

8 – LOAN ORIGINATION & PROCESSING



The documents discussed below must be provided or received from the applicant at loan origination in addition to any documents, forms and disclosures required by state or federal law.

DOCUMENTS BORROWER SUBMITS FOR A HOUSE KEY LOAN

- Copy of the **Homebuyer Education Certificate** for each borrower that will be on the note and deed of trust.
- Copy of 3 years signed & dated **Tax Returns** (most current) and/or **Statement of Income Tax Filing** (Form 15.12).
- Copy of recent **paycheck stubs** (minimum of 2 for each employed borrower) and any other documents necessary to verify the borrowers' current income.
- Addendum to Residential Loan Application** (Form 15.6.1-3), signed and dated by borrowers; form must be notarized.
- Notice to Buyers** (Form 15.7), signed and dated by borrowers.
- Provide **Notice to Mortgagor Regarding Potential Recapture Tax** (Form 15.10.1-5) to borrowers at application.
- Income and Household Members Disclosure** (Form 15.8), completed, signed and dated by borrowers.

PROCESSING A HOUSE KEY LOAN

A House Key loan is processed and underwritten in accordance with standard first mortgage guidelines by the Mortgage Lender. The following sections address **compliance** items reviewed by the Mortgage Lender during Origination and Processing prior to submitting a pre-closing compliance file. Please review House Key Manual. The following sections are meant as a general guide to processing a House Key loan and may not be all-inclusive.

Residential Loan Application (Form 1003)

- Verify that all income sources disclosed on the Loan application have been documented.
- Verify borrower's marital status (if purchasing as Married, Separate Estate, the income of the spouse must be documented and included in the Compliance Income).

- ❑ Verify that family size is consistent with reservation.
- ❑ Verify that child support and alimony income has been addressed or documented.
- ❑ Verify that borrower has not owned a primary residence in the last 3 years.
- ❑ Verify that you have the income issue addressed or documented for all occupants who will turn 18 years old within the 12 months following loan closing.

Credit Report

- ❑ Verify no past mortgage(s) within the last 3 years if property is located in non-targeted area. If mortgage appears, document Borrower has not occupied mortgaged property. Verify borrower(s) has a minimum 620 credit score.

Verification of Employment and Paycheck Stubs

- ❑ Verify that you have a VOE and current paycheck stubs for all jobs currently held by the borrowers or by additional occupants. Please see Eligible Borrowers section for calculation of household compliance income.
- ❑ The Verification of Employment (VOE) should provide start date, number of hours worked, projected date and amount of next pay increase, bonus and overtime information, hourly/monthly/yearly rate of pay and all year-to-date earnings information.
- ❑ Verbal VOE's are acceptable in lieu of written VOE's if the employer is willing to verbally verify all above-mentioned information.
- ❑ A minimum of two paycheck stubs must be provided for each employed borrower or additional occupant and must be no older than 45 days.
- ❑ Verify that VOE and paycheck stub provide consistent information or explain discrepancies.

Tax Returns

- ❑ Verify that you have signed and dated copies of complete federal income tax returns (US or any other country) filed for the three tax years (photocopies of signatures and dates are acceptable).
- ❑ Verify that you have complete returns, with all schedules included.
- ❑ Verify that all income sources disclosed on tax returns have been documented.

- ❑ Verify that all dependents on tax returns match loan application and reservation or explain discrepancies and provide income documentation as necessary.
- ❑ Verify that you have 3 years of tax returns for spouse regardless of occupancy.

If the applicant has not yet filed a federal income tax return for the preceding year, the applicant(s) must sign the Statement of Income Tax Filing (Form 15.12) agreeing to provide a signed copy of the return to the Mortgage Lender at such time it is filed. This form is located in the Forms section of this Program Manual. The Statement of Income Tax Filing form may also be used if the applicant(s) is not required by law to file a federal income tax return for any year during the preceding three years.

If copies of the previously filed returns are not available at the time of loan application, the applicant may request the required copies from the Internal Revenue Service on IRS Form 4506, Request for Copy of Tax Form.

In lieu of actual copies of the 1040 forms, the IRS Letter 1722 or Printout, issued by the Internal Revenue Service will be accepted. However, for all years when a regular 1040 was filed, the IRS Letter 1722 or Printout must indicate whether a Schedule "A" was filed and if so, if mortgage interest was claimed by the taxpayer.

The only forms acceptable are 1040 Regular (both sides), 1040-A, 1040-EZ, or completed telephonically filed returns with IRS confirmation number.

- E-file Tax Declaration Form 8453 is not acceptable.
- Printouts from the tax preparer's computer are not acceptable.
- Printouts from Credit Bureau links to the Internal Revenue Service are not acceptable.

Appraisal

- ❑ Verify that subject property is a single family a residence containing only 1 self-sufficient unit. If manufactured, verify subject is a double-wide.
- ❑ Verify that the subject property does not have excess land value (the Program is generally restricted to two acres or less).
- ❑ Verify that there is only 1 tax parcel number for the entire parcel.

Real Estate Purchase and Sale Agreement

- Verify that the Purchase Price and Acquisition Cost is within the allowable County limits.
- Verify that the Agreement was signed and dated by Borrower(s) and Seller(s) prior to the reservation of funds.
- Verify that there is only 1 tax parcel number for the entire parcel.

Homebuyer Education Certificate

- Required for all borrowers who will be listed on the Note and Deed of Trust.
- Verify that the certificate is a WSHFC issued certificate, signed by the instructor.
- Verify certificate issued within the last two years.
- Verify seminar completed prior to the reservation of funds.

(**Note:** If an applicant indicates they have lost their Certificate, the Commission can re-issue one if attendance can be confirmed.).

DOCUMENTS PREPARED DURING ORIGINATION/PROCESSING

- Down Payment Assistance Needs Assessment or Mortgage Subsidy Worksheet** – If the borrower is using any of the Downpayment Assistance programs, the completed Needs Assessment or Mortgage Subsidy Worksheet must be completed and signed by the Lender's Underwriter prior to approval of the Pre-Closing file. All downpayment assistance programs are based on need. See the Downpayment Program section of this manual for further information.
- Acquisition Cost Certification (Form 15.11)** is completed during processing and should be consistent with information in the file. Pages 1 & 2 are completed and a copy sent with the Pre-Closing file. This form is signed by the borrower and seller at loan closing. **However, if property is bank owned, the seller must sign this form upfront and the signed seller copy must accompany the Pre-Closing file.**