

A photograph of a man and a woman embracing in front of a house. The man is wearing a blue denim shirt and the woman is wearing a red and white plaid shirt. The house has a porch with white columns and a dark door. The text "2nd Mortgage Repair Loan Underwriting Training" is overlaid in white on the image.

# 2<sup>nd</sup> Mortgage Repair Loan Underwriting Training

# Training Agenda

Underwriting Guidelines

Borrower Eligibility

Credit, Income, Assets

Appraisal

Contact

# Underwriting

- All applications require manual underwriting.
- When underwriting 2<sup>nd</sup> Mortgage Repair Loans, Underwriters must make a reasonable and good faith determination of the borrower's ability to repay the loan.
- These determinations should be based on:
  - Consideration of the borrower's current or reasonably expected income.
  - Debt obligations.
  - Assets, if applicable.

# Borrower Eligibility

- Borrowers must be a U.S. Citizen or non-U.S. Citizen, who are legally in the US.
- The lender must make a determination of the non-U.S. citizen's eligibility based on the circumstances of the individual case, using documentation it deems appropriate. Please refer to seller guide for more details.
- Borrowers must be utilizing the subject property as their primary place of residence.
- No co-signers or guarantors are allowed.
- Revocable Trust are acceptable and must have a minimum of 1 primary beneficiary of the trust occupying the property.

# Credit

- Lender must obtain a tri-merged credit report for each borrower on the loan application from data provided by 3 national credit repositories: Equifax, Experian, or TransUnion. The Credit report must be dated within 120 days of the Note date.
- **Minimum Credit Score(s)**
  - Minimum Credit Score: See Product Matrix for Specific Program Requirements
- **Non-Traditional/Alternative Credit**
  - Non-traditional/Alternative credit is not acceptable.
- **Bankruptcy/Foreclosure**
  - A bankruptcy must be fully discharged two years prior to the note date of the subject loan.
  - A foreclosure must be completed at least four years prior to the note date of the subject loan.
- **Past-due, Collections and Charge-Offs of Non-Mortgage Accounts**
  - Accounts that are reported as past-due, not reported as collection accounts, must be brought current prior to close. Delinquent credit that has the potential to affect lien position or diminish the borrower's equity, must be paid off at or prior to closing.
- **Encumbrances, Judgements and liens**
  - The Agency will not consider loans for properties that have encumbrances including, but not limited to, tax liens, municipal liens, attachments, or judgements.
  - The satisfaction of these liabilities, along with verification of funds sufficient to satisfy these obligations, must be documented and paid off prior to closing and use funds outside of loan proceeds.

# Income

- A 2-year history of stable employment and income is required, with additional documentation needed for self-employed borrowers.
- **Salaried Employee:** Lender must obtain the Borrower's IRS W-2 forms, for last 2 years and current paystub with year-to-date figures. Paystubs must be dated within 120 days of the Note date.
- **Self-Employed:** Lender must obtain 2 years signed federal income tax returns with all applicable schedules; a year-to-date profit and loss statement, if at time of application more than 120 days have elapsed from the end of the tax year.
- **Rental Income:** 50% of fair market rents or 75% of the actual rents
  - Net rental income will be added to income from the subject property.
  - Net rental income from another property owned by the borrower:
    - Positive cash flow will be added to income.
    - Negative cash flow will be added to debt.

# Compliance Income

## Borrower Annualized Income

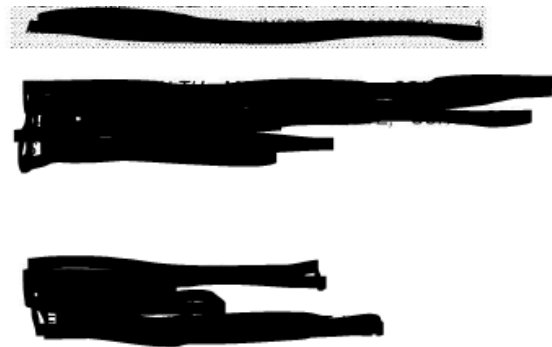
- Income from **all** borrowers on the mortgage, note, and deed, from all sources, annualized forward.
- All income must be considered whether you use to qualify or not.
- ✓ Rental income from the subject property must be included in compliance income, regardless if rental income was used to qualify.
- ✓ Non-taxable income: If income is grossed up for qualifying it must be included in total compliance income calculation.
- ✓ Self-employed borrowers must provide a year-to-date profit and loss after April 15th.

# Compliance Income

There are two ways to determine compliance income

- Using a numbered calendar and the pay period ending date, divide the number of weeks by the total gross earnings **OR**;
- Utilize a constant deduction on the paystub, such as Dental, Medical, or Long-Term Disability.

Dental -  $8.81/123.34 = 14$  pay periods x  
 2 (*bi-weekly*) = 28 weeks  
 46,090.70 (gross) / 28 X 52 = 85,597.01



## Earnings Statement

Period Beginning: 07/02/2023  
 Period Ending: 07/15/2023  
 Pay Date: 07/14/2023



Earnings	rate	salary/hours	this period	year to date
Regular	2769.24	80.00	2,769.24	36,889.44
Wknd Bon			916.52	9,201.26
<b>Gross Pay</b>			<b>\$3,685.76</b>	46,090.70

Deductions	Statutory	this period	year to date
	Federal Income Tax	-244.17	2,535.35
	Social Security Tax	-227.90	2,848.53
	Medicare Tax	-53.30	666.19
	MA State Income Tax	-159.32	1,871.58
	<b>Other</b>		
	Dental Pretax	-8.81*	123.34
	Ee Vol Life	-1.81	
	Ma Fli	-4.05	51.18
	Ma Mli	-7.67	96.74
	Vision Pretax	-7.69*	107.66
	401K Traditiona	-221.15*	2,765.43
<b>Net Pay</b>		<b>\$2,749.89</b>	
	Checking 1	-2,499.89	
	Savings 1	-250.00	
<b>Net Check</b>		<b>\$0.00</b>	



Other Benefits and Information	this period	total to date
Current Accrual	6.15	
Group Term Life	6.50	84.28
Pto	44.49	
401K Er Match	110.57	

**Important Notes**  
 YOUR COMPANY PHONE NUMBER IS 781-566-5066

BASIS OF PAY: SALARY

Additional Tax Withholding Information	
Taxable Marital Status:	MA: Single
Exemptions/Allowances:	MA: 1(Head of Household)

# Compliance Income

## Recent raise scenario:

p/p ending 5/13 -  $16,427.85/20 \text{ wks} \times 52 = 42,717.44$

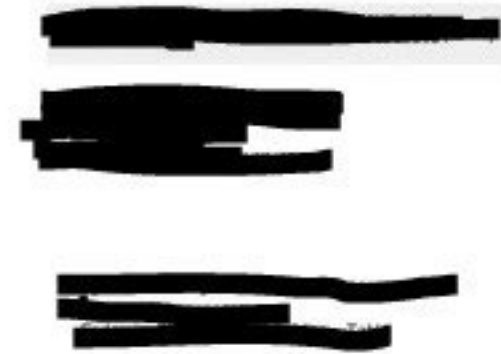
Base -  $\$810/\text{wk} \times 52 = 42,120$

p/p ending 5/13 OT/other -  $1,739.33/20 \text{ wks} \times 52 = 4,522.20$

**Total -46,642.20**

## Reminders:

- Compliance income must be the same or higher than qualifying income.
- Provide Compliance income calculations on 1008 or income calculation worksheet.



## Earnings Statement



Period Beginning: 05/07/2023  
 Period Ending: 05/13/2023  
 Pay Date: 05/19/2023



Earnings	rate	hours	this period	year to date
Regular	20.2500	40.00	810.00	14,688.52
Overtime	30.3750	9.07	275.50	1,729.33
BN LKB9				10.00
<b>Gross Pay</b>			<b>\$1,085.50</b>	16,427.85

Other Benefits and Information	this period	total to date
PTO/Sic Avail	73.53	
Total Hrs Worked	49.07	

Deductions	Statutory	this period	year to date
Federal Income Tax		-94.06	1,250.13
Social Security Tax		-67.30	1,018.53
Medicare Tax		-15.74	238.20
MA State Income Tax		-50.12	758.56
MA Paid Family Leave Ins		-1.19	18.07
MA Paid Medical Leave Ins		-2.26	34.17

**Important Notes**  
 COMPANY PHF:+1 508 397 6535

BASIS OF PAY: HOURLY

Additional Tax Withholding Information	
Taxable Marital Status:	MA: Single
Exemptions/Allowances:	MA: 0

Other	this period	year to date
BasicEELife	-9.19	183.80
<b>Net Pay</b>	<b>\$845.64</b>	
CHECKING	-845.64	
<b>Net Check</b>	<b>\$0.00</b>	

Your federal taxable wages this period are \$1,085.50

# Assets

- Borrowers may be required to make a contribution towards the construction cost when the loan is unable to support.
- The sources of these funds must be the Borrower's own funds, gift from a family member, or grant from a non-profit or governmental entity.

# Assets cont.

- Lender to collect two months bank statements with the most recent dated within 45 days of application. Quarterly statements must be dated with 90 days of application.
- Verifications of assets may be dated up to 120 days before the date of the note.
- Asset statements must clearly identify the borrower as the account holder, include the account number, the transaction history from the period covered by the statement(s) and the ending account balance.

# Appraisal – ADULP

- Lenders are required to obtain a full appraisal. The original appraisal must be no more than 4 months old from the date of the note.
- The lender must ensure that the appraisal is complete and accurate. The appraiser must provide evidence to support the opinion of value.
- Appraisals must be completed “Subject To” completion of the scope of work to be financed with the subject loan.

# Underwriting Data Capture

- It is the responsibility of the lender underwriter to:
  - Confirm that the credit underwriting information entered into MassHousing's system is correct, resources utilized are current and valid, and the decision is adequately supported as outlined here and in our seller guide.



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## Contacts