



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.

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.

### Program Information Directory

<b>Questions Regarding</b>	<b>Telephone Number</b>	<b>E-mail Address</b>
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
<b>FAX Numbers</b>	(608) 266-0729	



# 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 wheda.com for the current rate
Maximum LTV	80%
Maximum CLTV	105% of the "subject to" appraised value
Desktop Underwriter (DU)	Select MCM as the Community Lending Product Recommendation must be Approve/Eligible or EA-1/Eligible Minimum credit score 620
Manual Underwrite	660 minimum credit score 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"> <li>• Construction/Permanent Financing</li> <li>• Condominiums</li> <li>• Manufactured Housing</li> <li>• 2-4 unit properties</li> <li>• Repair escrow account exceeding 90 days</li> <li>• Self-employed borrowers</li> <li>• Borrower may not own other residential dwellings</li> </ul>
<b>Important:</b> Refer to Wisconsin Neighborhood Advantage Origination Guide - All requirements of the program must be met (i.e. Income Limits and Purchase Price Limits).	

## 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.

### Ownership of Other Property

The subject property must be owner-occupied and the borrower may not have an ownership interest in any other residential dwelling at the time of closing.

A manufactured home, regardless of the type of land ownership, is considered a residential dwelling for this purpose.

Ownership in a time share, either as a deeded interest or a right-to-use arrangement, is not considered ownership in a residential dwelling for MCM purposes due to the very limited (typically one or two weeks per year) access to the unit.

## **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](#)
- 3% minimum of the borrower's own funds for a 2-unit

## 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.

## 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**

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.

**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.

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

Fannie Mae underwriting guidelines apply to waiting period and re-establishing credit.

**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.

**Non-Traditional Credit**

Alternative credit references are acceptable when sufficient traditional sources are not available. Document 3 sources of alternative credit references that have at least a 12 month history of being paid on time.

Required 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. If cancelled checks are unavailable, check public landlord-tenant records for court filings, judgments, or evictions. No history of delinquency within the past 24 months (or since inception, if less than 24 months)
- A utility (i.e. gas, electric)
- Auto insurance premiums paid on a monthly basis

Examples of other forms of alternative credit references are:

- Auto insurance premiums paid monthly
- Telephone or cell phone payments
- Cable payments
- Only one 30-day delinquency is allowed within the last 12 months
- No collections or judgments (other than medical) filed within the past 24 months. Judgments must be paid in full

**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**

Payments for deferred loans (student loans) must be included in the borrower's total debt ratio. The payment must be based on standard amortization of the loan.

If no payment is listed on the credit report, provide a copy of the payment letter listing the balance, terms, interest rate, and payment amount.

### **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.

## 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.

## 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

### 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.

## 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.

**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 may be financed into the first mortgage.

- 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.

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

## 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](#).

## Preapproval

### File Submission

A preapproval is required for all loans. Submit the original documents indicated on the Preapproval Application Checklist ([Form 6d](#)).

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)

All loans must be scored through Fannie Mae Desktop Underwriter. 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.

### 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 5<sup>th</sup> 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.

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
- 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

### 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.

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”

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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

### 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

Submit a Funding Certificate ([Form 7](#)) at least 2 business days before closing, including documentation necessary to satisfy all outstanding funding conditions:

- Provide a verbal verification of employment for each borrower dated within 10 calendar days of the Note date
- Funds will be transferred to the lender on the date of closing
- WHEDA will issue a Funding Confirmation. Review this document for accuracy
- Provide a copy of the Repair Escrow Agreement

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.

WHEDA will randomly order soft-hit credit reports to verify there are no substantial changes in the borrower's other debt obligations prior to issuing the Funding Confirmation.

### 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 1<sup>st</sup> or 2<sup>nd</sup> (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.

### **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.

## 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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