MassHousing Underwriting Overview

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:

Fanniemae.com

Freddiemac.com

hud.gov

allregs.com

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

MassHousing

Product Offerings

Conventional 1st Mortgage Products	
Product 1001	FNMA HFA Preferred Up to 80 AMI
Product 1002	FNMA HFA Preferred Above 80 AMI
Product 1006	WFA 4.0 FNMA HFA Preferred
Product 2001	FHLMC HFA Advantage Up to 80 AMI
Product 2002	FHLMC HFA Advantage Above 80 AMI
Product 2006	WFA 4.0 FHLMC HFA Advantage

FHA 1st Mortgage Products	
Product 3005	FHA WFA 4.0 30 Yr Fixed
Product 3004	FTHB FHA

DPA	
Product 4004	DPA 2% 15 Yr Fixed
Product 4006	DPA 3% 15 Yr Fixed

WFA DPA	
Product 4005	WFA 4.0 DPA Deferred 30Yr Fixed

MassHousing Overlays

What’s Unique

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** on the application must be on the note, mortgage and deed
- Non-borrowers may not be added to the above at, or after closing.
- We **do not allow** non-occupying co-borrowers or co-signers
- Borrower to **complete homebuyer counseling** “HBC” from a MassHousing approved Agency
    - HBC required for First Time Homebuyer transactions
    - Landlord counseling required on purchase transactions of 2-4 family properties
    - The use of Power of Attorney is only for borrowers fulfilling military obligations.

What’s Unique

Loan Documentation

- **Three most recent and consecutive tax transcripts for all borrowers obtained by a third party.**

- **B documents for FTHB transactions [(Forms Library)]**

For FTHB Loans, please provide the following in addition to documents listed above
B-001 Borrower's Affidavit and Disclosure of Federal Subsidy Recapture
B-003 Uniform Mortgage Rider *(MassHousing Form)*
Homebuyer Counseling Certificate
Landlord Counseling Certificate/ 2-4 Family
For Rehab Loans, please provide the following in addition to documents listed above
B-004 Rehab Rider *(MassHousing Form)*
Escrow Agreement
Maximum Mortgage Worksheet
Renovation Loan Agreement *(FNMA Form 3731)*
Renovation Contract *(FNMA Form 3730)*

- **Lenders to supply documentation used to determine project eligibility with the closed loan submission.**

What’s Unique

Property (3.8 Property Assessment)

- 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.

- 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.

What’s Unique

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

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

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

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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 will limit the purchase to no more than 50% of the units in any newly constructed/converted condominium or housing development, where such developments consist of 25 or more units upon completion.

Two- to Four-Unit Condominium Projects
All but one unit must be owner occupied in 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.

Condo Review

3.8.9: Condominium Review Types and Documentation Requirements

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

Condo Review cont.

CPM or PERS Approval (Fannie Mae only)	• Unexpired CPM Certification number or verification of Final PERS approval • * HOA Questionnaire (FannieMae Form 1076) • Blanket/Master Policy with the HOA as the named insured, in addition to interior coverage, if not included in blanket policy • Liability Policy • Fidelity/Crime Policy, for all projects with 21 or more units
Reciprocal Project Review (Freddie Mac only) https://guide.freddiemac.com/app/guide/content/a_id/1000693	• * HOA Questionnaire (FreddieMac Form 476) • Blanket/Master Policy with the HOA as the named insured, in addition to interior coverage, if not included in blanket policy • Liability Policy • Fidelity/Crime Policy, for all projects with 21 or more units
2-4 Unit (Fannie Mae or Freddie Mac)	• * HOA Questionnaire: (FannieMae Form 1076/FreddieMac Form 476) • Blanket/Master Policy with the HOA as the named insured, in addition to interior coverage, if not included in blanket policy • Liability Arbitration Agreement (2 unit project only) -Located in the legal condominium documents-located in the Declaration of Trust
* 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 loan submission to MassHousing.

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Deed Restricted Properties

Deed Restricted Properties

MassHousing delegates the review of affordable deed riders, covenants or restrictions, to our lenders. The delegation of the review includes:

•**Affordable Deed Riders that match the Universal Deed Rider**, version dated September 9, 2019, which may be found in our **Forms Library** as **Form B-010**.

•**Affordable Deed Riders, covenants or restrictions that do not survive a deed in lieu of foreclosure or foreclosure.**

Lenders must base their review on the requirements of the mortgage type (i.e., Conv, FHA) and AUS type (i.e., DU/DO or LPA) selected by the lender to underwrite the loan. Lenders must have an internal process for the review and approval of all affordable deed riders, covenants or restrictions, and utilize appraisers with experience in appraising properties with affordable restrictions.

3.8.6.1 Review Requests

A Lender may request our review of an Affordable Deed Rider, covenant, or restriction, which the lender has determined not to be warrantable to Fannie or Freddie. A request for a review will be treated as an exception. **Exceptions may be only granted for Conventional insured loans.**

Lenders are to send their exception request via email to **holoanreview@masshousing.com** containing the lock number, a copy of a blank Deed Rider, the City/Town where the property is located and the condo project name (if Condo) or street address (if SFR) in your request. Lender must include a copy of the approved exception in its closed loan file submission to **eMassHousing**.

REMINDER: Confirm the deed rider being reviewed will be the deed ride recorded and executed at closing.

Deed Restricted Properties

3.8.6.2 Property Valuations

Properties with affordable deed restrictions, where the restriction survives foreclosure, must be appraised at the deed restricted value and include comparable sales with like restrictions. The deed rider must be in the form of the Universal Deed Rider version 09/09/2019.

Properties with affordable deed restrictions, where the affordable deed restrictions are extinguished at foreclosure, must be appraised at the market value.

On a purchase transaction, the LTV/CLTV will be based on the lesser of the sales price or restricted value or appraised value.

On a refinance transaction, lenders are reminded to obtain a letter from the Monitoring Agency with their approval of the refinance of the first mortgage, and the re-sale value that will be used in calculating the Loan to Value "LTV". The LTV/CLTV will be based on the lessor of the restricted value or appraised value. If the Monitoring Agency confirms that the deed rider has not been modified since the last transaction, then the recorded deed rider may be used for the lender's review.

Deed Riders with MassHousing - Video

Compliance Income

Compliance Income

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 must be included in compliance income, regardless if rental income was used to qualify.**

MassHousing

Compliance Income

WFA Reminders

- The L-106 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 L-107 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.

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Compliance Income

There are two ways to determine compliance income

1. Using a numbered calendar and the pay period ending date, divide the number of weeks by the total gross earnings **OR;**
2. 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

[redacted]

Earnings Statement ADP

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

[redacted]

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
	Gross Pay		$3,685.76	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
	Other		
	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
	Net Pay	$2,749.89	
	Checking 1	-2,499.89	
	Savings 1	-250.00	
	Net Check	$0.00	

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

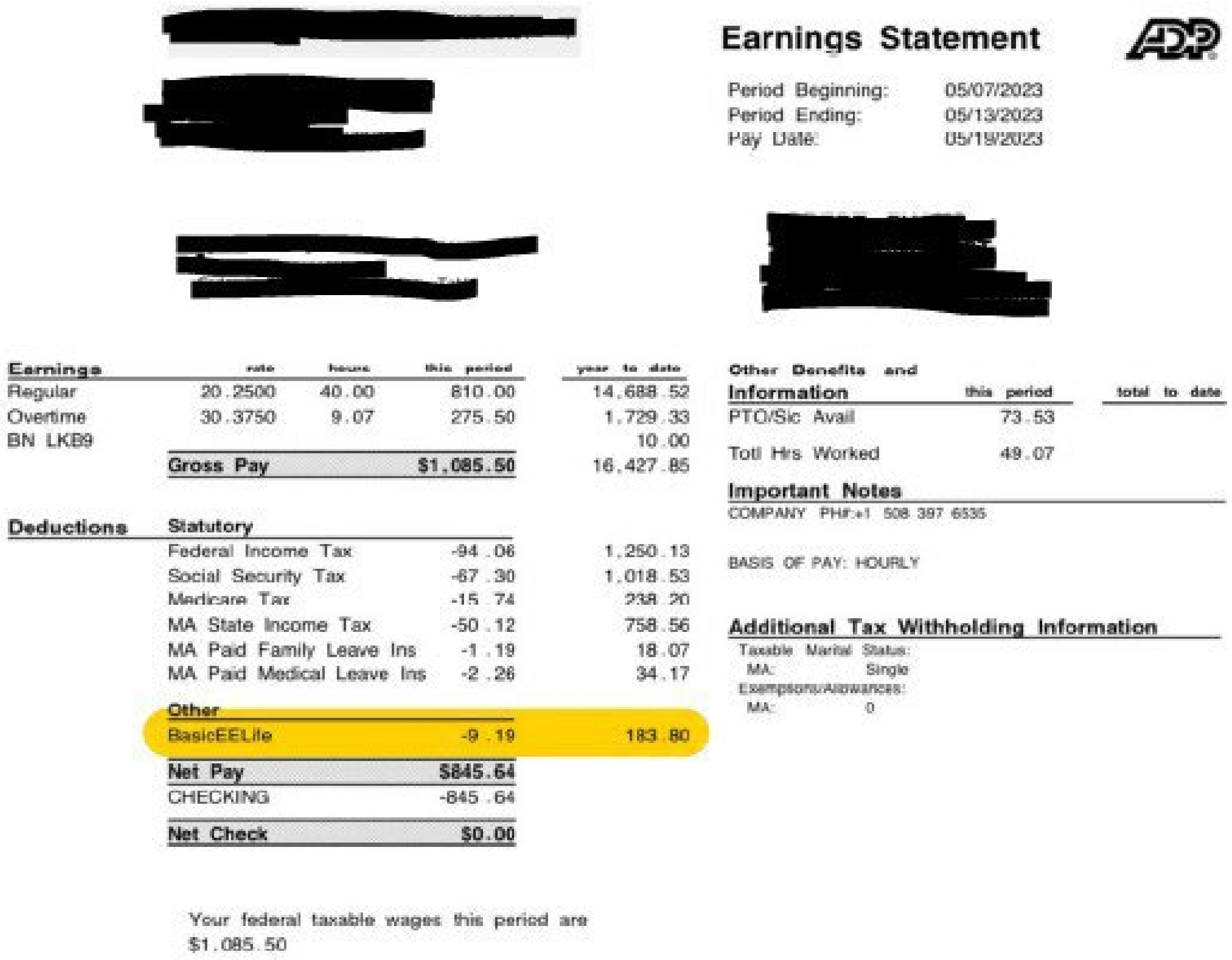
Recent raise scenario:

p/p ending 5/13 - 16,427.85/20 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 1008 or income calculation worksheet.
- Nontaxable income – if you do not gross up income to qualify then you do not need to gross up for compliance income


[redacted]

[redacted]

[redacted]

Earnings Statement

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

[redacted]

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
Gross Pay			$1,085.50	16,427.85

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
	Other		
	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

Other Benefits and Information	this period	total to date
PTO/Sic Avail	73.53	
Totl 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

Obtaining Mortgage Insurance

MI

Scenarios   Documents

000279	Note Rate	**6.000%**	DTI	**48.256%**
Purchase	Program	**FTHB FNMA HFA Preferred**	LTV	**95.000%**
$475,000.00	Decision FICO	**800**	Lender Inc Certify Status	**Needed**

MI Plus

MI Only: No

Coverage % 16%

Premium Frequency Monthly

Premium Source Borrower Paid

Requote   Get Certificate

Coverages are loaded

MassHousing

MI

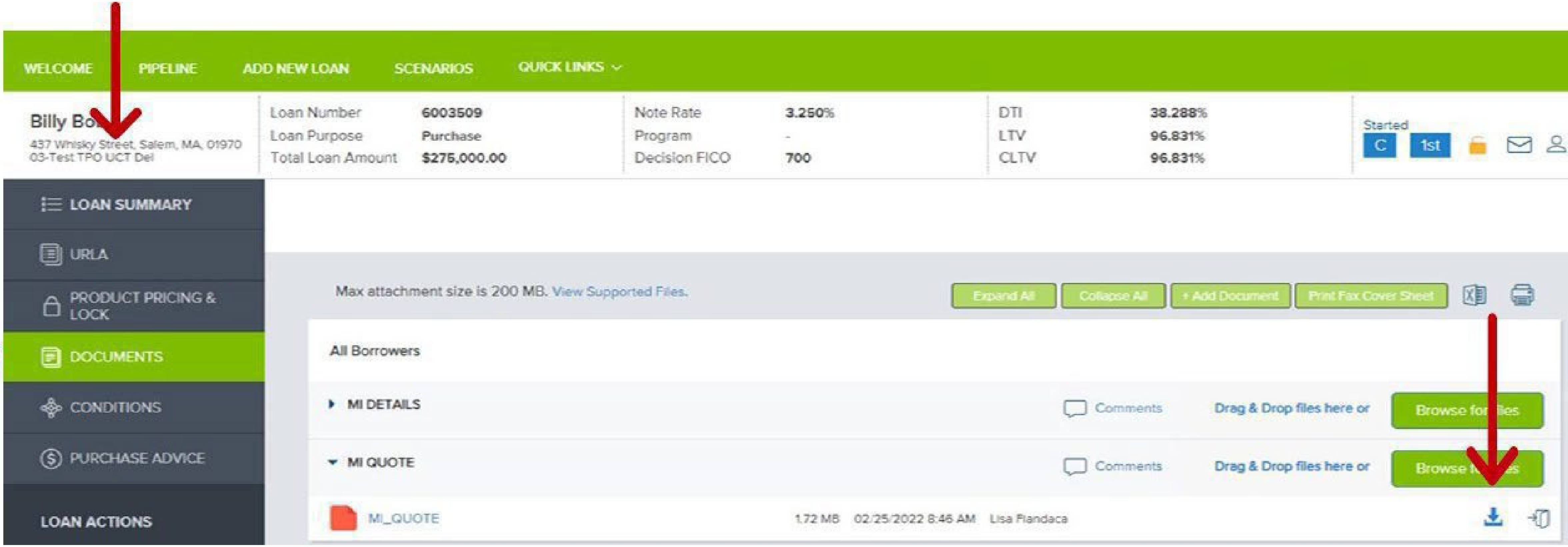
MI Certificates

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 download your Quote or Certificate



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MassHousing

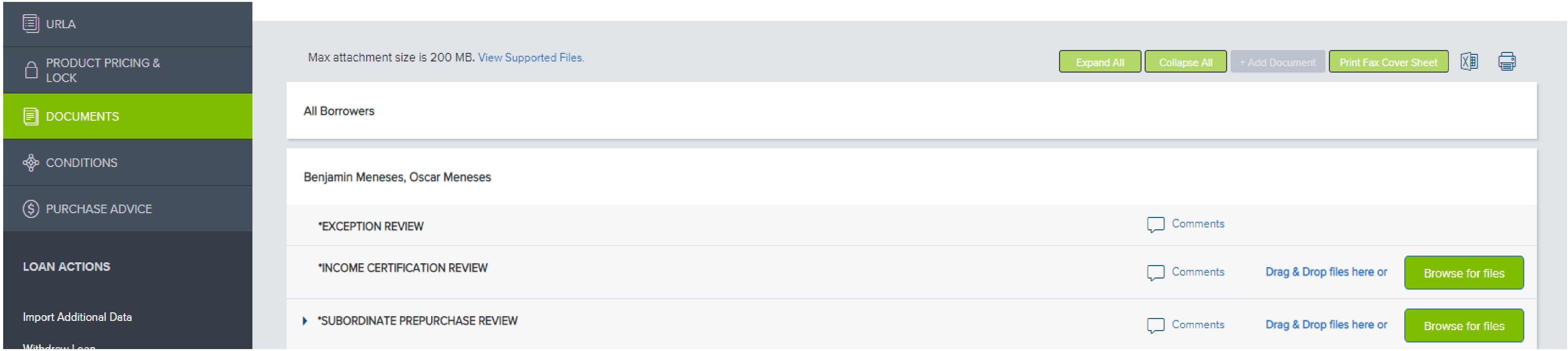
Exception Requests

Exceptions

To initiate consideration for an exception underwriters must reach out via email to holoanreview@masshousing.com.

Prior to submission- please ensure the loan is fully underwritten.

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



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

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