Calculating Compliance Income, Income Certification Loan Action, Pre-Closing Compliance Income Validation, and Milestones



What we will cover:

- Calculating Compliance Income
- Income Certification Loan Action
- Pre-Closing Compliance Income Validation
- Milestones



Borrower Annualized Income

 Income from all borrowers on the mortgage, note, and deed, from all sources, annualized forward.

> Seller Guide Section (Income Assessment 3.6)

Household Annualized Income

 Income from all household members to occupy the subject property from all sources, annualized forward.
Seller Guide Section (Compliance Income 3.6.1)

- ✓ 75% of rental income from the subject property used to qualify must be included in compliance Income.
- ✓ Grossed-up amount of non-taxable income must be included in annualized income.



WFA Reminders

- The <u>L-106</u> must have all sections completed, signed and dated. This includes household members relationship to borrowers, town/city the property will be located in etc. Then be sure this information matches up to the information in emasshousing.com
- If applicable, review <u>L-107</u> for all borrowers and household members over the age of 18 earning ZERO income.
- When reviewing the recent federal tax return be sure it matches up to corresponding W2's provided. If it does not, then ask for the remaining W2's.
- Confirm the employment section in emasshousing.com matches W2's provided. If they do not, input the information and obtain a verbal VOE to ensure this is a previous and not current employer.



There are two ways to determine compliance income

- Using a numbered calendar and the pay 1. period ending date, divide the number of weeks the total gross earnings **OR**;
- Utilize a constant deduction on the 2. paystub, such as Dental, Medical, or Long-Term Disability.

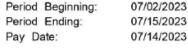
Dental - 8.81/123.34 = 14 pay periods x 2 (*bi-weekly*) = 28 weeks 46,090.70 (gross) /28 X 52 = 85,597.01





| Earnings | rate | salary/hours | this perio | d |
|------------|---------------------|--------------|------------|-----|
| Regular | 2769.24 | 80.00 | 2,769.2 | 24 |
| Wknd Bon | | | 916. | 52 |
| | Gross Pay | | \$3,685, | 76 |
| Deductions | Statutory | | | |
| | Federal Income Tax | | -244 | 17 |
| | Social Securi | ty Tax | -227 .9 | 90 |
| | Medicare Tax | | -53 .3 | 30 |
| | MA State Income Tax | | -159 .3 | 32 |
| | Other | | | _ |
| | Dental Pretax | | -8.8 | 81* |
| | Ee Vol Life | | -1.8 | 81 |
| | Ma Fli | | -4.0 | 05 |
| | Ma Mli | | -7.6 | 67 |
| | Vision Pretax | | -7.0 | 69* |
| | 401K Traditio | na | -221 . | 15* |
| | Net Pay | | \$2,749.1 | 89 |
| | Checking 1 | | -2,499.8 | 89 |
| | Savings 1 | | -250.0 | 00 |
| | Net Check | | \$0.(| 00 |

Earnings Statement



year to date



| 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 781-56 | 6-5066 |
| | | |
| BASIS OF PAY: SALARY | | |
| Taxable Marital Status: MA: Single Exemptions/Allowances: | 200 x 200 | mation |
| | Information Current Accrual Group Term Life Pto 401K Er Match Important Notes YOUR COMPANY PHONE BASIS OF PAY: SALARY Additional Tax With Taxable Marital Status: MA: Single Exemptions/Allowances: | Information this period Current Accrual 6.15 Group Term Life 6.50 Pto 44.49 401K Er Match 110.57 Important Notes |



ADD?

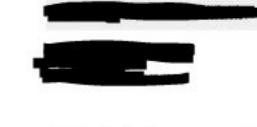
Recent raise scenario:

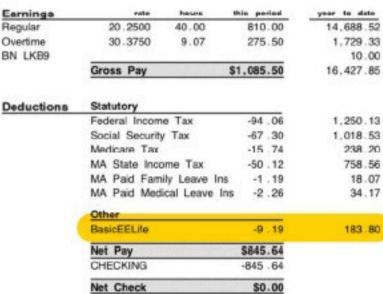
p/p ending 5/13 - 16,427.85/20 wks x 52 = 42,717.44

Base - \$810/wk x 52 = 42,120 p/p ending 5/13 OT/other - 1,739.33/20 wks x 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 ٠ 1008 or income calculation worksheet.





Your federal taxable wages this period are \$1.085.50



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





| Information | this period | total | to | date |
|-----------------|-------------|-------|----|------|
| PTO/Sic Avail | 73.53 | | | |
| Toti Hrs Worked | 49.07 | | | |
| Important Notes | | | | |

COMPANY PH#:+1 508 397 6535

BASIS OF PAY: HOURLY

Additional Tax Withholding Information

Taxable Marital Status MA: Single Exemptions/Allowances: MA: 0



Income Certification



Income Certification Loan Action

Effective on ALL loans registered on or after January 29th, 2024.

Compliance Income will now be certified on all first mortgage loan products and will not be exclusive to WFA 3.0 products. Lenders will no longer upload documents for the WFA DPA second mortgage to complete the Income Certification.

All certifications will be handled on the lender level through the new Income Certification Loan Action.

Compliance Income will also now be required to be certified on all 2nd Mortgage Repair Loans (Home Improvement, Septic Repair and Get the Lead Out).

How to access: Open loan file, on the left-hand side under loan actions



Income Certification Screen

WFA Products will include section for household *(non-borrower*) occupants, all other products do not utilize household size in determining total compliance income. Enter compliance income below and click Save & Certify.

Certification 🛛 Alerts 🌲 First Time Homebuyer: Yes Borrower(s) Date of Birth Annual Compliance Income 55500 Test Borrower 01/01/1970 \$ \$ Annual Compliance Income 55500 Add Occupant Date of Birth Non-Borrower(s) Occupants Annual Income Delete 0.00 Total # of Borrowers/Occupants 1 Total Annual Compliance Income 55500.00 By clicking the button below you are certifying that the above information is accurate. Save & Certify Name Status Date mm/dd/yyyy ** Needed **

Lender Income Certification & Product Alerts



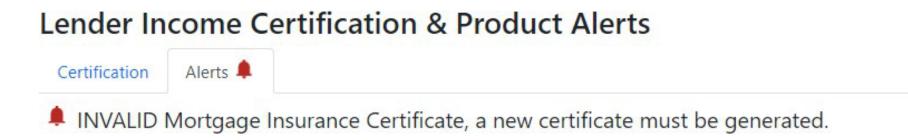
Alerts

Alerts will trigger upon completion of the income certification if below errors are detected by the system. **Changing loan information after income certification could merit an alert.**

Prior to income certification all alerts must be satisfied.

List of Alerts:

- The Income you have entered exceeds the product specifications.
- The Loan amount you have entered exceeds the product specifications.
- INVALID Mortgage Insurance Certificate, a new certificate must be generated.
- The Purchase Price (plus Rehab if applicable) amount you have entered exceeds the product specifications.

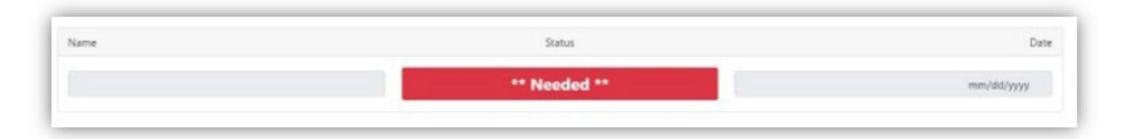


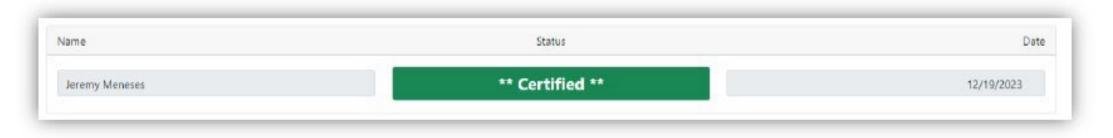


Status

A name and date will be associated with certification of a loan file.

- Needed Income Certification is needed by the lender.
- Certified Income has been certified by the lender.







Utilization of Income Certification Loan Action

• For compliance income ONLY, not qualifying income.

• Qualifying income updated in URLA.

User must have TPO Operations Persona to access.

- Certification is only **required on 1**_{st} **Mortgages** and not the DPA.
 - 2nd Mortgage Repair Loans (*Home Improvement, Septic Repair and Get the Lead Out*) require income certification.
- Loans must have a **loan product selected** but do not have to be locked.
- Still require a completed form L-106, and L-107 for all WFA 3.0 Products to be signed and uploaded to the loan file.

Best Practices:

- Have an underwriter certify the income.
- Always update the file contact on loan file.
- Leave loan file to refresh status.
- Must certify income prior to closing.



Pre-Closing Compliance Income Validation



Pre-Closing Compliance Income Validation

Starting January 29, **2024**, MassHousing will complete a pre-closing review of the lender completed income certifications on a sample basis. Our sample will be based on the past performance of the lender.

If a file is selected for review, lenders will be notified via <u>www.emasshousing.com</u> (*pipeline view*) and email from MassHousing to the **user who certified the income**. We appreciate if the lender completes the income certification in sufficient time in order not to impact the loan closing.

• This does not apply to 2nd Mortgage Repair Loans (Home Improvement, Septic Repair and Get the Lead Out)

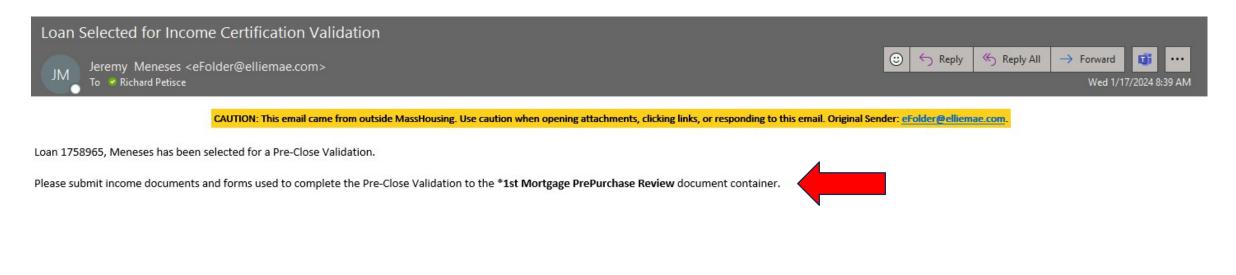
When will Lender be notified if selected?

Lender will be notified within 72 hours of certification if loan has been selected for pre-closing validation.



Example Email

From MassHousing to the user who certified the income:



This is an auto-generated email from MassHousing





Status Online Update

In pipeline view click the envelope to view status online update.

| Borrower Name | Bob × | | |
|---------------|---------|---------------|-----------------------------|
| | LOAN # | BORROWER NAME | SUBJECT PROPERTY ADDRESS |
| | 6003573 | Bob, Billy | 437 Whisky Street |
| | 6003509 | Bob, Billy | 437 Whisky Street |
| | 6002892 | Bob, Billy | 437 Whisky Street |
| | 6004541 | Bob, Billy | 125 Williams St |
| | 6003523 | Bob, Billy | 437 Whisky Street |

| .oan Messages | × |
|--|-------------|
| Jeremy Meneses | |
| #1757765 | |
| | |
| Loan Selected for Lender Certification Audit | 01/12/2024 |
| Loan has been selected for UW audit | |
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| | 16 |

Milestones



Milestones

We have implemented new milestones to provide you loan level detail. Milestones can be found in your Pipeline View upon logging into <u>www.emasshousing.com</u>. Below are the Millstones and what they mean.

| Milestone | Definition |
|-----------------|---|
| Started | Loan has been registered on eMasshousing.com |
| Initial Audit | Review of the submitted closed loan file has begun |
| Suspense | Working with lender to satisfy outstanding conditions |
| Purchase Review | Final review of loan file |
| Funding | Loan is preparing to fund |
| Completion | Loan has funded |

New Milestones will be implemented for loans registered on or after January 29th, 2024.



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Please contact our team for further questions, or email us at <u>holoanreview@masshousing.com</u>

THANK YOU!

MASSHOUSING