



WHEDA

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

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Lender Update 2016-10

August 23, 2016

In this Update:

- 2016 Household Income and Purchase Price/Loan Limits
• Conventional Guide Updates (EFFECTIVE IMMEDIATELY)
• Conventional Matrix Update

2016 Household Income and Purchase Price/Loan Limits

Just a reminder that the Income Limit and Purchase Price/Loan Limits are now in ONE easier to use format for ALL programs.

- The chart now breaks out "Target areas" for applicable counties and cities
o For City target areas, remember to click on the link with in the chart to find the "target" census tracts or boundaries.
• The new & improved chart is located in the Lender Toolkit on WHEDA.com or here: Income and Loan Limits

Table with 9 columns: County (City), First-Time Home Buyer, MCC, VALOR (non-target, target), Conventional & FHA (non-target), Home Improvement (non-target). Rows include Adams, Ashland, Barron, Bayfield, Brown, Buffalo, Burnett, Calumet, Chippewa, Clark, Columbia, Crawford, Dane, and Madison.

Conventional Guide Updates

Section 3.01: LTV /CLTV /HCLTV

- Definition of HFA Preferred and HFA Preferred Risk Sharing added

Section 3.02: Purchase Transaction

- Minimum Borrower Contribution chart added
• Clarification of 3% Minimum Borrower Contribution for a 2- to 4-unit property

Section 3.05: Minimum Reserve Requirements

- DU®/DO® will determine the reserve requirements based on the overall risk assessment and the minimum reserve requirement that may be required for the loan transaction.



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Section 4.04: Ownership of Other Property

- Borrowers may have an ownership interest in other residential dwellings at the time of closing.
- If using the FTHB *preferred interest rate* program, the borrower and a non-applicant spouse, if applicable, cannot have occupied any dwelling as a principal residence within the past three years

Section 4.06: Landlord Education

- 2-unit property, LTV/CLTV/HCLTV greater than 85% required landlord education
- 3- and 4-unit properties, LTV/CLTV/HCLTV greater than 75% requires landlord

Section 6.03: Determining Household Size (NEW)

Section 7.06: Boarder Income Allowed

- Rental payments that a borrower receives from one or more individuals who reside with the borrower can be considered in an amount up to 30% of the total gross income that is being used to qualify the borrower for the purchase of a one unit property.

Section 7.12: Mortgage Credit Certificate (MCC)

- Clarified that a borrower applying for a WHEDA FTHB Advantage loan, *a Conventional loan with a preferred interest rate*, is not eligible for an MCC

Section 7.21: Unreimbursed Expenses

- Updated to reflect the change that unreimbursed expenses must be analyzed for borrowers earning commission income that is 25% or more of the borrower's total annual employment income, or when an automobile allowance is included in the borrower's monthly qualifying income.

Section 8.12: Cash-on-Hand

- Updated the Cash-on-Hand requirements

Section 9.05: Minimum Credit Score Requirements

- Provided more clarification regarding the requirements

Section 9.06: Collections, Judgements, Charge-Offs of Non-Mortgage Accounts, Liens and Garnishments

- Provided more clarification regarding the requirements

Section 9.07: Bankruptcy and Foreclosure

- Provided more clarification regarding the requirements

Section 9.12: NonTraditional Credit (Manual Underwrite Only)

- Provided more clarification regarding the requirements

Section 10.01: Ratios

- For loans receiving an Approve/Eligible AUS decision, the maximum DTI of 45% has been removed

Section 10.02: Housing Payment

- Clarified all items that should be included in the total housing payment

Section 10.03: Revolving Accounts

- Removed the restriction that revolving accounts could not be paid off prior to closing for qualifying.



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Section 10.07: Non-Applicant Spouse Debt

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

Section 10:10: Student Loans

- For all student loans, whether deferred, in forbearance, or in repayment, a payment must be included as a recurring monthly debt obligation.
- Lenders must determine the monthly repayment amount using one of the following options:
 - 1% of the outstanding balance;
 - the actual payment that will fully amortize the loan with no payment adjustment as documented in the credit report, by the student loan creditor, or in documentation provided by the borrower;
 - a calculated payment that will fully amortize the loan based on the documented loan repayment terms, or
 - If the repayment terms are unknown, a calculated payment that will fully amortize each loan based on the current prevailing student loan interest rate and the allowable repayment period in the table below.
 - If the repayment terms are unknown for subsidized and unsubsidized Federal Student Loans, Direct, Direct Plus, Perkins, FFEL etc., the “current prevailing student loan interest rate” can be found on a variety of websites.

For example:

U.S. Department of Education Federal Student Aid <https://studentaid.ed.gov/sa/types/loans/interest-rates>, provides the interest rates for student loans disbursed on or After July 1, 2015 and for student loans disbursed before July 1, 2015.

Calculating a Student Loan Repayment	
Total outstanding balance of all student loans	Repayment period
\$1 - \$7,499	10 years
\$7,500 - \$9,999	12 years
\$10,000 - \$19,999	15 years
\$20,000 - \$39,999	20 years
\$40,000 - \$59,999	25 years
\$60,000 +	30 years

Section 11.04: Property Use

- Clarified “Business Use” of the home

Section 11.06: Appraisal Report

- Appraisers are only required to report on DPA, gifts, seller concessions or grants that are included on the Offer to Purchase



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Conventional Matrix

The Matrix has been updated to reflect the changes made in the “Guide”

The revised Guide and Matrix are available on www.wheda.com under the Lender Toolkit
<https://www.wheda.com/Lender-Toolkit/>