# New MassHousing Underwriting Overview



08.8.24

### Disclaimer

The purpose of this presentation is to acquaint the lender with the various MassHousing programs. These programs typically adhere to FNMA, FHLMC or FHA guidelines. While every effort has been made to ensure the reliability of the session contents, Fannie Mae, Freddie Mac, and FHA Selling Servicing Guides and updates including announcements and release notes are the official statements of Fannie Mae, Freddie Mac, and FHA policies and procedures.

We strongly suggest using the resources directly available at:



MassHousing Reminders: Borrowers must owner occupy the subject property, not own any other real property at time the time of closing and meet our compliance income limits for the appropriate product

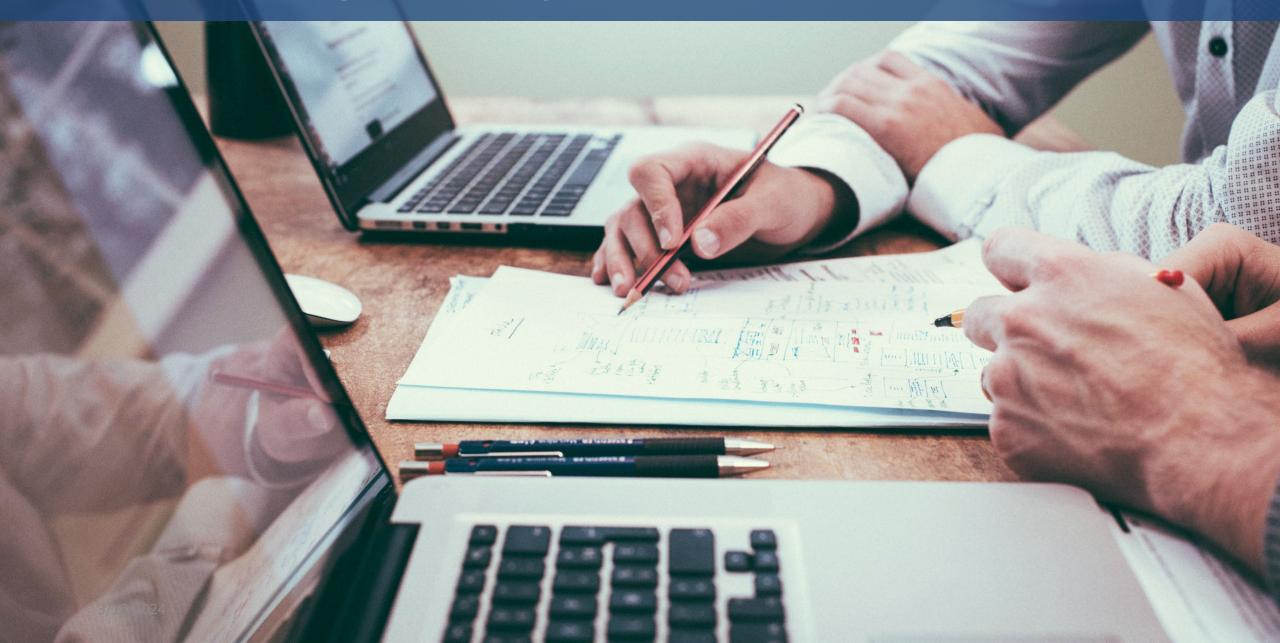
### **PRODUCT OFFERINGS**

- WFA 4.0
- WFA FHA 4.0
- FTHB
- FTHB FHA
- FNMA HFA Preferred and FHLMC HFA Advantage Up To 80% AMI
- FNMA HFA Preferred and FHLMC HFA Advantage Above 80% AMI

### Link to Product Matrix



## MassHousing Overlays



## **Borrower Eligibility**

- Borrower(s) **must** owner-occupy the subject property
- Borrower may not own any other residential real estate at the time of closing
- All borrowers must be on the note, mortgage and deed
- We **do not allow** non-occupying co-borrowers or co-signers
- Borrower to complete homebuyer counseling "HBC" from a MassHousing approved Agency
  - $\circ~$  HBC required for First Time Homebuyer transactions
  - Landlord counseling required on purchase transactions of 2-4 family properties

The definition of first-time homebuyer includes any borrower who has not held an ownership interest in a principal residence at any time during the three years preceding the closing date of the MassHousing mortgage. In the event that there is more than one borrower on a loan with this requirement, each borrower must meet the three-year requirement.



### Loan Documentation

- Three most recent and consecutive tax transcripts for all borrowers
- HO-6 Policy-A HO-6 Policy is required when the master insurance policy is <u>not</u> an "All-in" policy covering the interior of the unit or its improvements, alterations, fixtures and equipment, regardless of ownership. The policy must be presented at closing and paid in full for the first year.
- B documents for FTHB transactions
- Lenders to supply documentation used to determine project eligibility with the closed loan submission.



**Property** (3.8 Property Assessment)

- **50% owner occupancy** requirement for established condominium projects
- Current owner/seller must have held title (deed recorded) for at least 30 days prior to application.
- The **property must** include a petitioned off bathroom facility including a bathing area and a fully functioning kitchen with basic appliances including a refrigerator, stove or stove hook up (not hot plates, microwaves or toaster ovens) and a sink with running water.



### Ineligible Properties(3.4.2 Ineligible Properties)

- A parcel of land containing two or more separate residential structures (i.e., a two-family building and a separate one-family building located on the same lot)
- Manufactured housing (mobile homes);
- Cooperatives;
- Properties agriculturally zoned or acreage that does not support the basic livability of the subject property;
- Mixed use properties; and
- <u>Illegal non-conforming</u> accessory dwelling units



#### 3.3.7: Power of Attorney

The use of Power of Attorney is only allowed if the borrower is fulfilling a military obligation.

#### 3.3.8: Clear Chain of Title

There must be a clear chain of title on all properties purchased using MassHousing financing. The current owner must have held title (deed recorded) for at least 30 days prior to application. Lenders must confirm that the property seller in a purchase money transaction is the owner of the subject property based on publicly available information. Please refer to the GSE's Selling Guides or the FHA Single Family Housing Policy Handbook 4000.1 on how to confirm and document the current owner.



### **Acceptable AUS Findings**

#### **3.5.2: Automated Underwriting Systems (AUS)**

MassHousing will purchase mortgage loans that conform to the applicable MassHousing mortgage product and requisite AUS engine, and those detailed in MassHousing product matrix. MassHousing only purchases loans that receive the following AUS recommendation:

- •DO<sup>®</sup>/DU<sup>®</sup> Approved/Eligible;
- •DO<sup>®</sup>/DU<sup>®</sup>Out of Scope (Please see <u>Section 3.7.2</u> for additional information on "Out of Scope");
- •LPA<sup>®</sup> Eligible/Accept;
- •LPA<sup>®</sup> Ineligible/Incomplete due to reasons outlined in <u>Section 3.7.2</u> (Out of Scope) and;
- •LPA<sup>®</sup> Ineligible/Accept (due to FHA product submission in LPA).

Please note: FHA Total Scorecard must be run on all loans and utilized through DO<sup>®</sup>/DU<sup>®</sup>, LPA<sup>®</sup>



### **Credit Assessment**

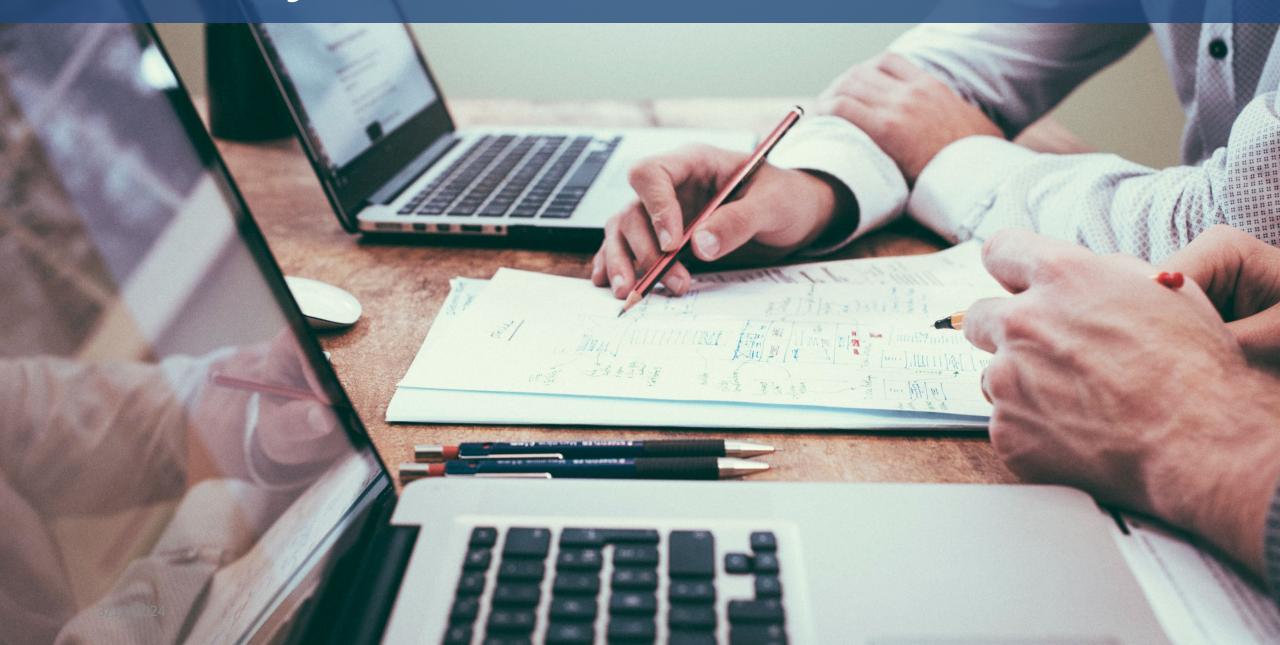
#### 1. : Collection Accounts, Charge offs, and Judgements

MassHousing requires lenders to follow the guidance of the AUS and respective selling guide of the GSE, or FHA Handbook regarding collection accounts and charge offs with the following exceptions:

- Open judgements and liens (including tax, mechanics', betterments, or materialmen's), that may or may not have the potential to affect MassHousing's lien position or diminish the borrower's equity must be paid off prior to closing.
- IRS Installment Agreements must be paid off prior to closing.



## **Condo Projects**



# **Condo Projects**

#### 3.8.10: Conventional Condominium Project Review Requirements

#### Presale

MassHousing defines a presold unit as having a fully executed purchase and sale agreement with earnest money deposit given and evidence that all mortgage contingencies have been met. Acceptable sources of the sales information should include either the lenders review of Sales Contracts, or certification from the Developer, Management Agent or Builder. Lenders are responsible for conducting their due diligence, and responsible for the representation and warranty of the sales information.

#### **Exposure Limits**

MassHousing may limit the purchase to no more than 25% of the units in any condominium or newly constructed housing development, where such development consists of 25 or more units.

#### **Two- to Four-Unit Condominium Projects**

All but one unit must be owner occupied in existing two- to four-unit projects. Specific requirements are as follows:

•Two units: MassHousing will finance the second unit in; the first unit must be presold/sold. All two-unit condominium loans must have an executed arbitration agreement at time of loan closing.

•Three units: MassHousing will finance the second unit in; the first must be presold/sold and owner occupied.

•Four units: MassHousing will finance the third unit in; the first and second must be presold/sold and all must be owner occupied.

#### Occupancy

For established condominium projects, 50% of units must be owner occupied and an HOA must have been established.

#### **New Construction Condominium Project**

For new construction projects, MassHousing accepts GSE's consolidated review method of the Condominium Project Manager (CPM) or a full review by lender. At least 50% of units must be sold or presold as a principal residence. MASSHOUSING

# **Condo Review**

3.8.9: Condominium Review Types and Documentation Requirements				
Review Type for Conventional Condominium Loans	Documentation			
Limited or Streamline	<ul> <li>* HOA Questionnaire (Fannie Mae Form 1077/Freddie Mac Form 477)</li> <li>Blanket/Master Policy with the HOA as the named insured, in addition to interior coverage, if not included in blanket policy</li> <li>Liability Policy (Freddie Mac only)</li> <li>Fidelity/Crime Policy (Freddie Mac only for projects with 21 or more units)</li> </ul>			
Full or Established Review	<ul> <li>* HOA Questionnaire (FannieMae Form 1076/FreddieMac Form 476)</li> <li>Blanket/Master Policy with the HOA as the named insured, in addition to interior coverage, if not included in blanket policy</li> <li>Liability Policy</li> <li>Fidelity/Crime Policy, for all projects with 21 or more units</li> <li>Budget with 10% reserves</li> </ul>			
New Project review	<ul> <li>* HOA Questionnaire (FannieMae Form 1076/FreddieMac Form 476)</li> <li>Blanket/Master Policy with the HOA as the named insured, in addition to interior coverage, if not included in blanket policy</li> <li>Liability Policy</li> <li>Fidelity/Crime Policy, for all projects with 21 or more units</li> <li>Budget with 10% reserves</li> </ul>			

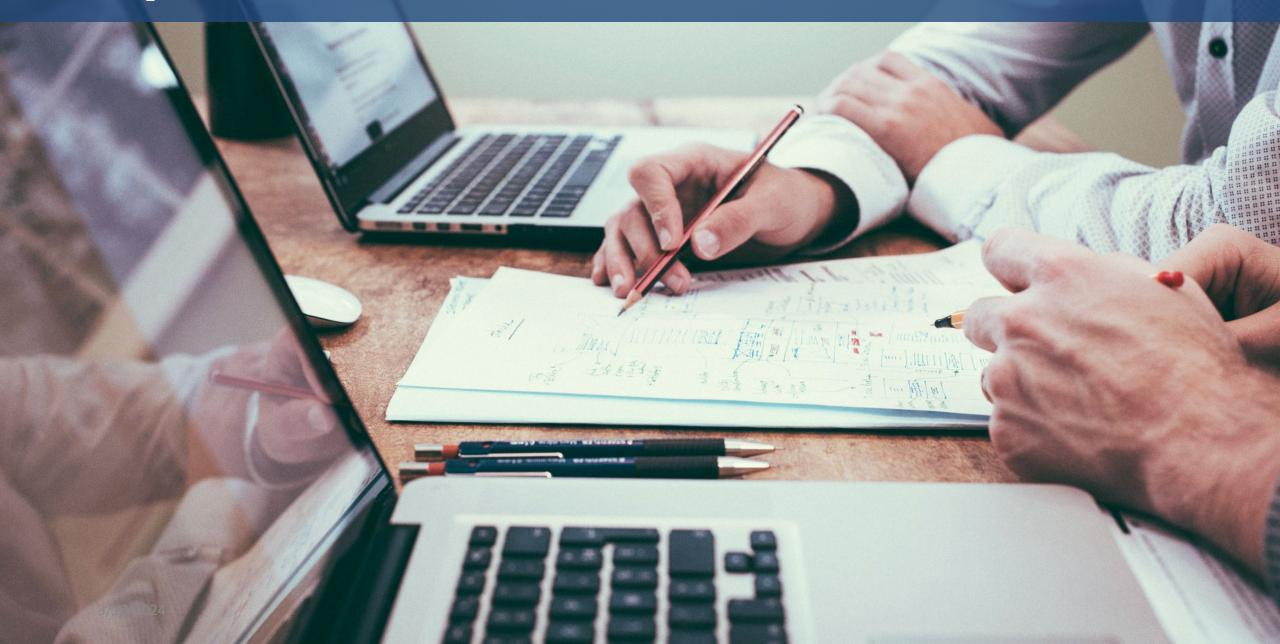
#### 2.9.0. Condensisium Deview Types and Desumentation Desvinem



# Condo Review cont.

CPM or PERS Approval (Fannie Mae only)	<ul> <li>Unexpired CPM Certification number or verification of Final PERS approval</li> <li>* HOA Questionnaire (FannieMae Form 1076)</li> <li>Blanket/Master Policy with the HOA as the named insured, in addition to interior coverage, if not included in blanket policy</li> <li>Liability Policy</li> <li>Fidelity/Crime Policy, for all projects with 21 or more units</li> </ul>
Reciprocal Project Review (Freddie Mac only) https://guide.freddiemac.com/app/guide/content/a_id/1000693	<ul> <li>* HOA Questionnaire (FreddieMac Form 476)</li> <li>Blanket/Master Policy with the HOA as the named insured, in addition to interior coverage, if not included in blanket policy</li> <li>Liability Policy</li> <li>Fidelity/Crime Policy, for all projects with 21 or more units</li> </ul>
2-4 Unit (Fannie Mae or Freddie Mac)	<ul> <li>* HOA Questionnaire: (FannieMae Form 1076/FreddieMac Form 476)</li> <li>Blanket/Master Policy with the HOA as the named insured, in addition to interior coverage, if not included in blanket policy</li> <li>Liability Arbitration Agreement (2 unit project only) -Located in the legal condominium documents-located in the Declaration of Trust</li> </ul>
* HOA Questionnaire - or a "like" Form is acceptable provided it has similar content	
Review type for FHA Approved Condominiums Unexpired HRAP or DELRAP approval on HUD.GOV and Single-Unit approval	Documentation Lenders must supply any and all documents used to determine project eligibility as outlined in the FHA Single Family Housing Policy Handbook 4000.1 in the Ioan submission to MassHousing.





#### **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**

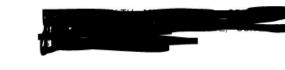
- The <u>L-106</u> must have all sections completed, signed and dated. This includes household members relationship to borrowers, town/city the property will be located in etc. Then be sure this information matches up to the information in emasshousing.com
- If applicable, review <u>L-107</u> for all 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 <u>numbered calendar</u> 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





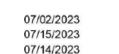
Earnings	rate	salary/hours	this period
Regular	2769.24	80.00	2,769.24
Wknd Bon			916.52
	Gross Pay		\$3,685,76
Deductions	Statutory		
	Federal Incor	ne Tax	-244 . 17
	Social Securi	ty Tax	-227.90
	Medicare Tax	<	-53.30
	MA State Inc	come Tax	-159.32
N	Other		
$\square$	Dental Pretax	C	-8.81
	Ee Vol Life		-1.81
	Ma Fli		-4.05
•	Ma Mli		-7.67
$\square$	Vision Pretax		-7.69
	401K Traditio	na	-221.15
	Net Pay		\$2,749.89
	Checking 1		-2,499.89
	Savings 1		-250.00
	Net Check		\$0.00

#### Earnings Statement

Period Beginning:

Period Ending:

Pay Date:



ADD?



ear to date	Other Benefits and		
36,889.44	Information	this period	total to date
9,201.26	Current Accrual	6.15	
46,090.70	Group Term Life	6,50	84.28
	Pto	44.49	
	401K Er Match	110.57	
2,535.35	Important Notes		
2,848.53	YOUR COMPANY PHONE	NUMBER IS 781-56	6-5066
666.19			
1,871.58	BASIS OF PAY: SALARY		
123.34 51.18 96.74 107.66 2,765.43	Additional Tax With Taxable Marital Status: MA: Single Exemptions/Allowances: MA: 1(Head of	nholding Inform	mation



year to date

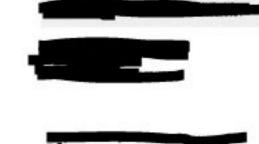
#### Recent raise scenario

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 ٠ on 1008 or income calculation worksheet.



Earninga	rate	hauna	this peri	in a	year	to state
Regular	20.2500	40.00	810.	00	14	.688.52
Overtime	30.3750	9.07	275.	50	1	,729.33
BN LKB9	Section of the sectio	10100000	10 C 10 S			10.00
	Gross Pay		\$1,085.	50	16	,427.85
Deductions	Statutory					
	Federal Income	Tax	-94 .	06	1	,250.13
	Social Security	Tax	-67 .:	30	1	.018.53
	Medicare Tax		-15	74		238 20
	MA State Incon	ne Tax	-50 .	12		758.56
	MA Paid Family	Leave I	ns -1 .	19		18.07
	MA Paid Medic	al Leave	Ins -2 .	26		34.17
	Other			1.1		
	BasicEELife		-9 .	19		183.80
	Net Pay		\$845.	64		
	CHECKING		-845 .	64		
	Net Check		\$0.	00		

Your federal taxable wages this period are \$1.085.50



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



Other Denefits and 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-

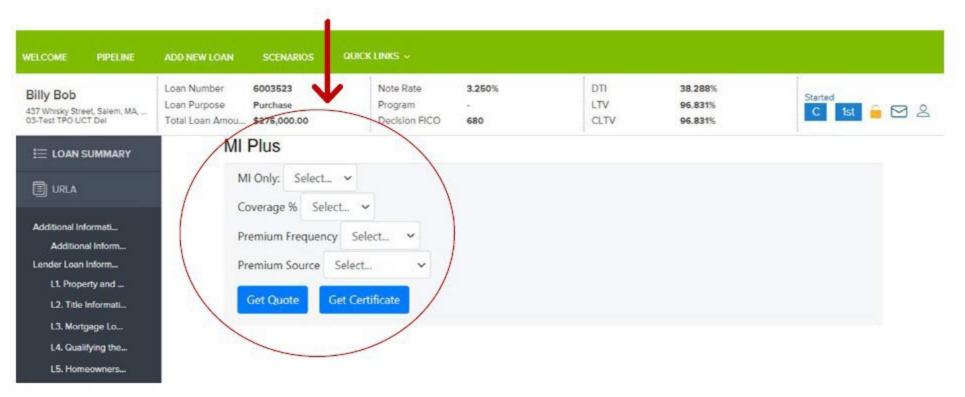


## **Obtaining Mortgage Insurance**



# MI

### Choose options from selections provided: <u>Get Quote or Get Certificate</u>





## MI

### **MI** Certificates

MI Certificates should be generated after receipt of final loan data and underwriting. The MI certificate is the only guarantee of premium and the amount from an updated and accurate MI certificate is what should be disclosed to the borrower. The MI certificate should be rerun before closing.

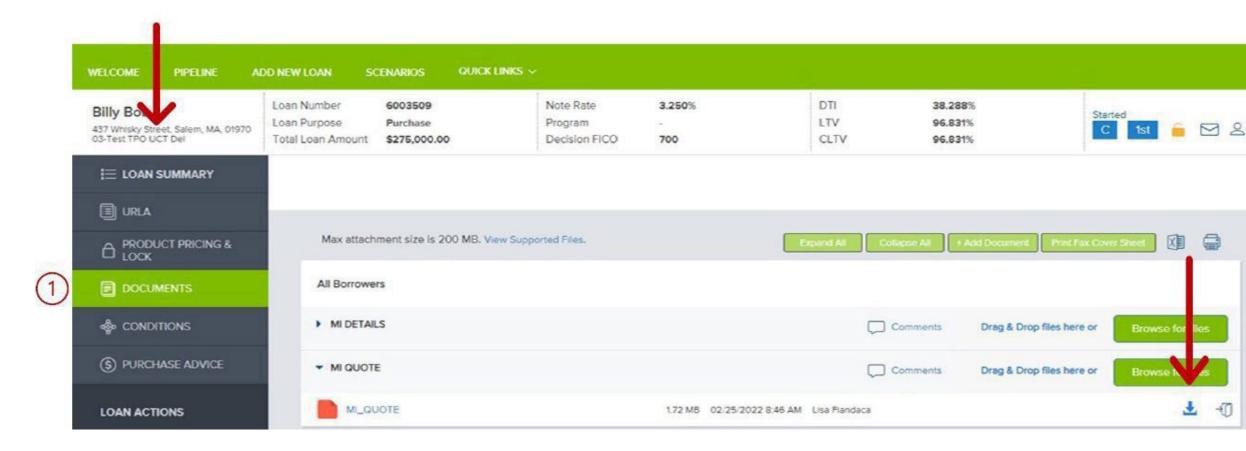
Please note changes to your loan file will affect your MI premium and will require a MI Certificate to be generated. Any changes to the following data will require a Certificate:

- FICO
- DTI
- LTV
- CLTV
- First Time Homebuyer Status

- Property Location
- Total number of units for property
- Income (AMI Percentage)
- Loan Amount
- MI coverage



## In the Documents section <u>download your Quote or</u> <u>Certificate</u>



## **Exception Requests**



### NEW Exceptions Document-<u>effective for loans registered with a product</u>

on or after June 1st.

# The exceptions document container will fire when an exception can be considered by MassHousing's underwriting team.

	Max attachment size is 200 MB. View Supported Files.	Expand All Collapse All + Add Document Print Fax Cover Sheet 🕅 📑
	All Borrowers	
	Benjamin Meneses, Oscar Meneses	
(\$) PURCHASE ADVICE	*EXCEPTION REVIEW	Comments
LOAN ACTIONS	*INCOME CERTIFICATION REVIEW	Comments Drag & Drop files here or Browse for files
Import Additional Data	*SUBORDINATE PREPURCHASE REVIEW	Comments Drag & Drop files here or Browse for files

Prior to submission- please ensure the loan is fully underwritten. Your underwriter should send an email to <u>holoanreview@masshousing.com</u> stating the request for an exception and compensating factors.

# f B 🕨 in

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

# THANK YOU!

#### MASSHOUSING