

Lender Underwriting

Habitat for Humanity

Qualifying

- Lender and Habitat qualify borrower for loan using 30-year, fixed rate at 0% interest including taxes and insurance. This becomes the purchase price for later calculations with MBOH
- MBOH will split the loan into two parts: MBOH 1st lien loan at 2% and Habitat Wrap-around 2nd lien loan at 0%
- MBOH determines final loan amounts and amortizations

Loan Terms

- MBOH first lien
 - 2% fixed rate
 - 30 year term
- Habitat silent 2nd lien
 - Difference between purchase price and first lien
 - 0% fixed rate
- Habitat silent 3rd lien
 - Difference between appraised value and combined 1st and 2nd liens
 - ❖ 1st and 2nd liens combined are at 80% LTV
 - ❖ Habitat 3rd lien is at least 20% of the appraised value

Borrower Eligibility

- Income limits determined by Habitat
- First-time homebuyer
- Homebuyer Education Certificate
- Primary residence
- Habitat-partner homebuyer
- No asset limitation

Required Items from Borrower

- Current paystub
- 3 years of W-2's from all employers
- 3 years signed and filed federal tax returns
- Employment gap letter if more than 30 days between jobs in the last 2 years
- 2 months of bank statements
- Explanation letter for any derogatory credit trade lines, if necessary
- If non-traditional credit applies, documentation of 12 months of payments on 3 trade lines

Processing/Underwriting

Income

- Full verification of employment for current job. If employed with current employer for less than 2 years, obtain verification of previous employment to show a 2 year history
- Must have a 2 year history to use overtime, bonus, or commission income
- Use most conservative calculation. i.e. if YTD income is less than hourly rate, use YTD
- Gap letter if employment gap of more than 30 days
- 3 years tax returns. Any unreimbursed expenses will be deducted from income
- Verify income does not exceed MBOH Maximum Income Limits-County specific. Use highest possible income for this calculation.

Assets

- 2 months of bank statements to show sufficient funds to close as necessary. Must include all pages even if just disclosures.
- Document any large deposits. *Large deposit is defined as any deposit that is greater than 50% of gross monthly income*

Processing/Underwriting Contin...

Credit

- Credit report pulled with application
- Verification of Rents
- Rural Development's minimum credit score is 640. Anything lower will require documentation of compensating factors to demonstrate that the borrower is credit-worthy and mortgage-ready
- Explanation and documentation of any derogatory credit
- None-Traditional Credit
 - If a borrower does not have a credit score or at least 3 trade lines on their credit report, 12 consecutive months of payments must be documented on 3 of the following: rent checks, power bill, phone bill, cable bill etc.

Property

- Rural Development Appraisal ordered by lender
- 10 year warranty issued by Habitat
- Certificate of Occupancy if inside city limits
- Limit of 15% use of the property for business
- Land limited to 35% of appraisal value
- 40-limit (small tract financing)
- No subdivision or sale of land possible
- Construction must be 100% complete prior to closing

Processing/Underwriting Contin...

Misc Underwriting

- The sooner we can meet with the customer the better
- Run loan through Rural Development's underwriting system, GUS. Must receive "approve/eligible" result otherwise additional documentation supporting that the borrower is credit-worthy and mortgage-ready will be required to be presented to MBOH for risk assessment
- No lender fees can be charged to the borrower
- Deductible of \$1,000 or 1% of dwelling
- Taxes and insurance must be held in escrow

Closing

- Lender balances HUD-1 Settlement Statement with the Title Company
- Borrower does not bring money to the table
- Closing packet sent to MBOH within 30 days following execution of Note

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Q&A