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## Lender Update 2019-02

February 1, 2019

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### **In this Update:**

- **Advantage Conventional Underwriting Guide Updates**
    - HomeStyle Renovation clarification on Dwelling Contractor/Individual license lookup
    - Clarification on Commission income and document requirements
    - Clarification on automobile allowances
    - Clarification on Seasonal Employment and Secondary
    - Temporary Leave Income
    - Removal of unreimbursed expense guideline
    - Change allowing self-employed borrowers without a credit score
    - Paying down installment debt to qualify is allowed
  - **Advantage FHA Underwriting Guide Updates**
    - Reduced documentation requirements allowed for depository accounts
  - **Down Payment Assistance clarification**
    - Gift vs. secondary financing determination for both Conventional and FHA
  - **New Advantage FHA Matrix**
    - Combined matrix and overlays into one Advantage FHA Eligibility Matrix
  - **Resources**
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We have updated our Advantaged Conventional and Advantage FHA underwriting guides as follows:

### **WHEDA Advantage Conventional Underwriting Guide**

#### Section 3.04 Advantage Conventional HomeStyle Renovation

- The link to verify licensing for dwelling contractors and all non-dwelling contractor individual licenses has been clarified and updated.

#### Section 7.03 Commission Income

- Tax returns are no longer required for borrowers whose commission income is more than 25% of their total income.
- A two year history is recommended - a history of less than 24 months and greater than 12 months can be considered with compensating factors.

#### Section 7.05 Automobile allowance:

- The allowance may be considered as qualifying income if the borrower has received payments for a minimum of 2 years.
- The full amount of the allowance must be included in the compliance income calculation, and
- The corresponding lease or financing expenditure must be included as a debt.

#### Sections - 7.16 Seasonal Employment and Seasonal Unemployment Income, 7.17 Secondary Employment Income

- o A two year history is recommended - a history of less than 24 months and greater than 12 months can be considered with compensating factors.

#### Section 7.20 Temporary Leave Income

- The guide has been revised to clarify the borrower's overall employment history must be stable and reliable for the temporary income to be considered.

#### Section 7.22 Unreimbursed Expenses

- o Section removed as recent tax law changes will prevent lenders from identifying them.

#### Section 9.05 Minimum Credit Score Requirements

- o Income from self-employment is permitted for borrowers without a credit score.

#### Section 10.04 Installment Debt

- o Paying down Installment debt to less than 10 payments for qualification purposes is allowed.
- o This approach should be carefully evaluated using borrower's overall credit history and credit as strong determining factors in the analysis.

### **WHEDA Advantage FHA Underwriting Guide**

#### Section 8.01 Depository Accounts

- o Reduced documentation requirements noted in the automated underwriting system's (AUS) findings report are allowed.

### **WHEDA Advantage Conventional and Advantage FHA Underwriting Guide**

#### Section 8.06 Down Payment Assistance (DPA) - BOTH UW GUIDES

- o A DPA is a GIFT if the program does not file a mortgage, but files a retention agreement.
  - Enter the DPA amount as a gift in the asset section
  - Does not count in Combined-loan-to-value (CLTV)
- o A DPA is SECONDARY FINANCING if the program files a mortgage
  - o Enter the DPA amount as secondary financing
  - o Does count in Combined-loan-to-value (CLTV)

### **New Advantage FHA Eligibility Matrix**

The previous Advantage FHA Matrix and FHA Overlay Grid have been combined into one [Advantage FHA Eligibility Matrix](#). Separate Overlays guide is obsolete and deleted.

## Resources

The following resources have been update to reflect the changes in this announcement:

- The [WHEDA Advantage Conventional Underwriting Guide](#)
  - Section 3.04 Advantage Conventional HomeStyle Renovation
  - Section 7.03 Commission Income
  - Section 7.05 Automobile Allowance
  - Section 7.16 Seasonal Employment and Seasonal Unemployment Income
  - Section 7.17 Secondary Employment Income
  - Section 7.20 Temporary Leave Income
  - Section 7.22 Unreimbursed Expenses
  - Section 8.06 Down Payment Assistance (DPA)
  - Section 9.05 Minimum Credit Score Requirements
  - Section 10.04 Installment Debt
- The [WHEDA Advantage FHA Underwriting Guide](#)
  - Section 8.01 Depository Accounts
  - Section 8.06 Down Payment Assistance (DPA)

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### Lender Update Archive

