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# WHEDA

# FHA Advantage

# Origination Guide

*Information contained in this guide supersedes FHA guidelines. Any information not contained in this guide should follow HUD Handbook 4155.1 and subsequent applicable Mortgagee Letters.*

**Important: May be superseded by Lender Updates  
June 26, 2013 and after.**



# WHEDA FHA Advantage

<b>CLOSED LOAN CHANNEL (Correspondent) Delegated Authority Eligibility Requirements for Direct Endorsement (DE) Lender</b>	
Total Scorecard	<ul style="list-style-type: none"> <li>Approve/Eligible Recommendation (Fannie Mae DO<sup>®</sup> or DU<sup>®</sup>)</li> <li>Accept/Eligible Recommendation (Freddie Mac LP<sup>®</sup>)</li> </ul>
Credit Score	640
DTI Ratio	Maximum 45%
<b>TABLE FUNDED CHANNEL (Broker) Standard Eligibility Requirements for a participating Sponsored Originator or DE Lender</b>	
Total Scorecard	Approve/Eligible Recommendation (Fannie Mae DO <sup>®</sup> or DU <sup>®</sup> )
Credit Score	620
DTI Ratio	<ul style="list-style-type: none"> <li>Approve/Eligible: Maximum 45%</li> <li>Manual Underwrite: 31%/43%</li> </ul>
<b>General Guidelines</b>	
Loan Limits	See wheda.com for current loan limits
Income Limits	See wheda.com for current WHEDA income limits
Principal Residents	Owner-Occupied
Fixed Rate Mortgage	45 day rate lock period. Rates subject to change See wheda.com for current rates
Loan Term	30 years
Property Type	<ul style="list-style-type: none"> <li>Existing Single Family</li> <li>Condominiums (HRAP Warrantable)</li> <li>2-Unit greater than 5 yrs old</li> </ul>
Min Borrower Contribution	None
LTV / CLTV	Maximum 96.5% (Base Maximum Mortgage Amount) / 103%
Subordinate Financing	<ul style="list-style-type: none"> <li>Community Seconds from a HUD approved non-profit</li> <li>WHEDA Easy Close Advantage</li> </ul>
Credit History	<ul style="list-style-type: none"> <li>Minimum of three 12-month trade lines that have been open/active in the last 2 yrs</li> <li>Applicants with a credit score that lack sufficient trade lines (thin credit) may supplement their credit history with alternative credit references</li> </ul>
Home Buyer Education	<ul style="list-style-type: none"> <li>&gt;96.5% CLTV: HBE provided by a WHEDA approved counseling agency or by eHomeAmerica.org</li> <li>≤96.5% CLTV: eHomeAmerica.org or from an approved mortgage insurance provider</li> </ul>
Landlord Counseling	Required for a 2-unit property
UFMIP	1.75%
Annual Mortgage Insurance Premium	<ul style="list-style-type: none"> <li>1.30% ≤ 95% LTV</li> <li>1.35% &gt; 95% LTV</li> </ul>
Assumable	Yes
Job Loss Protection	Premium is paid by WHEDA
Servicing	Servicing is retained by WHEDA
Exclusions	<ul style="list-style-type: none"> <li>Non-Warrantable and DELRAP approved condominiums</li> <li>Manufactured Homes</li> <li>New Construction (includes Turn-key and spec homes)</li> <li>Major Rehabilitation</li> <li>3 – 4 Unit Properties</li> <li>Community Land Trusts</li> <li>Income from non-occupying co-borrowers</li> <li>Repairs/improvement costs cannot be added to the loan</li> </ul>
<b>Important: Refer to the WHEDA FHA Advantage Origination Guide – All requirements must be met</b>	



# WHEDA Easy Close Advantage

Maximum Loan Amount	Greater of 3% or \$3,000 – WHEDA Advantage Conventional Greater of 3.5% or \$3,500 - FHA Advantage
Loan Purpose	Down payment , closing cost assistance, mortgage insurance premiums
Loan Term	10 years
Interest Rate	1% higher than the first mortgage
Minimum LTV	None
Maximum CLTV	105% WHEDA Advantage Conventional 103% FHA Advantage
Minimum Credit Score*	620
Ratios*	45% Single Qualifying Ratio
Other	<ul style="list-style-type: none"> <li>• Minimum loan amount \$1,000</li> <li>• Borrower cannot have more than \$15,000 in liquid assets at time of application</li> <li>• All Easy Close loans will be serviced by WHEDA</li> <li>• First payment date is 30 days from the Note date</li> <li>• Secured by a second mortgage and remain in second lien position if other down payment assistance is being obtained</li> <li>• Available for WHEDA first mortgage loan products</li> <li>• Loan amount must be rounded down to the nearest dollar</li> </ul>
Important: Refer to WHEDA Advantage Origination Guides	
* <i>Subject to compliance with private mortgage insurer's guidelines, if applicable.</i>	

The Wisconsin Housing and Economic Development Authority (WHEDA®) was created in 1972 by the Wisconsin Legislature as an independent authority, not a state agency. WHEDA is self supporting. No federal or state tax dollars are received by WHEDA for the funding of its lending programs.

This guide provides our lending partners with the information needed to carry out their responsibilities as an approved WHEDA originating lender. Lenders agree to originate and sell loans to WHEDA in accordance with the terms and conditions set forth in the Loan Origination Agreement a/k/a Loan Purchase Agreement, the Lenders Warranty and this Origination Guide a/k/a Origination Manual.

### Loan Processing

Lenders who have Direct Endorsement (DE) authority must choose which channel they will deliver loans through, Table Funded or Closed Loan Purchase.

Lenders who are FHA Approved Non DE or Non-Approved FHA, can become a Sponsored Originator, and must submit loans through the Table Funded Channel.

A lender who chooses to submit loans through the Closed Loan Channel is considered a correspondent lender. A correspondent lender has limited delegated authority to process, underwrite, approve, close and fund a loan that is sold to WHEDA post close. The loan is closed in the name of the correspondent lender and assigned to WHEDA. The correspondent lender is [compensated](#) by WHEDA on the loan purchase date.

A lender who chooses to submit loans through the Table Funded Channel is considered a broker. To become Sponsored Originator, a lender must complete and submit the [Sponsored Originator Application \(Form 34c\)](#).

A broker lender will take and process the loan application, issue all disclosures, submit the loan file to WHEDA for underwrite and approval and be able to close the loan in the name of WHEDA. The broker lender is [compensated](#) by WHEDA on the day of closing.

For more specific details regarding Table Funded and Close Loan Channel delivery procedures. Refer to the Loan Delivery (Chapter 4) of the guide.

### Training

Lenders wishing to participate in the FHA Advantage program must contact WHEDA for training.

### Gramm-Leach Bliley Act

To respect the privacy of our respective customers and to protect the security and confidentiality of those customers' nonpublic personal information, WHEDA shall comply with the applicable requirements of the Gramm-Leach Bliley Act (15 USC 6801-6809, Disclosure of Nonpublic Personal Information).

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## Program Information Directory

<b>Questions Regarding</b>	<b>Telephone Number</b>	<b>E-mail Address</b>
Underwriting	800-334-6873	info@wheda.com
Loan Status	608 266-3528	info@wheda.com
Loan Funding	608 266-3528	info@wheda.com
Loan Servicing	800-562-5546	info@wheda.com
WHEDA's web site	800-334-6873	info@wheda.com
Sales and Training	800-334-6873	info@wheda.com
<b>Fax Numbers</b>		
Rate Lock Desk Only	608 267-1095	
Underwriting Dept	608 266-0729	

## Compliance Requirements

### Income Limits

The combined gross annual income of all adults intending to occupy the property cannot exceed the [income limit](#) for the county in which the property is located.

**GOOD TO KNOW:**

Compliance income applies to all adult occupants. The number of occupants may be different than the number of loan applicants.

### Loan Limits

The total financed loan amount cannot exceed the [loan limit](#) for the county in which the property is located.

### Citizenship

All borrowers must have a valid Social Security Number and be one of the following:

- U.S. citizen
- Permanent resident alien (I-551)
- Temporary resident alien (I-766, I-94 or I-551 temporary stamp) with a card issued by the Department of Homeland Security U.S. Citizenship and Immigration Services. Include a copy of the card in the application package

### Occupancy

The borrowers must occupy the property as their principal full-time residence within 60 days after the loan closing. The property must be occupied by the borrower for the term of the loan.

**GOOD TO KNOW:**

Residency in the State of Wisconsin at the time of application is not a requirement.

### Child Support/Maintenance

Arrearages for child support, birthing, maintenance or other expenses owed to the state must be paid in full prior to closing.

## Home Buyer Education and Landlord Counseling Requirements

At least one borrower signing the note must complete an acceptable home buyer education program. And, if the purchase is a 2-unit property, at least one borrower must also complete acceptable landlord counseling.

- CLTV > 96.5% Home buyer education is required through a WHEDA approved [counseling agency](#), or, [eHomeAmerica](#)
- LTV ≤ 96.5% While face to face education is always encouraged and provides the best benefit to the borrower, online home buyer education provided from a mortgage insurance company or [eHomeAmerica](#) is acceptable

Provide a copy of the Home Buyer Education completion certificate reflecting the borrower's name, the name of the entity and/or the name of person providing the education and date completed. The education must have been completed within 12 months of the application date.

Landlord counseling can be obtained by completing Fannie Mae's [Becoming a Landlord: Reward, Risks, and Responsibilities](#) self study program or completing a program through a local housing counseling agency.

Provide a copy of the completed Fannie Mae Self Study Exercise and the completed Certificate of Achievement. If the counseling was provided by a local housing counseling agency, provide a copy of the program curriculum.

## Income and Employment

Verify employment income for all borrowers whose income is used to qualify for the mortgage loan. Verification can be provided by the borrower, the employer, or by a third-party employment verification vendor.

A 2 year history of stable income and employment is required.

Self employed borrowers must provide a copy of their last 2 years personal and business federal income tax returns, if applicable. Provide all tax return schedules and partnership, corporate or S-Corp business tax returns, if applicable.

Gaps in employment longer than 3 consecutive months should be explained by the borrower.

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## **Income & Employment Documentation Requirements**

### **Paystub**

The paystub must be dated no earlier than 30 days prior to the initial loan application date, reflect a minimum 30 days of income, the name of the employer, and include all year-to-date earnings. The paystub must include sufficient information to appropriately calculate income. If not, additional documentation must be provided.

### **Request for Verification of Employment (VOE)**

Provide a Verification of Employment from an employer or from a third-party employment verification vendor if the borrower has been on their present job for less than 1 year. The VOE must include wage rate, base wage rate hours and other income hours per week, year-to-date earnings, date of employment, frequency of payment and previous year earnings.

### **W-2 Forms**

IRS W-2 forms must cover the most recent two year period and clearly identify the borrower as the employee. The sum of the W-2's should match the wages earned on the borrower's federal income tax return.

Lenders must verify the status of employment of all W-2's tied to the most recent federal tax return. If a borrower is employed, the lender must provide a paystub reflecting year-to-date earnings or VOE. If borrower is not actively employed, the lender must provide a verbal verification of termination.

### **Tax Transcripts**

The lender must execute IRS Form 4506-T and provide a copy of the borrower's tax transcripts for the most recent two year period.

Transcripts will be reviewed for compliance income, self employment activity, unreimbursed employee expenses and income from assets.

### **Verbal Verification of Employment (Verbal VOE)**

The lender must obtain a verbal verification of employment (verbal VOE) for each borrower using employment or self-employment income to qualify. The verbal VOE must be obtained within 10 business days prior to the note date for employment income, and within 30 calendar days prior to the note date for self-employment income. Refer Loan Delivery (Chapter 4) for more specific requirements.



## Compliance Income

Compliance income is the anticipated income of anyone age 18 or older who intends to occupy the property, regardless of their relationship to the borrower. This may include adult children, parents, aunts, uncles, grandparents, partners, companions, etc.

Compliance income is generally calculated using the greater of:

- Current gross income projected 12 months forward, or
- Gross income from all sources earned in the last tax year

**GOOD TO KNOW:**

Compliance income is not the same as qualifying income.

### Inclusions:

- Earned income of all occupants over the age of 18
- Unearned income of all occupants under the age of 18
- Social Security Income (SSI)
- Child support
- Alimony
- Pension/retirement
- Disability
- Public Assistance
- Interest and dividend income on funds retained after closing
- Self employment income (adding back depreciation, depletion, meals and entertainment, and business use of home). If a business is operated at a loss, such loss may not be used to offset income generated from other sources

### Exclusions:

- Earned income for all occupants under the age of 18
- Foster care income
- Food stamps
- Non-recurring payments from:
  - Inheritances
  - Insurance settlements
  - Lottery winnings
  - Gambling winnings
  - Capital gains
  - Settlements for personal loss

## Qualifying Income

Qualifying income is the verified and stable income that is calculated to determine the borrower's ability to repay debt.

**GOOD TO KNOW:**  
Qualifying income is not the same as Compliance income.

### Overtime

Overtime income must show a history of at least 24 months with the current employer.

### Commission, Bonus, Tip, and Profit Sharing

Commission, bonus, tip, and profit sharing income must show a history of at least 24 months with the current employer.

### Non-taxable Income

Child support and alimony must be documented with a 12 month history from the Department of Workforce Development, or as required by Total Scorecard.

Social Security and public assistance must be verified with a current award letter.

Disability income must be verified with a copy of the disability policy or benefits statement from the benefits payer.

Pension and retirement income, if applicable, must be verified with a benefit statement from the benefits payer or employer.

Non-taxable income is adjusted upward 125% and should be expected to continue for the next 3 years.

### VA Benefits

Direct compensation, such as a service-related disability, is acceptable. Provide a copy of the Award Letter and a copy of the current benefit check or 12 months bank statements reflecting the VA benefit deposit.

Education benefits used to offset education expenses are not acceptable

### Second Job

Second job (part-time or full-time) income requires a 24 month history and a strong likelihood of continuation.

### Military Income

For full time military personnel, include base pay plus additional pay (hazard pay, rations, clothing allowance, etc) if the additional pay is likely to be received in the future.

Reserve pay may be used as qualifying income if it can be verified as having been uninterrupted for the previous 2 years and has a strong likelihood of continuation.

### Seasonal and Unemployment

Seasonal employment and unemployment compensation may be considered if there is a minimum 2 year history with the same employer.

### Rental Income from Subject Property

Rental income from the second unit of the subject property cannot be used as qualifying income.

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## Qualifying Income, continued

### Other Real Estate Owned

Rental income from other real estate owned must be documented with the most recent 2 years federal tax transcripts. Add depreciation to the net income or loss. Positive rental income can be used as qualifying income. Negative rental income must be treated as a recurring liability.

If the property was acquired since the last income tax filing and is not shown on the Schedule E, provide a copy of a current lease. Only 75% of the gross rental income reflected on the lease agreement can be used as qualifying income.

### Unreimbursed Employee Expenses

Calculate a 24 month average of Unreimbursed Employee Expenses as listed on the borrower's personal tax returns and reduce monthly qualifying income.

### Self Employment, Partnership, Corporation and S-Corporation Income

Provide two years personal and business federal income tax returns. A Profit and Loss balance sheet is required if more than a calendar quarter has elapsed since the date of the most recent calendar year-end or business fiscal year-end tax return that was filed by the borrower.

Average the net income from the prior two years personal and business returns. A significant decline in income over the analysis period is not acceptable.

A Business credit report is required when a borrower has an interest in a partnership or corporation.

### Business Operated at a Loss

Negative cash flow from a business is a reduction in qualifying income. A business loss reported on the borrower's individual income tax return will be averaged over a 12 month period and will be considered a liability. If the business is operated at a loss, such loss may not be used to offset income generated from other sources when determining compliance with income limits.

## Down Payment Requirements

The minimum required down payment is the lesser of 3.5 percent of the subject property appraised value or the sales price. The down payment must come from an acceptable source.

Large deposits into a depository account or newly opened account may be an indication of borrowed funds.

Deposits that exceed 25% of the total monthly qualifying income must be sourced.

## Acceptable Sources of Down Payment

### Cash on Deposit

Funds must be invested in the borrower's account at least 2 months prior to the loan application date.

### Gifts

An acceptable gift donor includes a:

- Spouse, parent, sibling, child, grandparent, aunt, uncle, cousin, or
- Domestic partner or fiancé who has lived with the borrower for the last 12 months

Provide a completed [Gift Affidavit](#) (Form 11).

All gift funds must be verified and received by the borrower prior to the closing.

Required verification of gift funds includes providing a:

- Copy of the cancelled gift check (or withdrawal documentation) to Borrower showing the Donor as the remitter.
- Copy of the borrower's deposit receipt or a bank statement that reflects the deposit.

### Gift of Equity

If a borrower is purchasing a family member's primary residence, a gift of equity is acceptable.

All other transactions involving a party who has an Identity of Interest in the transaction must adhere to FHA guidelines [HUD Handbook 4155.1](#), Chapter 2.B.2 Restrictions and Waivers.

### Easy Close Advantage

The Easy Close Advantage loan is a second mortgage program administered by WHEDA, a government entity, which is available only to a qualified WHEDA first mortgage applicant.

Refer to the [Easy Close Advantage Fact Sheet](#) and Down Payment Assistance (Chapter 3) for more details.

### Earnest Money

Provide a copy of the cancelled earnest money check.

### Forgivable Grants or Secured Loans

The down payment assistance provider must be a HUD approved non-profit agency or a government entity. Refer to [FHA Connection](#), or [hud.gov](#) for a list of HUD Approved Agencies.

**Retirement Funds**

Vested funds from an individual retirement accounts (IRA/SEP/Keogh accounts) and tax favored retirement savings accounts (401(k) accounts) are acceptable sources of funds for down payment, closing costs and reserves.

Calculate 60% of the vested balance when calculating available cash to close and reserve funds if the withdrawal has not yet occurred. If the borrower is at or above retirement age, calculate 70% of the vested balance to determine available cash.

In order for retirement funds to be considered as effective reserves, retirement accounts must be vested and allow withdrawals regardless of current employment status.

**Sale of Personal Asset**

The purchaser of the asset cannot have an interest in the mortgage loan transaction. Document the sale by providing:

- proof of ownership and fair market value
- a bill of sale or copy of the recorded transfer of title
- verification of receipt of funds

**Tax Refund**

Provide a copy of the borrower's income tax return, a copy of the tax refund check and proof of deposit into the borrower's account.

**Borrowed Funds**

A loan must be fully secured by the borrower's own asset, repayable on a monthly installment basis, and fully amortized. The term of the loan must be reasonable based on the life of the asset. Document the loan transaction by providing:

- proof of ownership and value of the asset
- a copy of the executed note
- verification of receipt of funds

**Cash at Home**

Cash at home generally is not an acceptable source of down payment; however exceptions may be made if the borrower has no open depository accounts and no history of borrowing money or using credit cards.

Funds must be deposited and verified prior to closing.

**Repayment of Debt**

Funds received from repayment of loans to family and friends should be verified and reconciled with the borrower's ability to have made such loans.

### Interested Party Contributions (IPC)

IPC's are allowed up to 6% of the purchase price and can cover the borrower's closing costs and prepaid escrows.

The property seller may not increase the sales price on a finalized purchase contract to assist the borrower with closing costs.

The lender may contribute a maximum of \$500 in closing cost assistance, provided the lender is not the property seller, affiliated with the property seller, or another interested party to the purchase transaction.

An interested party (other than a family member) may not contribute to the down payment.

**GOOD TO KNOW:**

The appraiser must be provided with a copy of the fully executed purchase contract to assess the impact of an IPC.

### Rent with Option to Buy

Credit for the down payment is determined by calculating the difference between the market rent and the actual rent paid for the last 12 months. The market rent is determined by the appraiser. Provide a copy of the rental agreement and cancelled checks from the borrower for the last 12 months

## Credit

### Credit Report

Obtain a triple merged credit report for all borrowers, including a non-applicant spouse, if applicable.

### Credit Scores

The credit report must include 3 credit scores for each borrower. The credit score selected for underwriting and eligibility will be determined as follows:

- One borrower, use the middle score
- More than 1 borrower, determine the middle score for all borrowers and use the lowest middle score
- One borrower with 3 credit scores and 1 borrower without a score use the middle score of the borrower with scores
- Use the lower score if only 2 scores are generating

Refer to the [Fact Sheet](#) for credit score requirements.

Borrowers that do not have a credit score must be manually underwritten by WHEDA. See Non-Traditional Credit for acceptable credit references.

### Length of Credit History

The borrower's credit report must have at least 2 years of active credit history with a minimum of three 12-month trade lines. Applicants with a credit score that have insufficient traditional trade lines (thin credit file) may supplement their credit history with alternative credit references. See the Non-Traditional Credit for acceptable credit references.

### Analysis of Credit Report

Credit history within the past 12 months will be a strong factor in the underwriting decision. Borrowers should exhibit no late payments, judgments or new collections within the past 12 months. Late payments within 13 – 24 months will be evaluated on a case-by-case basis.

### Rental Verification

A Rental Verification is required for loans that are manually underwritten. If rent is being paid to someone other than a professional management company, provide copies of the most recent 12 months of cancelled rent checks.

### Collections

The total outstanding balance of all collection accounts greater than or equal to \$1,000 must be paid-in-full prior to closing or verification must be provided to demonstrate the borrower has entered into a payment arrangement with the creditor and has established a satisfactory three month payment history.

Collection accounts totaling less than \$1,000 are not required to be paid-in-full prior to closing.

### Judgments, Tax Liens, Charge-Offs, Repossessions

Outstanding balances must be paid-in-full prior to closing. Provide a recorded satisfaction.

## Credit, continued

### Foreclosures and Bankruptcy's

The following amount of time must pass from the date of the derogatory issue:

- Chapter 7            2 years
- Chapter 13        12 months from bankruptcy discharge and trustee approval to enter into a mortgage transaction
- Foreclosure        3 years

A satisfactory 12-month credit history since the discharge of the derogatory issue is required.

A borrower who had a previous WHEDA loan that was the subject of a foreclosure, deed-in-lieu or short sale that resulted in a loss, is not eligible.

### Recent credit inquiries

An explanation and documentation, if applicable, will be required for all credit inquiries within the last 90 days.

### Debt Management

Borrowers who have engaged the services of a debt management company must have 12 months of re-established credit from the conclusion of the plan.

### Non-Traditional Credit

A minimum of 3 non-traditional credit references is required. Each credit reference must have at least a 12 month history of being paid on time.

Required non-traditional credit references include:

- Verification of Rent  
A verification from someone other than a professional management company should be verified with copies of 12 months cancelled checks or bank statements showing the rental payment being paid each month. If cancelled checks or other evidence of timely payment of rent are unavailable, check public landlord-tenant records for court filings, judgments, or evictions. No history of delinquency is acceptable.
- Utility payment (i.e. gas, electric)

Other acceptable non-traditional credit references include:

- Auto insurance premiums paid monthly
- Telephone or cell phone payments
- Cable payments

Only one 30-day delinquency is allowed within the last 12 months. No collection or non-medical judgments filed within the past 12 months. Non-medical judgments must be paid-in-full and satisfied through the court.



**Non-Traditional Credit, continued**

Non-traditional credit references must include the:

- Creditor's name
- Name of person providing the reference
- Date account was opened
- Amount of highest credit
- Current status of the account
- Required payment amount
- Unpaid balance
- Payment history

Provide 12 months of cancelled checks or a 12 month depository account transaction history. Bank statements by themselves do not validate a payment history.

**Undisclosed Debt**

Document any discrepancies between the credit report and information disclosed in the loan application. All undisclosed debt must be documented and the payment must be included as a liability.

**Disputed Accounts**

Any disputed account noted on the credit report must be remedied prior to loan approval. A revised findings report, if applicable, must be submitted to WHEDA for review. The borrower will incur the cost of any fees associated with resolving the disputed account.

## Debt Analysis

### Total Debt-to Income Ratio

Refer to the [FHA Advantage Fact Sheet](#) for maximum total debt-to-income ratio.

### Housing Payment

The total monthly payment includes principal and interest, taxes, hazard insurance and FHA monthly mortgage insurance premium, and monthly condominium association dues and flood insurance premium, if applicable.

### Revolving Accounts

Calculate 5% of the outstanding credit account balance if no payment is reflected on the credit report.

WHEDA reserves the right to use 3% of the outstanding balance of a revolving account for the monthly payment if the 3% payment is higher than what appears on the credit report.

Monthly payments on revolving or open-ended accounts, regardless of the balance, are counted as a liability for qualifying purposes even if the account appears likely to be paid off within 10 months or less.

Payment in full of revolving debt to satisfy the maximum debt-in-come ratio is not allowed.

### Installment Debt

Include all installment debt with a remaining term of 10 months or more.

Installment debts with fewer than 10 months remaining are generally excluded. However, debts with less than 10 months must be included as a liability if the amount of the debt affects the borrower's ability to pay the mortgage payments immediately after closing.

Principal reduction of installment debt to reduce the remaining term to less than 10 payments is not allowed.

Lease payments are considered an installment debt.

### Authorized User Accounts

Do not count authorized user accounts as a credit reference unless the borrowers can provide cancelled checks to verify they have been making the payments for at least 12 months. If the borrowers have been making the payments, include the monthly payment in the borrowers' debt ratio.

If the borrower is an authorized user of a trade line that belongs to a non-applicant spouse the lender must include the monthly payment when calculating the borrower's debt ratio.

### Non-applicant Spouse Debt

All open and active payment obligations must be added to the borrower's total liabilities.

The borrower will not be held responsible for payment of collections and judgments incurred by a non-applicant spouse prior to the documented date of the marriage.

## Debt Analysis, continued

### Child Support and Maintenance

Include all child support obligations with a remaining term of 10 months or more.

All child support, birthing expenses, and maintenance arrearages must be paid-in-full-prior to closing or verification must be provided to demonstrate the borrower has entered into a payment arrangement with the State of Wisconsin and has established a satisfactory three month payment history.

### Student Loans

Include debt that will go into repayment within the next 12 months.

Determine the agreed to repayment plan and include the appropriate payment as a liability.

#### Standard Monthly Payments

- 2% of the outstanding balance reported on the credit report, or
- payment based on the fully amortized loan as reported on the credit report, or
- payment reported on a letter from the student loan creditor

#### Graduated Monthly Payments

- Payment based on the 48<sup>th</sup> month

#### Income Contingent Monthly Payments

- Determine what percentage the current student loan payment is in relationship to the borrower's current income. Apply that percentage to calculate the student loan payment based on the borrower's projected future income.

##### Example:

\$200 (current monthly payment) divided by \$30,000 (Adj Gross Taxable Income) = .7%  
\$20,000 (ytd income through 6/30/12) divided by 6 x 12 = \$40,000 x .7% = \$280/month

Loans going into repayment within the next 18 months may be included as a debt based on a risk assessment of the borrower's willingness and ability to pay.

### Business Debt

Obtain 12 months of cancelled checks to verify the obligation was paid with company funds. If delinquencies have occurred in the past 12 months, include the debt as part of the borrower's individual obligations.

### Co-Signed Obligation

A borrower's co-signed obligation is not considered a debt if documentation is provided evidencing a 12-month satisfactory payment history by the the primary debtor.

## **Individuals with Disabilities**

This initiative allows borrowers certain variances from standard credit underwriting guidelines.

### **Borrower Eligibility**

- Individuals with disabilities, including borrowers who have court appointed guardians  
Guardians will be required to document evidence of court approval to enter into a mortgage contract on behalf of the borrower
- Home buyers with disabled dependent children or parents living with them
- Applicants or their legal guardian must complete Home Buyer Education

A disability is defined as a physical or mental impairment that results in a substantial or functional limitation in any of the following areas of major life activities:

- Self-care
- Receptive and expressive language
- Learning
- Mobility
- Self-direction
- Capacity for independent living
- Economic self-sufficiency

### **Boarder Income**

Boarder Income cannot be used for qualifying income.

### **Guarantors/Co-Signers**

If the loan-to-value is 90% or less, the applicant's parents or siblings may co-sign the loan. A co-signer is acceptable in circumstances where higher underwriting ratios are used to qualify. Underwriting analysis will include income, employment and credit review of both the applicants and the co-signer

Documentation requirements for a guarantor or co-signer include the following:

- Residential Loan Application
- Verification of Employment
- Verification of Deposit
- Triple-Merged Credit Report

Income from a guarantor or co-signer will not be considered when determining total household compliance income unless the guarantor or co-signer will be occupying the property.

## **Section 8 Voucher Program**

WHEDA & FHA underwriting guidelines apply with the following exceptions:

- Each municipality's Section 8 Home Ownership Voucher program must be approved by WHEDA
- Borrower must meet the eligibility requirements determined by the municipality. This includes, but is not limited to, minimum down payment and property inspections.

### **Determining Income**

If the Section 8 funds are paid directly to the borrower, gross up the amount of the Section 8 Voucher by 125% and add the amount to qualifying income.

If the Section 8 funds are paid directly to the servicing lender, the amount should be deducted from the monthly PITI payment.

### **Rate Lock and Application Package Submission**

Write "Section 8" prominently at the top of the [Request for Rate Lock](#) (Form 1) and the appropriate Application Package Checklist.

All loan applications must be submitted to WHEDA for a manual underwrite.

A copy of the Housing Assistance Payment (HAP) Calculation Worksheet from the agency administering the voucher program must be submitted with the loan application.

## Property Requirements

The lender is responsible for review of the property appraisal report and valuation, property condition, and assessment of the marketability of the property.

### Principal Residence

The property must be the borrower's principal residence. The borrower must occupy the subject property within 60 days of loan closing and maintain occupancy for the life of the loan.

### Location

The property:

- Must be located in Wisconsin, and
- Should be located within a 50 mile radius of the borrower's place of employment

## Property Types

### Eligible Properties

- Existing single family dwelling
- 2-unit which is at least 5 years old
- HRAP Approved Condominiums

### Ineligible Properties

The following types of properties are not acceptable:

- DELRAP Approved Condominiums
- 3 – 4 unit properties
- Manufactured Homes
- New Construction or Major Rehabilitation
- Commercially used properties
- Time share units
- Earth homes
- Dome homes
- Geothermal homes
- Log homes

### Property Flipping

If the property has been owned for less than 90 days by the seller, the current sales price cannot be greater than or equal to a 20% increase over the seller's original acquisition cost. All transactions must be arms-length, with no identity of interest between the buyer and seller or other parties participating in the sales transaction. Borrower must complete [FHA Identity of Interest Certification](#) (Form 36).

### Property Use

No more than 15% of the property can be used for trade or business purposes.

The property cannot be subdivided, farmed, or used commercially.

## Property Types, continued

### Condominiums

Condominiums are considered single family properties. Complete the [Lender Certification to Condominium Requirements](#) (Exhibit 6) on lender's letterhead.

A Sponsored Originator must provide the [Condominium Insurance Warranty](#) (Form 14), completed by the homeowners association.

The condominium must be [HRAP](#) approved, and comply with the following FHA guidelines:

- Commercial use is less than or equal to 25%
- No more than 10% of the units are owned by the same one investor
- No more than 15% of the units can be in arrears on condominium association fees
- At least 50% of the total units must be sold
- At least 50% of the units must be owner-occupied
- Meets FHA concentration level requirements
- Homeowners' association budget review is adequate
- Insurance requirements

### Offer to Purchase

Provide a copy of the fully executed contract including all addendums, counters, amendments, notices and the following:

- Amendatory Clause
- Real Estate Certification
- FHA as the type of financing
- Disclosure of any subordinate financing
- [Identity of Interest disclosure](#) (Form 36)

Electronic signatures are acceptable when the appropriate purchase contract addendum, Addendum D, is provided. Addendum D indicates parties to the transaction have agreed to conduct a transaction by electronic means. Each consumer (buyer, seller, etc) has consented electronically to the use of electronic documents, e-mail delivery, and electronic signatures in the transaction, as required by federal law.

#### **GOOD TO KNOW:**

Did you know that the #1 reason for underwriting delay is an unsigned Offer to Purchase? Include copies signed by both the buyer and the seller.

### Personal Property

Only the acquisition of real property and fixtures (carpeting, existing appliances, drapes, etc) can be financed.

### Real Estate Condition Report

Provide a copy of the Real Estate Condition Report. Address any concerns noted on the report.

## Offer to Purchase, continued

### Sales Concessions

The value of excessive sales concessions must be deducted from the sales price when calculating the LTV and CLTV for underwriting and eligibility purposes.

### Joint Party Agreements

Obtain a copy of the recorded joint party agreement if the property shares a driveway, well, septic system, or wall with an adjoining property. The agreement must "run with the land."

### Lead Based Paint

Any indications of Lead Based Paint noted on addendums or in the appraisal must be abated.

## Appraisal Report

The property review must be conducted by an [FHA Approved Appraiser](#) and be obtained in compliance with the Appraiser Independence standards, and comply with all Uniform Appraisal dataset standards.

### Appraisal Requirements

The appraisal report must be an interior and exterior review and include the following:

- Verification the appraiser received a complete copy of the Offer to Purchase and notes Interested Party Contributions (IPCs), if applicable
- Property value based on the "as is" condition
- Exhibits:
  - Exterior building sketch with dimensions
  - Street map that shows the location of the property and comparables
  - Original photographs showing the front, back, and street scene of the subject property and the front of each comparable
  - Interior photographs of the kitchen, all bathrooms, main living area, examples of physical deterioration, examples of recent updates
- 1004 MC addendum
- HUD Form 216 (2 unit property)

**GOOD TO KNOW:**

Write the FHA Case Number on all pages of the Appraisal Report

### Declining Market Appraisal Requirements

- Include a minimum of 2 active listing or pending sales in the appraisal
- Include at least 2 comparable sales that closed within 90 days prior to the effective date of the appraisal; otherwise a detailed explanation is required why the sales could not be provided
- Ensure active listings and pending sales are market tested and have reasonable market exposure to avoid the use of over-priced properties as comparables. Reasonable market exposure is reflected by typical marketing times for the neighborhood
- Adjust active listings to reflect list-to-sale-price ratios for the market
- Adjust pending sales to reflect the contract purchase price whenever possible, or adjust pending sales to reflect list-to-sale-price ratios
- Include the original list price, revised list prices, and total days on the market



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## Appraisal Report, continued

### HUD REO Properties

If the buyer of a HUD REO property is financing the purchase with an FHA loan, the lender must use the HUD appraisal as long as it is still valid. The validity period from the date of inspection is 120 days. Repair escrows are not allowed.

### Acceptable Appraisal Forms

- Uniform Residential Appraisal Report (1004)
- Small Residential Income Property Appraisal Report (1025)
- Market Conditions Addendum to the Appraisal Report (1004MC)
- Appraisal Update and/or Completion Report (1004C)

### Condition of Property

The property must be in average or better condition. Remedy any repairs noted on the Appraisal, Property Inspection, or Real Estate Condition Report prior to closing.

### Acreage/Land Value

The value of the home should be 60% of the total appraised value.

### Well and Septic Systems

The lender is responsible for obtaining a well and septic inspection from a qualified contractor.

Well and septic systems must meet current state, federal and community standards and provide adequate service to the property. If shared systems are used, the owners of the subject property must have the right to access those systems on an on-going basis through a legally binding agreement for access and maintenance.

Replacement of a well and septic must be completed prior to loan closing.

### Code Requirements

The property must meet state and local code compliance requirements. If code violations are noted, they must be remedied prior to closing.

## Easy Close Advantage

### Borrower Eligibility

The borrower must:

- Qualify for a WHEDA first mortgage
- Have no more than \$15,000 in liquid assets at the time of application

### Loan Terms

- Maximum loan amount is 3.5% of the purchase price, or \$3,500.00, whichever is greater.
- Minimum loan amount is \$1,000.00.
- 10-year amortization period
- Interest rate is 1% higher than the locked rate on the WHEDA Advantage first mortgage.
- Loan amount must be rounded down to the nearest dollar.

### Closing

WHEDA Easy Close Advantage closing documents can be executed in the name of the correspondent or broker, or in the name of WHEDA. Documents are available on the website in a pdf editable format.

The lender must:

- Execute the Note using FNMA/FHLMC Form 3250 or comparable first mortgage note
  - Payments begin 30 days from the note date
  - Use a 15 day grace period with a 5% late charge
- Prepare the Real Estate Mortgage using form FNMA/FHLMC Form 3050 or a comparable first mortgage
- Provide a copy of the Good Faith Estimate
  - Borrower paid fees are limited to recording fees
- Provide a copy of the Truth-in-Lending Disclosure
- Provide a copy of the HUD-1A Settlement Statement

The Easy Close mortgage must be in second lien position subordinate to the first mortgage lien. Submit the [FHA Advantage Application Closing Package Checklist](#) (Form 12) to WHEDA within 10 business days of closing. Trailing documents not available within the 10-day time period should be submitted as soon as available.

### HUD Case Binder

Lenders submitting loans through the Closed Loan Channel must include the Easy Close Note and Mortgage in the case binder along with the [Section 115 Waiver](#) (Exhibit 10)

### Requesting Easy Close Funds

Lenders submitting loans through the Table Funded Channel must submit a [Funding Certificate](#) (Form 7) within 48 hours of the closing date. Funds will be transferred to the lender on the date of the closing.

Lender delivering loans through the Closed Loan Channel must submit the Easy Close Funding Certificate (Form 7a) 2 days prior to closing. Funds will be transferred to the lender on the date of the closing.

A Confirmation of Funds Transfer notice will be issued to the Lender. Review for accuracy.

**Changes to Easy Close Funding**

Notify WHEDA of any changes to the Confirmation of Funds Transfer notice prior to or at closing. Fax a revised Funding Certificate with the changes and a revised confirmation will be faxed to the lender.

Failure to notify WHEDA of any change may result in a penalty that will be debited from the lender's account. See [Schedule of Fees](#)

If for any reason the closing does not take place, funds must be returned to WHEDA immediately. Call WHEDA for instructions. Failure to do so will result in a penalty and interest charge for the days the funds are held.

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## TABLE FUNDED CHANNEL (Sponsored Originator/Broker)

### Preapproval Application Submission

A lender can obtain a preliminary credit decision based on the borrower's income, credit and assets. The Preapproval Certificate will reflect a maximum PITI and LTV, and conditions for final loan approval. Lenders may submit a preapproval request when a specific property has not been identified.

**GOOD TO KNOW:**

The loan does not need to be rate locked in order to submit a preapproval.

Deliver the original documents indicated on the [Preapproval Application Checklist](#) (Form 6d).

### Preapproval Decision

Preapproval applications will be underwritten within 48 hours of receipt of a complete application package.

#### Approval

The Preapproval Certificate is valid for 60 days and will specify any conditions and documentation required for final loan approval. Extensions will not be granted.

#### Pend

The lender will be notified detailing the items necessary to decision the application.

#### Denial

If the application does not meet underwriting or regulatory compliance requirements, the lender will be notified and a Notice of Adverse Action will be mailed to the borrower and the lender.

## Before Rate Lock

Review the [WHEDA FHA Advantage Fact Sheet](#).

Score the loan through FHA Total Scorecard using Fannie Mae Desktop Originator® (DO®) with WHEDA as the sponsor.

[Register](#) for Desktop Originator® (DO®)

An Approve/Eligible AUS recommendation will be accepted under the following conditions:

- The loan recommendation was rendered by the most recent AUS version
- Loan data was accurately entered into the AUS and was documented per the findings report
- The loan meets WHEDA FHA Advantage program requirements
- The loan meets FHA standard program guidelines
- Maximum total debt-to-income (DTI) does not exceed 45%
- A minimum of three recent 12-month credit references is provided for each borrower

If the borrower is using the [WHEDA Easy Close Advantage](#) loan:

- The payment should be entered as “other financing”
- The loan amount should be included in subordinate financing

Loans receiving a Refer with Caution recommendation can be submitted for a manual underwrite. A Verification of Rent must be included with the [loan application package](#) (Form 6).

Verify the following parties to the transaction are not listed on the General Services Administration (GSA) Excluded Party List or the HUD Limited Denial of Participation (LDP) list:

- All loan applicants
- Loan Originator
- Seller
- Listing Agent
- Selling Agent

Issue all disclosures in the name of the lender. Disclosures include but are not limited to the following:

- GFE
- TIL
- Borrower receipt of the appraisal report at least three business days prior to closing.
- Addendum to the Loan Application (HUD 92900-A) must be completed as follows:
  - On page 3 in the block titled Sponsored Originations
    - Enter your lender name, Tax ID number and NMLS ID
  - On page 1 and 3
    - Block 13: WHEDA's FHA ID # 5781809994
    - Block 14: Leave Blank
    - Block 15: WHEDA's name and address
    - Block 16: Leave Blank
    - Block 17: WHEDA's phone number

- Servicing Transfer Notifications

Provide the following contact information to the borrower:

Servicing phone number:	1-800-562-5546
Hours of operation:	8:00 am to 5:00 pm
Address:	Loan Servicing WHEDA PO Box 1728 Madison, WI 53701-1728

## Before Rate Lock, continued

Disclose all borrower paid fees on the GFE. Fees to include but are not limited to:

- WHEDA [paid lender compensation](#)
- WHEDA [Purchase Review Fee](#)
- Up Front Mortgage Insurance Premium (may be financed in the loan)
- Out-of-pocket costs the lender has incurred (appraisal, credit report, etc)
- Title Insurance
- Recording fees
- Prepaid interest
- Escrow funds to the date of first payment
- Closing fee charged by an outside closing agent, or if closed in-house a maximum of \$300
- Home buyer education counseling fee (may not exceed \$650)

A lender delivering loans through the Table Funded may not charge and retain an origination fee and may only charge pass through fees that cover the actual costs of settlement services provided in conjunction with the loan.

Submit a FHA [Loan Registration/Case Number Assignment](#) (Form 1a) to WHEDA.

WHEDA will be responsible for initiating the loan in FHA Connection, beginning with the case number assignment and CAIVRS authorization. WHEDA will confirm the loan registration and provide the lender with the FHA Case Number and CAIVRS authorization.

Provide the borrower with the [Job Loss Protection Information notice](#) (Exhibit 1) at the time of application. Job Loss Protection is an added benefit to the borrower at no cost. Click [here](#) for more information regarding Job Loss Protection

Submit completed and signed WHEDA disclosures:

- [Borrower's Affidavit](#) (Form 2)
- [Residential Loan Application Addendum](#) (Form 3)

## Rate Lock

A loan may be locked any time after the lender holds a completed loan application and a copy of the accepted Offer to Purchase.

Complete and fax the [Request for Rate Lock](#) (Form 1).

**GOOD TO KNOW:**  
Remember to re-disclose the Good Faith Estimate and Truth-in-Lending Disclosure at the time of Rate Lock

The Confirmation of Rate Lock is issued to the lender and is valid for 45 days. The loan must close on or before the rate lock expiration date.

If the rate lock expiration date falls on a weekend or holiday, the rate will expire the next business day.

If the subject property changes, notify WHEDA to cancel the original rate lock and submit a new [Request for Rate Lock](#) (Form 1).

## Rate Lock, continued

If the rate lock has expired the loan may not be relocked, with the same property address, until 45 days after the initial expiration date.

The total loan amount, including the upfront mortgage insurance premium, must be rounded down to the nearest dollar.

## Rate Lock Extension

If an unforeseen circumstance arises and the loan cannot close prior to the rate expiration date, the lender may request a one-time extension for up to 30 days. A [fee](#) will be assessed and withheld at the time funds are transferred

## Loan Application Submission

Submit a complete loan application using the [FHA Advantage Application Package Checklist](#) (Form 6).

- Include the FHA Case Number on all loan documents

Release the final Fannie Mae DO<sup>®</sup> Submission to WHEDA.

Deliver the original documents indicated on the [FHA Advantage Application Package Checklist](#) (Form 6) prior to closing.

- Mailed documents should not be two-hole punched

### **GOOD TO KNOW:**

The loan must be rate locked prior to submitting the loan application for underwrite.  
Credit documents must be dated within 90 days of closing date.  
Appraisal Report must be dated within 120 days of closing date.

## Underwriting Decision

A WHEDA DE underwriter will handle all underwriting functions, including borrower credit and collateral analysis, credit decision and all requirements within FHA Connection.

The loan application will be underwritten within 2 business days of receipt.

### Approval

A letter of approval is issued to the lender and is valid until the rate lock expiration date. Review the Approval Letter for accuracy and report any discrepancies.

### Pend

A letter is issued to the lender detailing the items necessary to decision the application.

**GOOD TO KNOW:**

Submit all items noted in the Pend Notification at one time and note the FHA Case Number on all documents.

### Denial

When a loan does not meet underwriting or regulatory requirements, the lender will be notified and a Notice of Adverse Action will be mailed directly to the borrower and the lender.

## Pre-Closing

Upon receiving an approval from WHEDA the lender may proceed to schedule the closing, and begin to prepare the closing documents.

**GOOD TO KNOW:**

The loan must close in the name of Wisconsin Housing and Economic Development Authority.

### Escrows

- Prepaid escrows should be determined based on the aggregate accounting method.
- A minimum of a 1 month cushion is required.

The lender is responsible for collecting the following at closing:

- Real estate taxes
- Hazard insurance (including condo contents, if applicable)
- Monthly mortgage insurance premium
- Flood insurance (if applicable)

**GOOD TO KNOW:**

On or after Nov. 1<sup>st</sup>, Real Estate taxes should be paid in full based on the previous years' tax bill



## Insurance

### Title Insurance

The Title Insurance Commitment must meet the following requirements:

- The FHA mortgage must be the first and paramount lien position
- No exceptions or liens
- Building restrictions, easements, restrictive covenants and other exceptions do not affect the priority of the FHA mortgage
- Long or short forms are acceptable
- The minimum amount of coverage must be equal to the first mortgage
- Issued by an insurer licensed in the state of Wisconsin
- The mortgagee clause should read:  
The Originating Lender's name, and/or The Secretary of Housing and Urban Development, their successors and/or assigns as their interests may appear

### Hazard and Flood Insurance

Hazard insurance is required on all loans and flood insurance is required only if the property is located in a 100 year flood plain.

Hazard and flood insurance must be written by an insurance carrier that has an acceptable rating from A.M. Best, Demotech or S&P.

### Coverage Requirements

- 100% of the insurable value of the improvements, as established by the property insurer, or
- The unpaid balance of the mortgage as long as it equals a minimum of 80% of the insurable value of the improvements.

### Maximum Deductible Amount

- Greater of \$1,000 or 1% of the face value amount of the insurance policy

### Mortgagee clause should read:

WHEDA, it's successors and/or assigns  
PO Box 1728  
Madison, WI 53701-1728

Provide receipt for first year premium.

Lender must notify the hazard insurer and/or flood insurer of the WHEDA loan number and to send annual renewal premium notices to WHEDA.

### Condominium Insurance

Complete the [Lender Certification for Individual Unit Financing](#) (Exhibit 6).

If the master or blanket policy does not cover interior walls, fixtures, and equipment inside the individual units, the borrower must obtain standard hazard insurance.

### Verbal Verification of Employment (Verbal VOE) Requirements

A Verbal VOE, including employment status for each borrower, dated within 10 business days prior to the Note date is required.

#### Hourly, salary and commission income employees

Verify and document the employer's phone number and, if possible their address, independently through the phone book, the internet, directory assistance, or by contacting the applicable licensing bureau. The verbal VOE should include:

- The name and title of the person who confirmed the employment
- The date of the call
- The source of the phone number

If a Verbal VOE cannot be obtained, one of the following options may be used:

- The Work Number Website
- If the verification is obtained from [The Work Number](#) Web site, the 10-business period is measured from the date of the Client's request to the vendor, not the date the information was updated in the vendor's database.
- Obtain a written verification of employment sent directly to the employer

#### Self employed borrowers

- Verify the existence of the borrower's business within 30 calendar days prior to the Note Date:
- From a third-party such as a CPA, regulatory agency, or the applicable licensing bureau, if possible; and
- By a phone listing and address for the borrower's business using a telephone book, internet, or directory assistance
- By verbal contact - document the source of the information and document the name and title of the lender's employee who obtained the information

#### Seasonal employment

If verbal verification occurs during the off season and the borrower is currently not working for that business, independent verification that the business exists and that the borrower previously worked for that business as stated on the loan application is required, at a minimum

### Closing Interest Calculation

Collect interest from the date of closing through the end of the month. If the loan closes on the first of any month, or the first or second day of a 31 day month, no closing interest should be collected.

Example: If loan funds are disbursed on July 13, the lender should collect 19 days of interest at the closing, counting the day of closing as day #1. The first payment date will be September 1.

Example: If loan funds are disbursed on December 1<sup>st</sup> or 2<sup>nd</sup>, the lender should not collect any interest at closing. The first payment date will be January 1.

$$\text{loan amount} \times \frac{\text{interest rate}}{360} \times \text{number of days remaining in month} = \text{closing interest}$$

## Closing Documents

Sponsored originator channel lenders must execute all closing documents in the name of Wisconsin Housing and Economic Development Authority.

### Note

The Note must be in an acceptable FHA format. Refer to the [HUD Handbook 4155.2.6](#).

- All monthly installment payments will be due on the first day of each month
- Interest is charged in arrears
- The first payment will be due based on closing date

Example: Closing on July 15, first payment date will be September 1. Collect prepaid interest

Example: Closing on September 1st (30 day month), first payment date will be October 1.  
Do not collect prepaid interest

Example: Closing on December 1st or 2nd (31 day month), first payment date will be January 1. Do not collect prepaid interest

### Other Closing Documents

- Mortgage
  - The mortgage must in an acceptable FHA format. Refer to the [HUD Handbook 4155.2.6](#)
- [Mortgage Rider](#) (Form 21)
- Condominium Rider - FNMA/FHLMC Form 3140, if applicable
- 1-4 Family Rider - FNMA/FHLMC Form 3170, if applicable for 2-Unit properties only
- HUD-1 Settlement Statement
  - The borrower may not receive cash back at closing. A principal balance reduction up to \$500 is allowed. If the settlement statement indicates cash to the borrower in excess of \$500, the lender must reduce the loan amount
- Easy Close Advantage – refer to Down Payment Assistance (Chapter 3) for closing document requirements

Refer to the [FHA Advantage Closing Package Checklist](#) (Form 12) for a complete list of closing documents.

## Funding

Submit a [Funding Certificate](#) (Form 7) at least 2 business days before closing, including documentation necessary to satisfy all outstanding funding conditions.

Funds will be transferred to the lender on the date of closing. WHEDA will issue a Funding Confirmation. Review this document for accuracy

Funding requests received after the closing date will be assessed a late [fee](#). The [fee](#) will be withheld at the time funds are transferred.

WHEDA reserves the right to refuse to purchase a loan if the funds are requested more than 5 days after the closing date.

The borrower may not receive cash back at closing. A principal balance reduction up to \$500 is allowed. If the settlement statement indicates cash to the borrower in excess of \$500, notify WHEDA to reduce the loan amount.

### Changes to the Funding Confirmation

Notify WHEDA of any changes to the Funding Confirmation prior to or at closing. Fax a revised [Funding Certificate](#) (Form 7) with the changes and a revised Funding Confirmation will be faxed to the lender.

Failure to notify WHEDA of any change to the Funding Confirmation may result in a penalty that will be debited from the lender's account

### If the closing does not take place

If for any reason the closing does not take place, funds must be returned to WHEDA immediately. Call WHEDA for instructions.

Failure to do so will result in a penalty and interest charge for the days the funds are held.

## Closing Package Submission

Submit the original documents indicated on the [FHA Advantage Closing Package Checklist](#) (Form 12) within 10 business days of closing.

## Post Closing Requirements

### Up Front Mortgage Insurance Premium (UFMIP)

WHEDA will pay the Upfront Mortgage Insurance Premium (UFMIP) within ten (10) business days of closing and send the case binder to the Denver Home Ownership Center (HOC) for final FHA approval within 60 days of closing.

### Mortgage Insurance Certificate (MIC)

WHEDA will submit the HUD Case Binder to HUD to obtain the Mortgage Insurance Certificate (MIC).

### Notice of Return (NOR)

The lender will be notified if the HUD Case Binder is returned for non-compliance. The lender is required to assist WHEDA in resolving any issues in a timely manner in order to meet the 60 day requirement.

## Representations and Warranties Regarding Mortgage Loans

Lender acknowledges representations and warranties as identified in the Loan Origination Agreement, this Origination Guide and the Lender’s Warranty

### Quality Control

#### Internal Audit

A percentage of loans will be audited for compliance with the Truth-In-Lending Act (TILA) and Real Estate Settlement Procedures Act (RESPA).

The originating lender will be notified if curative action is required due to errors involving the Good Faith Estimate, the HUD1 Settlement Statement or the Truth in Lending disclosure. Review [Exhibit 9](#).

#### External Audit

A 10% random sampling of loans will be selected for external audit for investor quality and regulatory compliance.

The originating lender will be notified if curative action is required.

#### Post-Purchase Review Monitoring

WHEDA will regularly monitor the mix of business and performance of loans submitted through the Table Funded loan delivery channel. WHEDA reserves the right to broaden or revoke delegated underwriting authority.

### Timeline

Case Number Expiration Date	120 days
Rate Lock to Closing	45 days
Request Funds	Submit the Funding Certificate 48 hours prior to closing
Closing Package	Submit within 10 business days from closing
Closing to Occupancy	60 days from closing

### Resources

Many useful resources are available on this website:

- [Income and Loan Limits](#)
- [Home Buyer Counselors](#)
- [WHEDA Forms](#)
- Department of Workforce Development (Child Support Verifications)
  - Phone: 414-615-2400
  - Fax: 414-615-2424

## CLOSED LOAN PURCHASE (Correspondent)

### Before Rate Lock

Review the [WHEDA FHA Advantage Fact Sheet](#).

Score the loan through FHA Total Scorecard

An Approve/Eligible AUS recommendation will be accepted under the following conditions:

- The loan recommendation was rendered by the most recent AUS version
- Loan data was accurately entered into the AUS and was documented per the findings report
- The loan meets WHEDA FHA Advantage program requirements
- The loan meets FHA standard program guidelines
- Maximum total debt-to-income (DTI) does not exceed 45%
- A minimum of three recent 12-month credit references is provided for each borrower

If the borrower is using the [WHEDA Easy Close Advantage](#) loan:

- The payment should be entered as “other financing”
- The loan amount should be included in subordinate financing

Loans receiving a Refer with Caution recommendation are not eligible for delivery.

Verify the following parties to the transaction are not listed on the General Services Administration (GSA) Excluded Party List or the HUD Limited Denial of Participation (LDP) list.

- All loan applicants
- Loan Originator
- Seller
- Listing Agent
- Selling Agent

Input all data into FHA Connection to obtain the FHA Case Number and CAIVRS authorization.

Prepare and issue all disclosures in the name of the lender. Disclosures include but are not limited to:

- GFE
- TIL
- Borrower receipt of the appraisal report at least three business days prior to closing.
- Servicing Transfer Notifications

Provide the following contact information to the borrower:

Servicing phone number:	1-800-562-5546
Hours of operation:	8:00 am to 5:00 pm
Address:	Loan Servicing WHEDA PO Box 1728 Madison, WI 53701-1728

## Before Rate Lock, continued

Disclose all borrower paid fees on the GFE. Fees include but are not limited to:

- Origination fees that are normal and customary
- Up Front Mortgage Insurance Premium (may be financed in the loan)
- Out-of-pocket costs the lender has incurred (appraisal, credit report, etc)
- Title Insurance
- Recording fees
- Prepaid interest
- Escrow funds to the date of first payment
- Closing fee charged by an outside closing agent, or if closed in-house a maximum of \$200
- Home buyer education counseling fee (may not exceed \$650)

**GOOD TO KNOW:**

The WHEDA \$450 purchase review fee can be charged to the borrower if it's the lender's normal and customary practice to pass through third party investor fees to the borrower.

Provide the borrower with the [Job Loss Protection Information notice](#) (Exhibit 1) at the time of application. Job Loss Protection is an added benefit to the borrower at no cost. Click [here](#) for more information regarding Job Loss Protection

Obtain completed and signed WHEDA disclosures:

- [Borrower's Affidavit](#) (Form 2)
- [Residential Loan Application Addendum](#) (Form 3)

## Rate Lock

A loan may be locked any time with WHEDA after the lender holds a completed loan application and a copy of the accepted Offer to Purchase.

Complete and fax the [Request for Rate Lock](#) (Form 1).

**GOOD TO KNOW:**

Remember to re-disclose the Good Faith Estimate and Truth-in-Lending Disclosure at the time of Rate Lock

The Confirmation of Rate Lock is issued to the lender and is valid for 45 days. The loan must close on or before the rate lock expiration date.

If the rate lock expiration date falls on a weekend or holiday, the rate will expire the next business day.

If the subject property changes, notify WHEDA to cancel the original rate lock and submit a new [Request for Rate Lock](#) (Form 1).

If the rate lock has expired, the loan may not be relocked with the same property address until 45 days after the initial expiration date.

The total loan amount, including the upfront mortgage insurance premium, must be rounded down to the nearest dollar.

## Rate Lock Extension

If an unforeseen circumstance arises and the loan cannot close prior to the rate expiration date, the lender may request a one-time extension for up to 30 days. A [fee](#) will be assessed and withheld at the time funds are transferred

## Underwriting Decision

The lender will handle all underwriting functions, including borrower credit and collateral analysis, credit decision and all requirements within FHA Connection.

The lender can submit income documentation to WHEDA for an income limit compliance review prior to closing. Complete and fax the [Compliance Income Evaluation](#) (Form 29) including paycheck stubs and W-2s to obtain a WHEDA compliance income guarantee.

The lender will be required to comply with all regulatory requirements that apply to notice of approval and Notice of Adverse Action to the borrower.

## Pre-Closing

### Escrows

Prepaid escrows should be determined base on the aggregate accounting method. A minimum of a 1 month cushion is required.

The lender is responsible for collecting the following at closing:

- Real estate taxes
- Hazard insurance (including condo contents, if applicable)
- Monthly mortgage insurance premium
- Flood insurance (if applicable)

#### GOOD TO KNOW:

On or after Nov. 1<sup>st</sup>, Real Estate taxes should be paid in full based on the previous years' tax bill

## Insurance

### Title Insurance

The Title Insurance Commitment must meet the following requirements:

- The FHA mortgage must be the first and paramount lien position
- No exceptions or liens
- Building restrictions, easements, restrictive covenants and other exceptions do not affect the priority of the FHA mortgage
- Long or short forms are acceptable
- The minimum amount of coverage must be equal to the first mortgage
- Issued by an insurer licensed in the state of Wisconsin
- The mortgagee clause should read:

The Originating Lender's name, and/or The Secretary of Housing and Urban Development, their successors and/or assigns as their interests may appear.



## Hazard and Flood Insurance

Hazard insurance is required on all loans and flood insurance is only required if the property is located in a 100 year flood plain.

Hazard and flood insurance must be written by an insurance carrier that has an acceptable rating from A.M. Best, Demotech or S&P.

### Coverage Requirements

- 100% of the insurable value of the improvements, as established by the property insurer, or
- The unpaid balance of the mortgage as long as it equals a minimum of 80% of the insurable value of the improvements.

### Maximum Deductible Amount

- Greater of \$1,000 or 1% of the face value amount of the insurance policy

### Mortgagee clause should read:

WHEDA, it's successors and/or assigns  
PO Box 1728  
Madison, WI 53701-1728

Provide receipt for first year premium.

Lender must notify the hazard insurer and/or flood insurer of the WHEDA loan number and to send annual renewal premium notices to WHEDA.

## Condominium Insurance

Complete the [Lender Certification for Individual Unit Financing](#) (Exhibit 6).

If the master or blanket policy does not cover interior walls, fixtures, and equipment inside the individual units, the borrower must obtain standard hazard insurance.

## Verbal Verification of Employment (Verbal VOE) Requirements

A Verbal VOE, including employment status for each borrower, dated within 10 business days prior to the Note date is required.

### Hourly, salary and commission income employees

Verify and document the employer's phone number and, if possible their address, independently through the phone book, the internet, directory assistance, or by contacting the applicable licensing bureau. The verbal VOE should include:

- The name and title of the person who confirmed the employment
- The date of the call
- The source of the phone number

If a Verbal VOE cannot be obtained, one of the following options may be used:

- The Work Number Website
- If the verification is obtained from [The Work Number](#) Web site, the 10-business period is measured from the date of the Client's request to the vendor, not the date the information was updated in the vendor's database.
- Obtain a written verification of employment sent directly to the employer

**Self employed borrowers**

Verify the existence of the borrower's business within 30 calendar days prior to the Note Date:

- From a third-party such as a CPA, regulatory agency, or the applicable licensing bureau, if possible; and
- By a phone listing and address for the borrower's business using a telephone book, internet, or directory assistance
- By verbal contact - document the source of the information and document the name and title of the lender's employee who obtained the information

**Seasonal employment**

If verbal verification occurs during the off season and the borrower is currently not working for that business, independent verification that the business exists and that the borrower previously worked for that business as stated on the loan application is required, at a minimum

**Closing Interest Calculation**

Collect interest from the date of closing through the end of the month. If the loan closes on the first of any month, or the first or second day of a 31 day month, no closing interest should be collected.

Example: If loan funds are disbursed on July 13, the lender should collect 19 days of interest at the closing, counting the day of closing as day #1. The first payment date will be September 1.

Example: If loan funds are disbursed on December 1<sup>st</sup> or 2<sup>nd</sup>, the lender should not collect any interest at closing. The first payment date will be January 1.

$$\text{loan amount} \times \frac{\text{interest rate}}{360} \times \text{number of days remaining in month} = \text{closing interest}$$

## Closing Documents

Execute all closing documents in the lender's name.

### Note

The Note must be in an acceptable FHA format. Refer to the [HUD Handbook 4155.2.6](#).

- All monthly installment payments will be due on the first day of each month
- Interest is charged in arrears
- The first payment will be due based on closing date

Example: Closing on July 15, first payment date will be September 1. Collect prepaid interest

Example: Closing on September 1st (30 day month), first payment date will be October 1.  
Do not collect prepaid interest

Example: Closing on December 1st or 2nd (31 day month), first payment date will be January 1. Do not collect prepaid interest

Closed loan channel lenders must endorse the Note as follows:

“Pay to the Order of Wisconsin Housing and Economic Development Authority without recourse”

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Officer Name and Title  
Lending Institution

## Other Documents

- Mortgage
  - The mortgage must in an acceptable FHA format. Refer to the [HUD Handbook 4155.2.6](#)
- [Mortgage Rider](#) (Form 21)
- Assignment of Mortgage to WHEDA
- Condominium Rider - FNMA/FHLMC Form 3140, if applicable
- 1-4 Family Rider - FNMA/FHLMC Form 3170, if applicable for 2-Unit properties only
- HUD-1 Settlement Statement
  - The borrower may not receive cash back at closing. A principal balance reduction up to \$500 is allowed. If the settlement statement indicates cash to the borrower in excess of \$500, the lender must reduce the loan amount
- Easy Close Advantage – refer to Down Payment Assistance (Chapter 3) for closing document requirements.

## Post Closing Requirements

### Loan Application Submission

Submit documentation indicated on the [FHA Advantage Application Package Checklist](#) (Form 6) and the [FHA Advantage Closing Package Checklist](#) (Form 12) to WHEDA prior to the rate expiration date and no later than 10 business days after loan closing

- Include the FHA Case Number on all loan documents
- Two-hole punch the top all documents.
- Loans not delivered within the specified time frame will be assessed a late delivery [fee](#).

#### GOOD TO KNOW:

Documents must be dated within 90 days of closing  
The Appraisal must be dated within 120 days of closing

### Loan Purchase Review

WHEDA will perform a purchase review within 2 business days of receipt.

WHEDA will audit the documentation for compliance and investor quality and reserves the right to deny the purchase.

Incomplete loan packages will delay the purchase.

### Purchase Review Decision

#### Approval

The lender will receive a notice of Confirmation of Funds Transfer. Funds will be transferred to the lender via ACH.

#### Pend

The lender will be notified of items necessary to complete the purchase review. Items listed must be sent to WHEDA within 5 business days from the date of the letter.

#### Notice of Deficiency

The lender will be notified of any loan deficiency and will be given the opportunity to cure the deficiency post purchase.

#### Notice of Non-Purchase

The lender will be notified in writing if a loan purchase has been denied.

## Funding

After the loan has been approved, a Confirmation of Funds Transfer will be sent to the lender. The Confirmation of Funds Transfer will itemize the amount of funds transferred.

The lender is responsible for reporting the closing interest received from the borrower to the IRS and to the borrower at the end of the year.

Example: Loan closes on April 15. The lender will collect 16 days of prepaid interest from the borrower and will report this interest to the IRS. WHEDA purchases the loan on May 3. The lender will receive 2 days of interest from WHEDA.

Example: Loan closes on April 2. The lender will collect 29 days of prepaid interest from the borrower and report this interest to the IRS. WHEDA purchases the loan on April 28. WHEDA will net out 2 days of interest from the funds transferred.

## Upfront Mortgage Insurance Premium

The lender will pay the premium 24 hours after the loan closing. A confirmation of payment must be included in the closing package.

## HUD Case Binder

The lender is responsible for submitting the full HUD Case Binder to the Denver Homeownership Center to obtain the final Mortgage Insurance Certificate.

U.S. Department of Housing and Urban Development  
Denver Homeownership Center  
Processing & Underwriting – 20<sup>th</sup> Floor  
1670 Broadway  
Denver, CO 80202-4801

## Servicing Transfer via FHA Connection

Lender will be required to transfer the servicing and holder of the loan to WHEDA in FHA Connection before WHEDA purchases the loan.

## Final Mortgage Insurance Certificate (MIC)

Lender must obtain confirmation of the final mortgage insurance certificate from HUD within 60 days of the closing.

## Late Endorsement Requirements

Lender must notify WHEDA prior to requesting a late endorsement. Upon approval the lender will be provided with a loan payment history.

## Notice of Return (NOR)

The lender must submit the necessary information to HUD in order to meet the 60 day requirement for receipt of the final MIC.

If the lender is unable to obtain a final MIC, the loan will be subject to repurchase.

## Representations and Warranties

Lender acknowledges representations and warranties as identified in the Loan Origination Agreement, this Origination Guide and the Lender’s Warranty. Lender acknowledges they have performed a full underwrite and have documented and verified all messages and approval conditions as indicated on the Total Scorecard report.

## Quality Control

### Internal Audit

A percentage of loans will be audited for compliance with the Truth-in-Lending Act (TILA).

The originating lender will be notified if curative action is required due to errors involving the HUD1 Settlement Statement or the Truth-in-Lending disclosure. Review [Exhibit 9](#).

### External Audit

A 10% random sampling of loans will be selected for external audit for investor quality and regulatory compliance.

The originating lender will be notified if curative action is required.

### Post-Purchase Review Monitoring

WHEDA will regularly monitor the mix of business and performance of loans submitted through the closed loan channel. WHEDA reserves the right to broaden or revoke delegated underwriting authority.

## Timeline

Case Number Expiration Date	120 days
Rate Lock to Closing	45 days
FHA Case Binder	Submit within 10 days from closing
Closing Package	Submit within 10 days from closing
Closing to Occupancy	60 days from closing
Mortgage Insurance Confirmation (MIC)	Submit within 60 days from closing

## Resources

Many useful resources are available on this website:

- [Income and Loan Limits](#)
- [Home Buyer Counselors](#)
- [WHEDA Forms](#)
- Department of Workforce Development (Child Support Verifications)
  - Phone: 414-615-2400
  - Fax: 414-615-2424

A lender (.i.e. bank, savings bank, savings and loan association, credit union or mortgage banker licensed under ) must be approved to do business with WHEDA. A lender may participate directly with WHEDA (a “Direct Lender”) or they may originate loans as a Third-Party Originator (TPO) or network of TPOs (a “Wholesale Lender”). This section sets forth the requirements for participation in the WHEDA Advantage program as a Direct Lender and as a Wholesale Lender.

## Lender Eligibility

### Lender Eligibility

WHEDA determines a lender’s qualifications and eligibility by reviewing the lender’s financial condition, organization, staffing and other relevant factors.

To be approved, a lender must, at a minimum:

- Have a tangible net worth of \$1,000,000
- Have as its principal business purpose, the origination and selling of single-family residential mortgages.
- Have demonstrated the ability to originate and sell the types of single-family residential mortgages for which approval is being requested.
- Have adequate facilities and staff experiences in originating and selling single-family residential mortgages for which approval is being requested.
- Be duly organized, validly existing , properly licensed (in good standing) or otherwise authorized to conduct business in the State of Wisconsin to originate and sell single-family residential mortgages.
- Have internal audit and management control systems to evaluate and monitor the overall quality of its loan production.
- Implement and maintain a comprehensive quality control plan that monitors mortgage loan quality, verifies the existence and accuracy of legal documents, credit documentation and property appraisals and a plan that monitors early payment defaults.
- Have written procedures for the approval and management of vendors and other third-party service providers.
- Have written procedures to assure appraiser independence.
- Have a fidelity bond and an errors and omissions policy in effect and agree to modify them as necessary to meet WHEDA’s requirements.
- Have the ability to repurchase any mortgage loan sold to WHEDA that fails to meet the standards as defined in the Loan Origination Agreement (a/k/a Loan Purchase Agreement), the WHEDA Advantage Origination Guide(aka the Origination Guide) or the Lenders Warranty.
- Have a disaster recovery plan in effect.

#### Wholesale Lender Eligibility

A lender that applies as a Wholesale Lender may contract with a TPO such as a mortgage broker, a financial institution that does not meet participation requirements, or a qualified lender who chooses not to be a Direct Lender with WHEDA. In addition to meeting the Lender Eligibility requirements set forth above, the Wholesale Lender must also:

- Have a tangible net worth of \$2,500,000
- Not have any regulatory orders, including cease and desist orders pending

#### New Lender Application Requirements

Lenders applying to do business with WHEDA must submit the following:

- A completed [Lender Application Checklist](#)
- A completed [Lender Application](#)
- Any required documentation, as specified on the Lender Application Checklist
- The Loan Origination Agreement, executed by an authorized senior officer
- [An ACH Agreement](#) signed by two (2) authorized signatories of the lender

In addition, lenders applying as a Wholesale Lender must submit the following:

- [TPO Application Form](#)
- [TPO Authorization Form](#) countersigned by the Wholesale Lender for each TPO

WHEDA reserves the right to request additional documentation as deemed necessary to render a decision on an application. Failure to provide documentation requested by WHEDA will result in denial of an application.

Approval or rejection of a lender's application, and its TPOs if applicable, is at WHEDA's sole discretion and is based on WHEDA's business judgment with respect to the totality of the lender's circumstances.

#### Contracts and Agreements

The Loan Origination Agreement establishes the basic legal relationship between a lender and WHEDA.

The Agreement:

- Establishes the lender as an approved originator and seller of mortgages to WHEDA.
- Provides the general terms and conditions of those sales, supplemented by the WHEDA Advantage Origination Guide, Lender's Warranty, lender announcements, letters and Origination Guide changes and any other agreement entered into by WHEDA and the lender.

#### Lender Identification Number

WHEDA assigns a lender identification number to an approved lender. In addition, Wholesale Lenders will receive an identification number for each TPO. The identification number is necessary for submitting a [rate lock request](#).



#### Annual Recertification

All currently approved WHEDA lenders will be recertified annually to determine continued eligibility.

Each lender will receive a Lender Application that must be completed and returned to WHEDA within the timeframe specified in the recertification letter.

Lenders pursuing re-certification as a WHEDA-approved lender must submit the following:

- A completed [Lender Application Checklist](#)
- A completed [Lender Application](#)
- Any required documentation, as specified on the Lender Application Checklist
- [An ACH Agreement](#) signed by two (2) authorized signatories of the lender
- Wholesale Lenders will reverify their TPOs for continued eligibility

WHEDA will review each lender's financial condition, organization and staffing, origination activity and volume, the performance and mix-of-business of its loans previously funded by WHEDA, and any other factors WHEDA deems relevant.

Approval or rejection of a lender's recertification is at WHEDA's sole discretion and is based on WHEDA's business judgment with respect to the totality of the lender's circumstances.

### Lender Responsibilities

#### Best Practices and Policies

The lender's operating policies and procedures must reflect prudent, sound and responsible business practices in its marketing and origination of residential mortgage loans.

#### Compliance

The lender must comply with:

- All federal, state and local laws and regulations that are applicable to fair housing, fair lending, equal credit opportunity, truth-in-lending, wrongful discrimination, appraisals, real estate settlement procedures, borrower privacy, data security, escrow account administration, credit reporting, electronic signatures or transactions, predatory lending or terrorist activity.
- Appraiser Independence Requirements
- All requirements of the Loan Origination Agreement (a/k/a the Loan Purchase Agreement), the WHEDA Advantage Origination Guide and the Lender's Warranty
- The Department of Treasury's Office of Foreign Assets Control (OFAC) as it applies to lender's key principals.
- The Secure and Fair Enforcement (SAFE) Mortgage Licensing Act of 2008.
- All IRS and Regulatory requirements pertaining to certain real estate transactions
- Any company or individual involved in the origination, underwriting, or servicing of the mortgage is not listed on the General Services Administration (GSA) Excluded Party List or the HUD Limited Denial of Participation List (LDP List)

#### Compliance, continued

In addition, a Wholesale Lender is responsible for:

- Ensuring that business is conducted in accordance with WHEDA's requirements and expectations
- Loans submitted are pursuant to the WHEDA Loan Origination Agreement
- Assuming all liability on TPO loans as if it originated those loans itself
- Ensuring TPOs have access to the WHEDA Origination Guide(s) and Updates
- Diligent monitoring to ensure the TPO does not use the HUD or FHA logo or HUD seal in any promotion or advertisement
- Ensuring a TPO is not named on HUD's Limited Denial of Participation List (LDP) and the Federal General Services Administration (GSA) Excluded Parties List System (EPLS)
- Notifying WHEDA immediately upon termination of a TPO or a change in their eligibility to access WHEDA programs

#### Internal Audit and Management Control Systems

The lender must maintain adequate internal audit and management control systems to:

- Ensure that mortgages that are originated and sold to WHEDA meet all investor/guarantor/insurer requirements as they apply
- Monitor the performance of staff and third party originators, if applicable
- Guard against dishonest, fraudulent, or negligent acts
- Guard against errors and omissions by officers, employees, or other authorized persons

#### Minimum Loan Volume Requirement

A lender must originate at least one loan in a 24-month period to maintain an active status. A [fee](#) will be charged for reinstatement and recertification if the lender falls below the threshold.

#### Responsible Advertising

A lender may not engage in misrepresentative advertising of the WHEDA brand. If a lender internally determines a branch or employee or TPO has engaged in misrepresentative WHEDA advertising, immediate action must be taken to ensure this does not happen again. If WHEDA discovers a lender has engaged in misrepresentative advertising of the WHEDA brand, action will be taken up to and including termination of a lender's WHEDA approval.

Examples of misrepresentative advertising may include:

- Improperly using the WHEDA logo or name to imply an advertisement is from or endorsed by WHEDA
- Improper use of the WHEDA logo or name to imply content is from or endorsed by WHEDA
- Improper use of the official FHA logo or HUD seal in a promotion or advertisement
- Improper use of a government or state form to imply endorsement or representation of such an agency
- Improper creation of a website with WHEDA listed in the URL

## Compliance, continued

### Changes in the Lender Organization

A lender must provide written notice of the following changes:

- Any mergers, consolidations, or reorganizations
- Any substantial change in ownership
- Any change in the corporate name
- A change in a depository institution's charter from federal to state or vice versa, and
- A significant change in the lender's financial position
- Contact information, [Form 16](#)

### Lender Compensation

Lenders will be compensated by an origination fee. Refer to the Schedule of Fees for detailed information.

### Fidelity Bond and Errors and Omissions Coverage

Each lender must have a blanket fidelity bond and an errors and omissions insurance policy in effect at all times. Obtain a direct surety bond to cover any officers, including its principal owner, if they cannot be covered by the fidelity bond. WHEDA reserves the right to request a copy of this insurance policy.

A lender which is a subsidiary of another institution may use the parent company's fidelity bond and errors and omissions insurance policy as long as it is named as a joint insured under the bond or policy. If the parent organization's deductible amount exceeds the maximum deductible allowable for the lender's total servicing portfolio, the lender must obtain a fidelity bond in its own name. The fidelity bond must be for an amount that is at least equal to the amount of the parent's deductible, with a separate deductible amount no higher than the maximum amount WHEDA allows for the lender's coverage.

For corporate lenders, coverage under the Mortgage Banker's Blanket Bond Policy, the Savings and Loan Blanket Bond Policy or the Banker's Blanket Bond Policy is acceptable. Individual coverage is required if the lender is owned as a sole proprietorship or as a partnership. Coverage underwritten by an insurer affiliated with Lloyd's of London is acceptable.

The insurer must agree to notify WHEDA at least 30 days before it cancels, reduces, declines to renew, or imposes restrictive modifications to the lender's coverage for any reason other than a partial or full exhaustion of the insurer's limit of liability under the policy. The insurer must also agree to notify WHEDA within 10 days after it receives a lender's request to cancel or reduce any coverage.

## Fidelity Bond and Errors and Omissions Coverage, continued

The lender is required to report certain events to WHEDA within 10 business days after they occur. Specific events which must be reported include:

- The occurrence of a single fidelity bond or errors and omissions policy loss that exceeds \$100,000 - even when no claim will be filed or when WHEDA's interest will not be affected.
- The receipt of a notice from the insurer regarding the intended cancellation, reduction, non-renewal, or restrictive modification of the lender's fidelity bond or errors and omissions policy. The lender must send WHEDA a copy of the insurer's notice, describe in detail the reason for the insurer's action if it is not stated in the notice, and explain the efforts made to obtain replacement coverage or to otherwise satisfy the insurance requirements.

In addition, even if WHEDA funds are not involved, the lender must promptly advise WHEDA of all cases of embezzlement or fraud in its organization even if no loss has been incurred. The lender's report should indicate the total amount of any loss regardless of whether a claim was filed with an insurer.

### Fidelity Bond Coverage

The fidelity bond coverage must be equal to a percentage of the total servicing portfolio (all residential and commercial mortgages). The minimum amount of coverage is as follows:

<u>Coverage Required</u>	<u>Mortgages Serviced</u>
\$300,000	\$ 100,000,000 or less
+ .150% of the next	\$ 400,000,000
+ .125% of the next	\$ 500,000,000
+ .100% of any amount over	\$1,000,000,000

The policy's deductible clause may be for any amount up to the greater of \$100,000 or 5% of the bonds face amount. Lenders must get WHEDA's permission for higher deductible amounts.

### Errors and Omissions Coverage

The errors and omissions policy must protect the lender against negligence, errors and omissions in:

- Maintaining required hazard and flood insurance coverage
- Maintaining conventional mortgage insurance
- Determining whether properties are located in special flood hazard areas
- Paying real estate taxes and any special assessments
- Complying with reporting requirements of the mortgage insurance companies

The errors and omissions coverage must equal the amount of the required fidelity bond coverage.

The policy's deductible clause may be for any amount up to the greater of \$100,000 or 5% of the policies face amount if the policy provides for coverage per aggregate loss. If the policy provides for coverage per mortgage, the maximum deductible amount for each mortgage cannot be more than 5% of the insurer's liability per mortgage. If a policy provided \$100,000 liability per mortgage, the deductible amount for each mortgage would be \$5,000 - regardless of the actual principal balance of the mortgage.

A mortgage impairment policy is an acceptable substitute for an errors and omissions policy.