



we do so you can.

Wisconsin Neighborhood Advantage Origination Guide

The Wisconsin Housing and Economic Development Authority (WHEDA®) was created in 1972 by the Wisconsin Legislature as an independent authority, not a state agency. Funding for the first mortgage does not rely on tax dollars.

This program is designed to assist in the purchase and rehabilitation of foreclosed and vacant single-family homes by qualifying borrowers who will own and occupy the homes in select counties. Funds are available through sub-grantees of the Wisconsin Neighborhood Stabilization Program allocation for down payment, closing costs and property rehabilitation.

Lenders agree to originate and sell loans to WHEDA in accordance with the terms and conditions set forth in the Loan Origination Agreement, Wisconsin Neighborhood Advantage Origination Guide and Wisconsin Neighborhood Stabilization Program guidelines.

Program Information Directory

Questions Regarding	Telephone Number	E-mail Address
Underwriting	1-800-334-6873	info@wheda.com
Loan Status	(608) 266-2297	info@wheda.com
Loan Fundings	(608) 264-6855	info@wheda.com
WHEDA's web site	1-800-334-6873	info@wheda.com
Property Inspections	(608) 267-6904	Betty.kalscheur@wisconsin.gov
NSP Guidelines	(608)266-0191	Diane.schobert@wheda.com
FAX Numbers	(608) 266-0729	



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Wisconsin Neighborhood Advantage

Eligible Property	Purchase of foreclosed and vacant existing single family
Eligible Counties	Brown, Kenosha, Milwaukee, Racine, Rock
Loan Term	30 years
Interest Rate	Fixed interest rate, may change daily. See www.wheda.com for the current rate
Maximum Purchase Price	99% of the "as is" appraised value
Maximum LTV	80%
Maximum CLTV	105% of the "subject to" appraised value
Automated Underwriting (DU [®])	MCM Approve/Eligible
Minimum Credit Score	620
Minimum Credit Score Manual Underwritten Loans	660 for LTV's up to 97% 680 for LTV's over 97% Non Traditional Credit must be underwritten by WHEDA
Single Qualifying Ratio	45%
Minimum Down Payment	A 20% down payment is required. \$1,000 minimum from borrower's own seasoned funds All other sources are acceptable under Fannie Mae Community Seconds guidelines
Home Buyer Education	Face-to-face HUD Certified Home Buyer Education completed by the primary wage earner
Rehabilitation	Maximum of \$24,999
Mortgage Insurance	N/A
Job Loss Protection	Included for eligible borrowers
Assumable	No
Exclusions	<ul style="list-style-type: none"> • Construction/Permanent Financing • Condominiums • Manufactured Housing • 2-4 unit properties • Repair escrow account exceeding 90 days • Self-employed borrowers • Borrower may not own other real estate
<p>Important: Refer to Wisconsin Neighborhood Advantage Origination Guide - All requirements of the program must be met (i.e. Income Limits and Purchase Price Limits). Borrower does not have to be a first time homebuyer.</p>	

Compliance Requirements

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. Compliance with Federal Home Loan Bank of Chicago (FHLBC) income guidelines is required.

GOOD TO KNOW:

Compliance income applies to all adult occupants. The number of occupants may be different than the number of loan applicants. Click [Here](#) to watch a webinar about WHEDA income calculation.

Citizenship

All borrowers must have a Social Security Number and:

- Be a U.S. citizen; or
- Be a permanent resident alien (I-551); or
- Be a 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.

Child Support/Maintenance

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

Other Real Estate Owned

The borrower may not own other real estate (i.e. site-built residential real estate or manufactured homes taxed as real estate) at time of closing.

Income

Required Employment Documentation

Provide the previous 2 years W-2 forms and most recent 3 consecutive paycheck stubs 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 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.

Other Income documentation

- Current Social Security Award Letter
- 12 months history of child support verified through the Department of Workforce Development
- Pension Letter
- Current Disability Award Letter

Tax Return

A copy of the most recent 2 years Federal tax returns, all schedules and W-2s will be required for all individuals who intend to occupy the property.

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

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 calculated using all gross year-to-date income received up to the date of verification plus projected future earnings.

GOOD TO KNOW:

Compliance income is not the same as qualifying income. Click [Here](#) to watch a webinar about WHEDA income calculation.

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
- Income from full-time students
- Foster care income
- Food stamps
- Non-recurring payments from:
 - Inheritances
 - Insurance settlements
 - Lottery winnings
 - Gambling winnings
 - Capital gains
 - Settlements for personal loss

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 125%. 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, disability and public assistance must be verified with a current award letter.

Second Job

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

Seasonal and Unemployment

Seasonal employment and unemployment compensation may be considered if there is a minimum 24 month history with the same employer.

Unreimbursed Employee Expense

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

Section 8 Voucher

Each municipality's Section 8 Home Ownership Voucher program must be approved by WHEDA.

- The 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
- The amount of the Section 8 voucher payment must be added to qualifying income
- Maximum ratios are 28 / 36
- Write "Section 8" prominently at the top of the Application Package Checklist
- A copy of the Housing Assistance Payment (HAP) Calculation Worksheet from the agency administering the voucher program must be submitted with the loan application

Down Payment

A 20% down payment is required for this program.

- \$1,000 minimum of borrower's own funds (seasoned for 2 months)
- All other sources are acceptable as long as the assistance qualifies under the [Fannie Mae Community Seconds](#)

Combined Loan to Value (CLTV)

The CLTV may not exceed 105% of the appraised value. Refer to the [calculator](#) on our website to determine compliance.

Neighborhood Stabilization Program Assistance (NSP)

WHEDA NSP funds are available on a first come, first served basis to assist with the required down payment and closing costs. To request funds, submit a written request for assistance using [Form 6](#).

WHEDA NSP funds are available for 17% of the down payment and a maximum of 3% for closing costs under the following conditions:

- Households between [50%-120% County Median Income \(CMI\)](#) may qualify for up to 25%, not to exceed \$35,000.
- Households less than [50% County Median Income \(CMI\)](#) may qualify for 50% of the purchase price, not to exceed \$50,000. The underwriter will determine maximum eligibility.
- Compensation to the housing agency for pre-purchase education (if no other NSP funds are being used in the transaction). If applicable, this will be noted on the approval letter.
- Compensation to the housing agency for post-purchase education.

Forgivable Loan Period

NSP funds being used in the purchase transaction (excluding funds only for rehabilitation) are forgivable under the following conditions:

- NSP funds less than \$40,000 will be forgiven over a period of 10 years. The funds are forgiven annually in 1/10th increments beginning 1 year from the note date.
- NSP funds \$40,000 or greater will be forgiven over a period of 15 years. The funds are forgiven annually in 1/15th increments beginning 1 year from the note date.

The sub-grantee awarding the funds will provide documentation to be executed at closing.

Cash on Deposit

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

Gifts

Gifts are an acceptable source of down payment provided the gift donor is:

- 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 a Gift Affidavit such as [Form 11](#).

The lender must provide a copy of the donor's gift check and deposit receipt to verify the funds have been transferred to the borrower's account.

Earnest Money

Provide the following:

- Copy of the earnest money check
- Documentation the check has cleared the borrower's account
- Balance of the borrower's account

Assistance/Grants

Grants and loans from community based organizations and government agencies may be an acceptable source of down payment provided they meet Fannie Mae Community Seconds guidelines.

If the assistance is a loan which requires payments within the first 5 years:

- Loan must be fully amortized
- Monthly payment amount is included in the debt ratio
- Lien must be subordinate to the first mortgage

If the assistance is a deferred or forgivable lien:

- Monthly payment amount is not included in the debt ratio
- Payments must be deferred for at least 5 years

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

Provide proof of ownership, fair market value of the item sold, and a bill of sale or copy of the transferred title.

Tax Refund

Satisfactory documentation includes:

- Copies of the refund checks, or
- 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 proof of ownership and verification of 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 the banking system (checking or savings accounts, loans or credit cards).

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.

Individual Development Accounts (IDA)

IDA accounts may be an acceptable source of funds for closing costs or down payment. Documentation must be provided to verify no lien will be placed against the subject property.

Interested Party Contributions (IPC)

The lender is responsible for review and compliance with Fannie Mae guidelines. An interested party may contribute a maximum of 3% of the purchase price to the borrower's closing costs and prepaid escrows.

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.

Credit

Credit Report

A triple-merged credit report for all borrowers, including a non-applicant spouse, will be obtained by WHEDA at time of preapproval through an AUS.

GOOD TO KNOW:

Click [Here](#) to watch a short webinar about credit reports.

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:

- 1 borrower, use the middle score
- More than 1 borrower, determine the middle score for all borrowers and use the lowest middle score
- 1 borrower with 3 credit scores and 1 borrower without a score use the middle score of the borrower with scores

Established Credit History

The borrower must have 12 months of active credit history with a minimum of 3 trade lines reflected on the credit report obtained by WHEDA.

Applications with insufficient trade lines will be manually underwritten. The minimum credit score for a manual underwrite is 660.

Analysis of Credit Report

Borrowers should exhibit no late payments, judgments or new collections within the past 12 months.

Collections

Medical collections cannot exceed an aggregate total of \$1,000. If the borrower's medical collections exceed this amount, provide verification of an approved repayment plan. Include the payment in the borrower's debt ratio.

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

Judgments, Tax Liens, Charge-Offs, Repossessions

Judgments, Tax liens, and Charge-offs must be paid in full prior to closing. Provide a recorded satisfaction.

Bankruptcies

Chapter 7

- Document 4 years of re-established good credit after the discharge
- Provide a complete copy of the discharge paper including all schedules
- Provide a written explanation for the bankruptcy

Chapter 13

- Document 2 years of re-established good credit after the discharge
- Document 4 years of re-established good credit after the dismissal
- Provide a complete copy of the discharge paper including all schedules
- Provide a written explanation for the bankruptcy

Mortgage Foreclosures

Foreclosure settlements must have occurred at least 5 years prior to the loan application date and must have been on the borrower's primary residence. Applicants must have re-established credit to be considered for approval.

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.

Recent Credit Inquires

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

Alternative Credit

Alternative credit references are acceptable when sufficient established traditional sources are not available or a credit score is not generated. Document 4 sources of alternative credit references.

Alternative credit references must verify accounts being paid on time, on a monthly basis.

Examples of alternative credit references are:

- 12 month rent verification is required. If the landlord is a relative, 12 months cancelled rent checks must be provided
- Minimum of one 12-month utility reference (i.e. telephone, cell phone, gas, electric, cable bills)
- Auto insurance premiums paid on a monthly basis

Undisclosed Debt

Document any discrepancies between the credit report and information disclosed in the application or elsewhere. All debts, even those not appearing on the credit report, must be documented and will be included in ratios.

Disputed Accounts

The lender is responsible for resolving any disputed account noted on the credit report. The borrower will incur the cost of any fees associated with resolving the disputed account.

FACT Act

If the credit report indicates the borrower has filed a fraud alert, proper identification must be documented in the loan file.

Debt Analysis**Ratios**

Qualify borrowers using a single qualifying ratio of 45%.

Housing Payment

The monthly payment includes principal, interest, taxes and hazard insurance (PITI). Add flood insurance premium if applicable.

Revolving Account Debt

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.

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. Debts will be counted if it affects the borrower's ability to pay immediately after closing.

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

Lease payments are always included in calculating ratios.

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 the fully amortized payment in the debt calculation.

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.

Business Operated at a Loss

Negative cash flow from a business reduces other qualifying income.

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.

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 as agreed by the primary debtor.

Individuals with Disabilities

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

Guarantors/Co-Signers

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
- Maximum ratio 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 be used for compliance purposes.

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Property Requirements

The lender is responsible for review of property valuation, property condition, and assessment of the marketability of the property following standard Fannie Mae 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 Brown, Kenosha, Milwaukee, Racine, or Rock counties
- 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, etc.) 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. The Offer to Purchase cannot exceed 99% of the "as is" appraised value.

Property Types

Eligible Properties

New or existing single family detached dwelling.

Ineligible Properties

The following types of properties are not acceptable:

- Manufactured housing
- Condominiums
- 2 – 4 unit properties
- Commercially used properties
- Time share units
- Earth homes
- Dome homes
- Geothermal homes
- Log homes

Property Review

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.

Offer to Purchase

Provide a copy of the complete and fully executed contract including all addenda, counter offers, notices, and WHEDA [Exhibit 5](#) and [Exhibit 6](#).

Personal Property

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

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.

Real Estate Condition Report

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

Sales Concessions

The value of excessive sales concessions must be deducted from the purchase price when calculating the loan-to-value 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

Appraisal requirements are as follows:

- Obtained in compliance with the Home Valuation Code of Conduct (HVCC)
- Include an interior/exterior review by a licensed appraiser
- Appraiser must confirm they were provided with a complete copy of the Offer to Purchase, bids for repairs, and verify Interested Party Contributions (IPCs), if applicable
- Appraiser to provide an "as is" and "subject to" appraised value based on the scope of work
- Dated not more than 60 days after the final Offer to Purchase
- Submit the original appraisal with the application package

The lender will be responsible for providing evidence of compliance with the Home Valuation Code of Conduct in the closing package.

Acceptable Forms

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

Property Inspections

Submit the following documents in the application package:

- Housing Quality Standards (HQS) inspection; OR
- City Code Compliance Inspection that complies with HUD HOME Rehabilitation Guidelines; AND
- Work specifications and bids required by either of these inspections, including photos

WHEDA will review the work specifications and forward information to the Department of Commerce Environmental Desk to determine if additional inspections or certifications will be required.

Refer to Department of Commerce guidelines, <http://commerce.wi.gov/CD/cd-boh-wns.html>, regarding inspection and property requirements.

Condition of Property

The property must be in average or better condition. Remedy any repairs noted on the appraisal, HQS Inspection, City Code Compliance Inspection or Real Estate Condition Report.

Acreage/Land Value

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

Other Property Issues

Well and Septic Systems

The lender is responsible for obtaining a well and septic system inspection. Any issues noted on either inspection must be remedied prior to closing.

Septic and well systems must meet 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 recorded, legally binding agreement for access and maintenance.

If the property is subject to replacement of these systems, the lender must escrow an amount equal to 1½ times the cost of the replacement at closing. All local and state permits must be obtained and submitted to WHEDA for review.

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.

Lead Hazard Issues

Lead hazard concerns identified in the HQS or Code Compliance Inspection must be remedied by a lead safe certified contractor. Upon completion of the repairs a Lead Clearance Test must be performed by a certified [Risk Assessor](#).

Repairs/Improvements

If the property is in need of repairs, the cost, including a 10% cost overrun allowance, may not exceed \$24,999 provided the CLTV does not exceed 105% of the “subject to completion” value. Rehab oversight expense may be included in the scope of work as part of the total cost of repairs.

Required Repairs

Repairs required by the appraisal, HQS inspection, City Code Compliance Inspection or Real Estate Condition Report that affect the livability, soundness or structural integrity of the property must be remedied.

Obtain cost estimates and provide to the appraiser to determine an “as is” market value and a “subject to completion” market value. These estimates must be included in the application package submitted to WHEDA.

GOOD TO KNOW:

The [CLTV](#) may not exceed 105% of the “subject to” appraised value.

Repairs eligible for NSP funding include:

- Repair/replacement of:
 - Roofs, gutters and downspouts
 - Upgrade of existing HVAC systems
 - Upgrade of plumbing and electrical systems
 - Flooring
- Minor remodeling, such as kitchens (does not involve structural repairs)
- Painting, both exterior and interior
- Weatherization, including storm windows and doors, insulation and weather stripping
- Purchase and installation of appliances, including free-standing ranges, refrigerators, washers/dryers, dishwashers and microwave ovens
- Accessibility improvements for persons with disabilities
- Lead-based paint stabilization or abatement of lead-based paint hazards
- Repair exterior decks, patios, porches
- Window and door replacements and exterior wall re-siding
- Septic system and/or well repair or replacement

GOOD TO KNOW:

For a one-time escrow the bid must specify “fixed”, “firm”, or “cost not to exceed”.

Optional Repairs

Minor repairs such as deferred maintenance or repairs that are cosmetic in nature, not being paid by NSP funds may be financed into the first mortgage. Minor repairs typically do not affect the livability of the property.

- The total of the purchase price plus the cost of the improvements should be less than or equal to the appraised value of the property. This adjusted purchase price cannot exceed the Purchase Price Limit
- Provide a copy of the fixed bid to the appraiser
- Include a copy of the fixed bid in the application package
- It is not necessary to amend the Offer to Purchase

Repair Escrow

A copy of the Escrow Agreement that will be executed at closing must be submitted with the Funding Certificate. The agreement must include a 10% cost overrun allowance, which if unused will be applied to the principal balance of the loan. The agreement must verify that all repairs will be completed within 90 days of the loan closing.

NSP escrow funds will be held and disbursed by the sub grantee. The NSP sub grantee will be responsible for project oversight and providing the lender with a HQS reverification.

Escrowed funds for repairs that have been added into the first mortgage will be held by the lender. The lender will be responsible for project oversight.

WHEDA will periodically contact the escrow agent to verify draw disbursements prior to the completion date.

Completion Certificate

Submit a completion certificate to WHEDA no later than 90 days after loan closing. Final disbursement of any escrowed repair funds is contingent upon the borrower signing the final draw request.

The original appraiser must provide the following:

- Certificate of Completion (FNMA Form 1004D)
- After rehab photos
- Certify the required repairs have been completed and meet building, safety and hazard code requirements
- Recertify the value of the property

The HQS Inspector must verify completion and that escrow funds have been released according to the scope of work.

Community Home Buyer Education

A minimum of 8 hours face-to-face home buyer education is required for all borrowers. It is highly recommended that the borrower complete the education prior to preapproval. Education must be provided by an approved HUD [counseling agency](#).

Counseling agencies will be compensated for pre-and post-purchase education through NSP funds.

Preapproval

File Submission

A preapproval is required for all loans. Submit the original documents indicated on the Preapproval Application Checklist ([Form 6d](#)). Upon receipt of the application, WHEDA will obtain the following:

- Triple merged credit report – ordered by WHEDA
- Preliminary AUS Findings Report
- Preliminary loan decision based on the borrower's income and credit history

A non-refundable [fee](#) will be charged to the lender for each preapproval submitted. This fee will be debited from the lender's account on the 5th business day of the following month.

Automated Underwriting System (AUS)

WHEDA will score loans using an automated underwriting system. Loans not receiving an Approve/Eligible decision will be manually underwritten to this Origination Guide.

The minimum credit score for a manual underwrite is 660.

WHEDA will underwrite the application within 2 business days of receipt of a complete preapproval package.

Underwriting Decision

Approval

The Preapproval certificate will include PITI, LTV and is valid for 90 days. The certificate will specify any conditions and documentation required for final approval. A copy of the credit report and findings will be provided.

Extensions will not be granted. If the Preapproval certificate has expired, it is necessary to submit a new application and another preapproval fee will be assessed.

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 letter of denial. A denial letter will also be sent to each applicant along with specific information to help them become approved in the future.

Before Final Application Submission

GOOD TO KNOW:

Loan application packages must be sent to WHEDA for underwriting. WHEDA will not accept applications via fax or email.

Job Loss Protection

Provide the borrower with a copy of the Job Loss Protection Information ([Exhibit 1](#))
Click [here](#) for more information regarding Job Loss Protection.

Property Inspection

NSP guidelines require all properties to comply with HUD HOME Rehabilitation requirements. The HUD approved housing counseling agency or lender will be responsible for obtaining the following inspections:

- Housing Quality Standards Inspection (HQS) or City Code Compliance Inspection.
- Statutory Checklist
- Other inspections may be required if the age of the property is greater than 50 years.

Lenders can obtain a list of qualified inspectors from the counseling agency.

Forward the inspection, Scope of Work, and Cost Estimate to WHEDA prior to submitting the full application package.

Refer to <http://commerce.wi.gov/CD/cd-boh-wns.html> for more information.

Obtaining Final Loan Approval

Prior to the expiration date on the Preapproval Certificate the lender must submit a final application package using [Form 6](#).

Rate Lock Process

Upon receipt of the full application package the loan will be rate locked. WHEDA will issue a Confirmation of Rate Lock.

The interest rate is tied to the property. If the borrower changes properties, notify WHEDA for a cancellation.

The loan closing must occur within 30 days. Extensions will not be granted.

Fee

A [fee](#) will be charged to the lender for each rate lock submitted. The fee will be debited from the lender's account on the 5th business day of the following month. This fee is refunded at the time of WHEDA funding. When funds are requested using the Funding Certificate ([Form 7](#)), indicate on the line labeled "Rate Lock Fee" the amount to be reimbursed. This amount will be added to the funds that are disbursed.

Underwriting

Application Package

WHEDA will underwrite a complete and updated application within 2 business days of receipt.

An updated triple merged credit report will be obtained by WHEDA when necessary.

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

Age of Documents

- Documents must be dated within 90 days prior to closing
- Appraisal must be dated within 60 days after the accepted offer to purchase

Underwriting Decision

Approval

Full approval of the loan consists of WHEDA's written approval. Review the Approval Letter for accuracy. A preliminary Funding Certificate will be sent to assist with completion of the final request form.

Submit documentation to satisfy funding conditions listed on the Approval Letter with the Funding Certificate ([Form 7](#)).

The loan must close by 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 letter of denial. A denial letter will also be sent to all applicants along with specific information to help them become approved in the future.

Fees that may be charged to the borrower

- Lender Fee - greater of 1.5% or \$900 (paid by the borrower)
- Out-of-pocket costs the lender has incurred (i.e. 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
- Miscellaneous fees not to exceed \$500 (doc prep, app fee, u/w fee, processing fee, etc)
- Job Loss Protection premium
- Non-refundable Rate Lock Fee
- Non-refundable Pre-Approval Fee
- Pre-purchase education fee of \$500 (reimbursed from NSP funds)
- Appraiser Recertification fee

Timeline

From date on Confirmation of Rate Lock:	30 days to close the loan
Order Funds:	Fax the funding request two business days before the closing
Send the closing package:	Submit within 15 days of closing
Completion of repair escrow:	90 days after closing
From closing to occupancy by borrower:	60 days

Closing

Before ordering funds from WHEDA, the lender will ensure the following:

Escrows

WHEDA requires a 1 month cushion for the following:

- Real estate taxes
- Hazard insurance
- Flood insurance (if applicable)

At closing:

- Collect borrower's prepaid escrows per HUD's aggregate accounting method
- Give the borrower an Initial Escrow Account Disclosure Statement
- Collect a 1 month cushion on all escrows
- The total payment will be rounded up to the nearest even dollar amount by adjusting the escrow payment

Insurance

Title Insurance

Verify the Title Insurance Commitment meets the following requirements:

- WHEDA's mortgage must be the first and paramount lien
- No exceptions or liens
- Building restrictions, easements, restrictive covenants and other exceptions that do not affect the priority of WHEDA's mortgage
- Long or short forms are acceptable
- Written on 2006 ALTA form
- The minimum amount of coverage must be equal to the first mortgage
- Issued by an insurer licensed in the State of Wisconsin

Hazard Insurance

The Hazard Insurance Policy must be written by an insurance carrier that has an acceptable rating from either the A.M. Best Company, Inc., Demotech, Inc., or Standard and Poor's. Verify the policy meets the following requirements:

- First year premium has been paid
- Deductible should be the lesser of 1% of the principal balance or \$1000
- Coverage should be equal to the lesser of:
 - Unpaid principal balance of the mortgage; or
 - 100% of the insurable value of the improvements as established by the property insurer and provides for claims to be settled on a replacement basis
- Lender must notify the hazard insurer of the loan number and to send annual renewal premium notices to WHEDA
- The mortgagee clause should read:

WHEDA, its successors and/or assigns
PO Box 1728
Madison, WI 53701-1728

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:

- First year premium has been paid
- Deductible should be the lesser of 1% of the principal balance or \$1000
- Coverage should be equal to the lesser of:
 - Unpaid principal balance of the mortgage; or
 - 100% of the insurable value of the improvements as established by the property insurer and provides for claims to be settled on a replacement cost basis
- Lender must notify the flood insurer of the loan number and to send annual renewal premium notices to WHEDA
- The mortgagee clause should read:

WHEDA, its Successors and/or Assigns
WHEDA PO Box 1728
Madison, WI 53701-1728

Disclosures

Provide the borrower with all standard disclosures.

In addition, the lender is to execute the Lender's Warranty ([Form 13](#)).

Closing Documents

Note

Execute the Note (FNMA/FHLMC Form 3250) and endorse to WHEDA.

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

The lender is strongly encouraged to execute the following documents via e-recording and submit to WHEDA 15 days after the closing:

- Mortgage - FNMA/FHLMC Form 3050
- Mortgage Rider ([Form 21](#))
- Assignment of Mortgage
- WHEDA NSP Mortgage, if received with the Funding Confirmation

Subordination

The WHEDA NSP Mortgage may be subordinated in the event of a refinance under the following conditions:

- The transaction is a rate/term refinance
- Borrower cannot be receiving cash out

In the event of a refinance, the original Forgivable Loan Period will remain. Contact WHEDA's Servicing Department for documentation requirements.

Submission of Post Closing Documents

The closing package ([Form 12](#)) must be submitted to WHEDA within 15 calendar days of closing.

Closing documents not provided within this time frame may require the lender to repurchase the loan.

Funding

Requesting Funds

Refer to fees disclosed on the preliminary Funding Certificate that accompanied the approval letter to assist with completion of the form. Submit a Funding Certificate ([Form 7](#)) including:

- Documentation necessary to satisfy any outstanding funding conditions of approval
- A verbal verification of employment for each borrower dated within 10 calendar days of the Note date
- Copy of escrow agreement, if applicable

Fax the funding certificate 2 business days before the closing. Funds will be transferred to the lender on the date of closing.

Funds will be adjusted to include WHEDA paid compensation to the borrower's housing counseling agency in the amount of \$400 for post-purchase education. In addition, the borrower will receive compensation from a NSP sub grantee for pre-purchase education. The lender will be responsible for disclosing this fee on the HUD-1 and disbursing funds to the appropriate agency.

If the Funding Certificate is received less than 2 business days prior to closing an electronic transfer cannot be guaranteed. The funds can be sent via wire transfer for a [fee](#).

Funding requests received after the closing date will be assessed a late fee. The [fee](#) will be withheld at the time funds are transferred.

WHEDA reserves the right to refuse to purchase a loan if the funds are requested more than 30 days after the closing date.

The borrower may not receive cash back at closing. If the settlement statement indicates cash to the borrower, notify WHEDA to reduce the loan amount.

Closing Interest

Collect interest from the date of closing through the end of the month. If the loan closes on the first of any month, or the first or second day of a 31 day month, no closing interest should be collected.

Example: If loan funds are disbursed on July 13, the lender should collect 19 days of interest at the closing, counting the day of closing as day #1. The first payment date will be September 1.

Example: If loan funds are disbursed on December 1st or 2nd (31 day month), the lender should not collect any interest at closing. The first payment date will be January 1.

Example: If loan funds are disbursed on September 1st (30 day month), the lender should not collect any interest at closing. The first payment date will be October 1.

Funding Confirmation

WHEDA will issue a Funding Confirmation. Review this document for accuracy. The funding confirmation will be faxed to the lender. If WHEDA is providing the NSP funds the lender will also receive:

- Forgivable Loan Agreement –the lender will obtain the borrower’s signature(s) at closing
- WHEDA NSP Mortgage –the lender will obtain the borrower’s signature(s) at closing and record the mortgage

Changes to the Funding Confirmation

Notify WHEDA of any changes to the Funding Confirmation prior to or at closing. Fax a revised Funding Certificate ([Form 7](#)) with the changes and a revised Funding Confirmation will be faxed to the lender.

Failure to notify WHEDA of any change to the Funding Confirmation may result in repurchase of the loan.

If the closing does not take place

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.

Servicing

All loans will be serviced by WHEDA. A Servicing Release Premium of .50% of the loan amount will be paid to the lender.

Lender Approval

To originate loans with WHEDA under this program, an organization must first become an originating lender.

An originating lender is a bank, savings bank, savings and loan association, credit union or mortgage banker.

Correspondent Approval

An originating lender may contract with mortgage brokers and/or other financial institutions that do not meet participation requirements or qualified lenders who choose not to participate directly with WHEDA. The lender is responsible to:

- Assure that any loans originated/processed by third parties meet loan eligibility criteria
- Assure that loans are originated in a sound manner
- Develop a method for verifying a third-party originator's compliance with applicable laws related to licensing and qualifications for originating mortgages
- Assure standards have been developed for evaluating a third-party originator's performance
- Assure the correspondent has an office located in Wisconsin

The originating lender agrees to accept the responsibility of the loans submitted by the correspondent per the Loan Purchase Agreement signed by the originating lender.

To add a correspondent, the originating lender should submit a completed Correspondent Application Form ([Form 27](#)). If approved, the correspondent must provide evidence of completion of WHEDA's Basics and Procedures training and submit an application [fee](#). If the correspondent closes a minimum of 5 loans within 12 months of approval, the correspondent may request a refund of a portion of this fee.

It is the responsibility of the originating lender to ensure that their correspondent lender has the most current Wisconsin Neighborhood Advantage Origination Guide and updates. Direct the correspondent to subscribe to WHEDA's Single Family Updates email list on wheda.com.

Eligibility Requirements

Net Worth and Liquidity Requirements

The lender should maintain a net worth of at least \$250,000.

Financial Statements and Reports

WHEDA reserves the right to request audited financial statements. Financial statements must be prepared according to generally accepted accounting principles, include the opinion of an independent public accountant and reflect a 2 year comparative report. If the financial statements are consolidated with those of a parent or holding company, they should contain sufficient detail which will enable WHEDA to review the financial data separately from that of the other companies.

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 must be the lesser 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
- Determining whether properties are located in special flood hazard areas
- Paying real estate taxes and any special assessments

Fidelity Bond and Errors and Omissions Coverage, continued

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 lesser 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.

Internal Audit and Management Control Systems

Design systems to evaluate and monitor the overall quality of mortgage production with state and federal requirements.

Maintain adequate internal audit and management control systems to:

- Assure the mortgages are originated and sold in accordance with sound mortgage banking and accounting principles
- Monitor the performance of any third party originators the lender uses
- Guard against dishonest, fraudulent or negligent acts
- Guard against errors and omissions by officers, employees or other authorized persons

Design systems to assure its staff complies with WHEDA's requirements, with state and federal requirements, and with the requirements of any other party which has an interest in the way the loan is serviced.

If these systems identify a concern, the lender must promptly take appropriate corrective action. The lender must keep a record of any activity under these internal systems, and if requested, the lender must make these records available for WHEDA's review.

Minimum Loan Volume Requirement

If a lender has not closed a loan with WHEDA in the last 12 months, they will be placed in an inactive status. In order to reinstate to an active status contact WHEDA for recertification. There will be a fee charged for reinstatement.

Misrepresentative Advertising

WHEDA lender partners may not engage in misrepresentative advertising of the WHEDA brand. If a lender internally determines a branch or employee has engaged in misrepresentative WHEDA advertising, immediate action must be taken to ensure this does not happen again.

If WHEDA discovers a lending partner has engaged in misrepresentative advertising of the WHEDA brand, action will be taken up to and including termination of a lender's WHEDA certification.

Examples of misrepresentative advertising may include:

- Improperly using the WHEDA logo or name to imply an advertisement is from or endorsed by WHEDA
- Improperly using the WHEDA logo or name to imply content is from or endorsed by WHEDA
- Improperly simulating a government or state form to imply endorsement or representation of such an agency
- Improperly creating a website with WHEDA listed in the URL

Recertification Requirements

In order to maintain eligibility, the lender must comply with the terms of the Loan Purchase Agreement and the provisions of this Origination Guide. The participating lender must maintain an office in the State of Wisconsin.

WHEDA will audit a certain number of lenders annually to determine they continue to meet eligibility requirements. In this audit, WHEDA will review each lender's financial condition, organization and staffing, origination activity and volume and any other factors relevant to determine whether the lender remains qualified. Audited lenders will receive a Lender Recertification Form. This form must be completed and returned to WHEDA within 30 days of receipt.

Fees Paid to Lender

For each loan funded, the borrower will pay the originating lender the greater of \$900 or 1.5% of the loan amount.

For each loan serviced by WHEDA the lender will be paid a Servicing Release Premium of .50% of the loan amount.

Gramm-Leach-Bliley Act

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

Assumptions

This product is not assumable.

Release of Liability

A Release of Liability is when one of the current mortgagees is released from responsibility of the mortgage.

Eligibility

The remaining borrower must meet all underwriting guidelines.

Procedure

Contact WHEDA for an application package checklist. A new appraisal is not required, however WHEDA reserves the right to request one.

Fees

A cashier's check or money order for \$400, made payable to WHEDA, must accompany the loan package. The fee is non-refundable.

WHEDA does not pay a fee to the lender. The maximum lender fee collected from the borrower cannot exceed \$200.

Closing

The Release of Liability Agreement and approval letter will be forwarded to the lender for the closing. Execute and record the Release of Liability Agreement. The recorded Agreement must be returned to WHEDA.

WHEDA will notify the credit bureau of the change.

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