

HOMECHOICE CASE STUDY EXAMPLE

Borrowers Downpayment Assistance

John & Jane Doe have three children. Jane is disabled and receives SSI. John works full time. Their household qualifying annual income is \$44,340 or \$3,695 per month as shown on Line "A". They live in Spokane County. Based on the Income Chart, their income is just below 80% of their County's Area Median Income.

Based on the above information they are qualified for up to \$12,500 in downpayment assistance as shown on Line "B".

Details of Transaction

HomeChoice DPA Program allows for a minimum housing ratio of 25%. In this example, the PITI payment should be $\$3695 \times .25$ which equals **\$923.75** as shown on Line "C". The home being purchased by the borrower is for \$147,500 (new construction, non-targeted) with a \$139,702 first mortgage loan amount (Financing the UFMIP). P&I payment based on 4.625% over 30 years equals \$718.26. Taxes, Insurance and Mortgage Insurance are \$336.30 per month for a PITI of \$1,054.56 as shown on Line "D".

PITI/ Monthly Income equals $\$1054.56 / \$3695 = 28.54\%$ (compliance front-end ratio). If the proposed payment is less than \$923.75, the amount of subsidy should be lowered to reach this level. In this example, the seller is paying some of the closing costs. Closing costs are approx. \$7072.34. After all costs and current contributions are considered, the borrower needs \$12,847.34 to close this transaction as shown on Line "E".

Borrowers with payment ratios less than 25% do not qualify for any HomeChoice DPA subsidy and should apply for our Home Advantage DPA program, which provides up to 4% of the total first mortgage loan amount.

Assets Available

Borrower has \$704.00 total in their liquid savings and checking account. They also have \$1,200 in a mutual fund account and John has \$12,329 in a 401K. We only count Checking and Savings account balances, so exclude the mutual fund and 401K. They have \$704.00 available to use towards downpayment and closing costs. They will contribute \$347.34 of their own money into the transaction leaving them \$356.66 in reserves after loan closing. The HomeChoice DPA Program allows a borrower to keep up to \$5,000 in liquid assets, checking and savings, after closing. In this scenario the number on Line "G" is \$12,500. They provided the seller a promissory note, so they did not have a cash earnest deposit.

If there had been enough funds from the HomeChoice DPA 2nd & the borrowers had provided a cash earnest deposit - they might have been able to get a little cash back at closing to cover their earnest deposit, as long as it did not exceed what they have into the transaction and combined with their liquid savings/checking balance, did not exceed the \$5000 (or 3 mns PITI) reserve limit.

The borrowers' costs to close, Line "E" minus their contribution, Line "F" indicates the funds shortage to close, Line "G".

Minor Accessibility Modifications

If the subject property is in need of ramps, bathroom handles, hallway rails etc., this amount should be entered on Line “H”. Remember documentation is required indicating these improvements as necessary. In this example, the Borrower will need \$2,800 in bathroom facility improvements.

IMPORTANT NOTE! Borrower(s) who may not qualify for downpayment assistance may still receive funding for Minor Accessibility Modifications up to the \$15,000 limit.

In this example, if you add Line “B” of \$12,500 in DPA with \$2,500 in Accessibility Improvement you get \$15,000. HomeChoice is **limited to \$15,000**, so since the improvements are more than \$2,500, the borrower would need to bring in the difference or reduce the amount of down payment assistance. In this case, they have elected to bring in the difference for the ADA modifications if necessary. The balance of \$2,500 will be applied to **accessibility improvements**. The DPA is \$12,500 (without Accessibility Improvements).

The borrower will receive \$15,000 in HomeChoice DPA funds (\$12,500 toward downpayment and closing costs and \$2,500 toward accessibility improvements). Remember to supply copies of the fixed bids and to contact our Master Servicer regarding holdback for improvements.

HOMECHOICE SUBSIDY WORKSHEET

Borrower Name: John & Jane Doe

WSHFC Loan #: _____

DPA Program: Homechoice

Eligible 1st Mortgage Loan Type: FHA- Home Advantage

Interest Rate: 4.625%

Loan Origination Fee: 1%

Loan Discount Fee: _____

Calculate the Household Compliance Monthly Income: \$ 3,695 (A)

(See Section 3 in the House Key Program Manual)

Maximum Assistance Amount: \$ 12,500 (B)

(Based on the Compliance Monthly Income)

See charts on pages 1.12-1.18 of HomeChoice Program Manual

Group I 80.01% - 100.00% AMI up to \$10,000

Group II 50.01% - 80.00% AMI up to \$12,500

Group 2a&b 50.00% AMI and below up to \$15,000

Calculate the minimum 1st mortgage amount:

Compliance Monthly Income \$ 3,695 (A) X 25% = \$ 923.75 (C)
Minimum PITI

\$ 139,702.00 1st Mortgage Amount
\$ 718.26 P&I + \$ 336.30 T&I = \$ 1054.56 (D)
Total PITI

(Line "D" cannot be less than Line "C". If Line "D" is still less than Line "C" after all adjustments, Change to the Home Advantage DPA program)

LTV: 93.09 %

CLTV: 101.56 %

Details of Transaction: (should match page 3 of the final Loan Application/1003)

Sales Price		\$ <u>147,500.00</u>	Line "a" on 1003
Prepays (including aggregate adjustment)	+	\$ <u>1765.62</u>	Line "e" on 1003
Closing Costs	+	\$ <u>5306.72</u>	Line "f" on 1003
Discount	+	\$ _____	Line "h" on 1003
Misc. (HOA Dues) _____	+	\$ _____	
	+	\$ _____	
Subtotal		\$ <u>154,572.34</u>	
Base Loan Amount	-	\$ <u>137,300.00</u>	Line "m" on 1003
Seller Contributions	-	\$ <u>4,425.00</u>	Line "k" on 1003
Lender Contributions/Credits	-	\$ _____	
Other Downpayment Assistance Programs	-	\$ _____	
Name of Program: _____	-	\$ _____	
Total Cash Required to Close		\$ <u>12,847.34</u> (E)	

Assets Available:

Checking/Savings \$ 704.00

Gift + \$ _____

Cleared Earnest Money Deposit + \$ _____

Cleared POC's/Lender Deposit + \$ _____

Total Assets Available \$ _____

Reserves (Maximum \$5,000 or 3 months PITI,
Whichever is greater) - \$ 5000.00

Total Borrower Contribution (Minimum \$500; must be
from borrowers own funds) \$ 347.34 (F)

(If less than or equal to 0, enter 0)

Borrower Name: John & Jane Doe
WSHFC Loan #: _____

Total Cash Required to Close		\$	<u>12,847.34</u>	(E)
Total Borrower Contribution	-	\$	<u>347.34</u>	(F)
Maximum HomeChoice Subsidy Amount		\$	<u>12,500.00</u>	(G)

(Cannot exceed Line B and cannot be less than \$1000)

HOMECHOICE ONLY - Minor Accessibility Modifications:

Requires preapproval from The Commission and must be for exact bids

Fixed Bids or Receipts (total)		\$	<u>2,800.00</u>	(H)
Maximum HomeChoice Subsidy Amount	+	\$	<u>12,500.00</u>	(G)
Total HomeChoice Subsidy Amount		\$	<u>15,000.00</u>	Borrower will bring in \$300

(Cannot exceed \$15,000)

I certify that this loan meets the following conditions:

- Only usual and customary settlement costs have been used in this assessment
- Borrower has met the minimum contribution as required by the 1st mortgage product type
- Loan is in compliance with the maximum LTV/CLTV requirements as required by the 1st mortgage product type
- 1st mortgage is not structured as a buydown
- HomeChoice funds are not being used to buydown the 1st or 2nd mortgage
- HomeChoice funds are not being used to payoff bills or liens
- HomeChoice funds are not being used to fund PITI reserves
- HomeChoice funds are not being used to pay for property repairs or escrow holdbacks
- Downpayment assistance does not exceed the amount as per manual guidelines
- **If borrower is receiving cash back at closing, it cannot exceed the Earnest Money Deposit and/or Lender Deposit, the greater of \$5000, or three months PITI, and is in compliance with the requirements of the 1st mortgage product type**

Underwriter's Signature

Date

BUDGET WORKSHEET EXAMPLE

Fannie Mae HomeChoice Group 1 & 2 Borrower Budget Worksheet

(NOTE: Pages One and Two of this form are to be completed by the borrower as part of homebuyer education AND verified by lender. Page Three is to be completed by the lender. See instructions attached.)

Name of Borrower(s) John & Jane Doe

Prepared by Sue Assistant, Comm. Action Service, Counselor 4/18/2014

(Name and relationship to borrower) (Date prepared)

Name of Lender ABC Mortgage Bank

Verified by Pat Loan-Officer 5/24/2014

(Name and title of lender representative) (Date verified)

Monthly Income Analysis	Current	Proposed
A. List Wage/Salary Income (Gross)		
US Department of Defense	2808	2808
Total Wage/Salary Income	(A-1) 2808	(A-2) 2808
B. List Benefit Income (Nontaxable)		
SSI – Jane Doe	710	710
State SSI Supplement – Jane Doe	0	0
Total Benefit Income (<i>not grossed up for example</i>)	(B-1) 710	(B-2) 710
C. List other Funds Designated Specifically for Mortgage (Attach documentation)		
(Section 8 type funding)		
Total Other Funds	(C-1) 0	(C-2) 0
D. Total Monthly Income (A) + (B) + (C)	(D-1) 3518	(D-2) 3518
E. List Other Sources of Support (Dollar Amount or Value of Services) (Note: These amounts are included in the Income and expense analysis, but may NOT be used to calculate qualifying ratios. Any income sources designated for a specific type of support must also be reflected in monthly expenses on page 2)		
Total Other Sources of Support	(E-1) 0	(E-2) 0
F. Total Effective Income (D) + (E)	(F-1) 3518	(F-2) 3518

Borrower Budget Worksheet (page 2 of 5) EXAMPLE

Borrower Budget Worksheet

Name of Borrower(s) John & Jan Doe

Number of Persons in Household 5

Monthly Expense Analysis	Current	Proposed
G. List All Living Expenses		
Food	350	350
Household supplies	50	50
Utilities (gas, electric, water, sewer)	100	130
Property maintenance/repair	0	35
Transportation	170	170
Telephone (included with Cable)	0	0
Cable television	99	99
Clothing	20	20
Recreation/entertainment	5	5
Health care	5	5
Insurance (health, life)	143	143
Taxes (Income, FICA, personal property)	257	257
Other (personal assistance, child care, pet costs, gifts, donations, religious offerings, etc.) – List here or itemize on separate sheet and enter total amount	40	40
	0	0
	0	0
Total Monthly Living Expenses	(G-1) 1139	(G-2) 1139
H. List Monthly Bills (Debt)		
Car Payment	101	101
Credit Card	81	81
Total Monthly Bills	(H-1) 182	(H-2) 182
I. Total Non-Housing Expenses Add (G) + (H)	(I-1) 1321	(I-2) 1,436.00
J. Housing Expenses (J-1 Enter current rent; J-2 Enter proposed mortgage)	(J-1) 750	(J-2) 1,054.56
K. Total Monthly Expenses Add (I) + (J)	(K-1) 2,071	(K-2) 2,490.56

Other:

Pet Care \$15

Gifts \$20

Charity \$5

Borrower Budget Worksheet (page 3 of 5) **EXAMPLE**
Borrower Budget Worksheet

Name of Borrower John & Jane Doe

Income and Mortgage Qualifying Analysis	
Enter Proposed Total Effective Income (F-2) from page 1	(F-2) 3,613.00
Enter Proposed Total Monthly Expenses (K-2) from page 2	(K-2) 2,490.56
L. Borrower's Residual Income: Subtract (K-2) from (F-2) NOTE: If the proposed residual income is a negative amount, the borrower is ineligible for a HomeChoice mortgage.	(L) 1,122.44

Qualifying Ratio Test	
Enter Nontaxable Benefit Income (B-2) from page 1	(B-2) 710.00
(i) Multiply (B-2) x 1.25	(i) 887.00
(ii) Add (A-2) plus (C-2) from page 2	(ii) 2,808.00
(iii) Total Gross Income – Add (i) plus (ii)	(iii) 3,695.00
Enter Proposed Mortgage Expense (J-2) from page 2	(J-2) 1054.56
M. Housing Debt-to-Income Ratio: Divide (J-2) by (iii)	(M) 28.54%
(iv) Add Proposed Monthly Bills (H-2) from page 2 plus Proposed Mortgage Expense (J-2) above	(iv) 1,236.56
N. Total Debt-to-Income Ratio: Divide (iv) by (iii)	(N) 33.35%
Note: Proposed total debt-to-income ratio may not exceed 45 percent per Commission Guidelines. In this example, the borrower has \$182 in contract liabilities, i.e. credit card, auto payments or other loan payments, which makes the Back Ratio 33.35%.	