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Qualifying Borrowers for the WHEDA Fannie Mae Advantage

Presented by Marty Maloney

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This Session will Cover

- Income
- Credit history
- Debt analysis and ratios
- Desktop Underwriter
- Down payment sources



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Employment Income

- Verification of Employment (VOE)
 - Most recent 30 days worth of pay stubs
 - Signed copies of the borrower's last 2 years federal tax returns along with all W-2's
- Income documentation must be dated within 90 days of closing
- A verbal VOE will be required within 10 calendar days of closing
- VOE required if borrower has been on the job for less than one year
- Previous employment must be documented with telephone VOE's



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Qualifying Income

- Stable 2 year history of income
- 12 month history is required for child support
- 3 year continuance of income



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Non-Employment Income

- Child support and Social Security income grossed up 125%
- 75% of actual or fair market rent added as income for a duplex
- Section 8 added as income



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Tax Returns and Self Employment

- Self-employed borrowers are eligible
- Lender must complete Fannie Mae Form 1088
- Non-standard deductions
- Unreimbursed expenses will reduce qualifying income



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Debt to Income Limit

- Cross-reference debts on loan application with debts on credit report
- Total debt ratio cannot exceed 45%

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Credit

- Credit documentation must be within 90 days of closing
- Strong 2 year history required
- 3 active 12 month trade lines are required
- Alternative credit may be used to supplement a thin file

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Non-Traditional Credit

- Must be manually underwritten by WHEDA
- Provide at least 3 current sources of alternative credit with a 12 month history
- One source must be housing related
- One source must be a utility
- Rent verification should come from a management company or verified with 12 cancelled checks

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Debt Analysis

- 3% of the balance for revolving accounts
- Non-applicant spousal debt included in qualifying ratios
- Student Loans must be included in ratio calculations



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Derogatory Issues

- No late payments, judgments, collections within the past 12 months
- Follow Fannie Mae guidelines for foreclosure, bankruptcy and credit recovery
- Debt Management requires 12 months since completion



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Desktop Underwriter

- Approve/Eligible and EA-I/Eligible findings reports are acceptable
- Final approval decision will be made by a WHEDA underwriter
- Three 12 month trade-lines required
- Disregard ineligible findings for LTV or income limits
- Follow WHEDA documentation requirements
- Lenders who do not have access to DU may register for WHEDA DO sponsorship

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Funds Required to Close

- Closing Costs estimate available on wheda.com
- Use this to accurately complete your Good Faith Estimate

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Minimum Down Payment Requirement

- Minimum borrower contribution of \$1,000
- Funds must be seasoned at least 2 months



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Documentation

- Documentation must be within 90 days of closing
- Verification of Deposit or most recent 2 months of bank statements is required
- Include all pages of the bank statement
- Cancelled earnest money check helps verify the borrower's minimum required contribution



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Gifts

- Qualified gift donors include: spouse, parent, sibling, child, grandparent, aunt or uncle, cousin, or domestic partner of 12 months
- Document gift with a copy of the cancelled gift check and proof of the deposit into the borrower's account

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Grants

- Must qualify as a Fannie Mae Community Seconds
- Loans must be fully amortized
- Deferred grants must be deferred for at least 5 years

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Interested Party Contributions

- 3% - CLTV's greater than 90%
- 6% - CLTV's less than or equal to 90%
- Lender may contribute a maximum of \$500 in closing cost assistance



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Other Sources of Funds

- Retirement Funds
- Sale of Personal Assets
- Tax Refunds
- Borrowed Funds
- Cash at Home



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We're Here to Help

- Resources on wheda.com
- Origination Guide
 - Chapter 3 – Borrower Eligibility



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Thank You

If you have any questions

Call 1-800-334-6873

Click on the “Ask” button above to send
an e-mail to info@wheda.com



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