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Lender Update 2019-13

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Annual Real Estate Tax Disclosure on CD for closings Dec 1, 2019 and after

All loan closings **on or after December 1, 2019, must** reflect the payment of the estimated annual real estate taxes on the Closing Disclosure.

Conventional Program Changes per Fannie Mae Selling Guide Update 2019-08

Per [Fannie Mae’s Announcement 2019-08](#) The following conventional policy changes will be applicable for new casefiles **submitted on or after December 7, 2019.**

Rental Income

To determine the amount of income from the subject property that can be used for qualifying purposes, the following must be considered:

If the borrower...	Then for qualifying purposes...
<ul style="list-style-type: none"> • Currently owns a principal residence (or has a current housing expense), and • Has at least a one-year history of receiving rental income or documented property management experience 	75% of the lesser of the actual lease agreement or fair market rent
<ul style="list-style-type: none"> • Currently owns a principal residence (or has a minimum 6-month housing expense*), and • Has less than one-year history of receiving rental income or documented property management experience 	The lesser of: <ul style="list-style-type: none"> • 75% of the lesser of the actual lease agreement or fair market rent, or • an amount not exceeding the PITIA of the subject property.
<ul style="list-style-type: none"> • Does not own a principal residence, and • Does not have a current housing expense 	Rental income from the subject property cannot be used.

*NEW WHEDA REQUIREMENT

Employment Offers and Contracts

Fannie Mae has clarified its policy for borrowers closing on a loan prior to receiving their first paystub as follows - All other requirements remain the same.

If the borrower's start date is...	Documentation Required
The note date or no more than 30 days prior to the note date	<ul style="list-style-type: none">• Employment offer or contract, and• Verbal verification of employment that confirms active employment status
No more than 90 days after the note date	Employment offer or contract

The following Conventional resources have been revised to reflect these changes:

- Sections 7.08 & 7.18 of the [WHEDA Advantage Conventional Underwriting Guide](#)
- [WHEDA Advantage Conventional Matrix](#)

FHA Updates and Changes

Single Unit Approval Process

- WHEDA will not be expanding the FHA program to include the allowance of the Single Unit Approval Process for Condominiums at this time.
- WHEDA will still require condominiums to have been approved under the HUD Review Approval Process (HRAP) and be listed on HUD's website as an unexpired approved project.

HUD Review Approval Process (HRAP) for the WHEDA Advantage FHA Program

Effective immediately, WHEDA will require documentation to be submitted for review with Condominiums approved under HRAP verifying the following information:

- **NEW CONDOMINIUM QUESTIONNAIRE FOR HRAP APPROVED PROJECTS** ([Form 46](#))
- **MINIMUM OWNER-OCCUPANCY CONCENTRATION**
 - Existing Projects: Must verify Owner Occupancy is at least 35%.
 - New construction (turnkey)/ less than 1 year old: Must verify Owner Occupancy is at least 30% of total declared units.
- **PAST DUE ASSOCIATION DUES/SPECIAL ASSESSMENTS**
 - No more than 15% of total units can be more than 60 days past due.
- **INDIVIDUAL OWNER CONCENTRATION:**
 - 20 units or more, concentration not to exceed 10%.
 - Less than 20 units, an owner cannot take ownership to more than one unit.
- **HO-6 INSURANCE**
 - Required if master does not include Walls-In coverage.
 - Coverage must be \geq 20% of the appraised value **or**, a letter from the insurance agent indicating the coverage is sufficient for Walls-in coverage.
- **MASTER POLICY**
 - Must have coverage equal to at least 100% of the insurable replacement cost of the Approved Project.

Removal of current WHEDA form requirements

- WHEDA Form 14, Condominium Insurance Warranty
- WHEDA Exhibit 6 Lender Certification for Individual Unit Financing.

The following FHA resources have been revised to reflect these changes:

- The [Application Package Checklist, \(Form 6\)](#).
- Section 11.06 of the [WHEDA Advantage FHA Guide](#)

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