailed information.

### Fidelity Bond and Errors and Omissions Coverage

Each lender must have a blanket fidelity bond and an errors and omissions insurance policy in effect at all times. Obtain a direct surety bond to cover any officers, including its principal owner, if they cannot be covered by the fidelity bond. WHEDA reserves the right to request a copy of this insurance policy.

A lender which is a subsidiary of another institution may use the parent company's fidelity bond and errors and omissions insurance policy as long as it is named as a joint insured under the bond or policy. If the parent organization's deductible amount exceeds the maximum deductible allowable for the lender's total servicing portfolio, the lender must obtain a fidelity bond in its own name. The fidelity bond must be for an amount that is at least equal to the amount of the parent's deductible, with a separate deductible amount no higher than the maximum amount WHEDA allows for the lender's coverage.

For corporate lenders, coverage under the Mortgage Banker's Blanket Bond Policy, the Savings and Loan Blanket Bond Policy or the Banker's Blanket Bond Policy is acceptable. Individual coverage is required if the lender is owned as a sole proprietorship or as a partnership. Coverage underwritten by an insurer affiliated with Lloyd's of London is acceptable.

The insurer must agree to notify WHEDA at least 30 days before it cancels, reduces, declines to renew, or imposes restrictive modifications to the lender's coverage for any reason other than a partial or full exhaustion of the insurer's limit of liability under the policy. The insurer must also agree to notify WHEDA within 10 days after it receives a lender's request to cancel or reduce any coverage.

**Fidelity Bond and Errors and Omissions Coverage, continued**

The lender is required to report certain events to WHEDA within 10 business days after they occur. Specific events which must be reported include:

- The occurrence of a single fidelity bond or errors and omissions policy loss that exceeds \$100,000 - even when no claim will be filed or when WHEDA’s interest will not be affected.
- The receipt of a notice from the insurer regarding the intended cancellation, reduction, non-renewal, or restrictive modification of the lender's fidelity bond or errors and omissions policy. The lender must send WHEDA a copy of the insurer's notice, describe in detail the reason for the insurer's action if it is not stated in the notice, and explain the efforts made to obtain replacement coverage or to otherwise satisfy the insurance requirements.

In addition, even if WHEDA funds are not involved, the lender must promptly advise WHEDA of all cases of embezzlement or fraud in its organization even if no loss has been incurred. The lender's report should indicate the total amount of any loss regardless of whether a claim was filed with an insurer.

**Fidelity Bond Coverage**

The fidelity bond coverage must be equal to a percentage of the total servicing portfolio (all residential and commercial mortgages). The minimum amount of coverage is as follows:

<u>Coverage Required</u>	<u>Mortgages Serviced</u>
\$300,000	\$ 100,000,000 or less
+.150% of the next	\$ 400,000,000
+.125% of the next	\$ 500,000,000
+.100% of any amount over	\$1,000,000,000

The policy's deductible clause may be for any amount up to the greater of \$100,000 or 5% of the bonds face amount. Lenders must get WHEDA’s permission for higher deductible amounts.

**Errors and Omissions Coverage**

The errors and omissions policy must protect the lender against negligence, errors and omissions in:

- Maintaining required hazard and flood insurance coverage
- Maintaining conventional mortgage insurance
- Determining whether properties are located in special flood hazard areas
- Paying real estate taxes and any special assessments
- Complying with reporting requirements of the mortgage insurance companies

The errors and omissions coverage must equal the amount of the required fidelity bond coverage.

The policy's deductible clause may be for any amount up to the greater of \$100,000 or 5% of the policies face amount if the policy provides for coverage per aggregate loss. If the policy provides for coverage per mortgage, the maximum deductible amount for each mortgage cannot be more than 5% of the insurer's liability per mortgage. If a policy provided \$100,000 liability per mortgage, the deductible amount for each mortgage would be \$5,000 - regardless of the actual principal balance of the mortgage.

A mortgage impairment policy is an acceptable substitute for an errors and omissions policy.

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