

FAQs of Underwriting
November, 2021

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FAQs for today

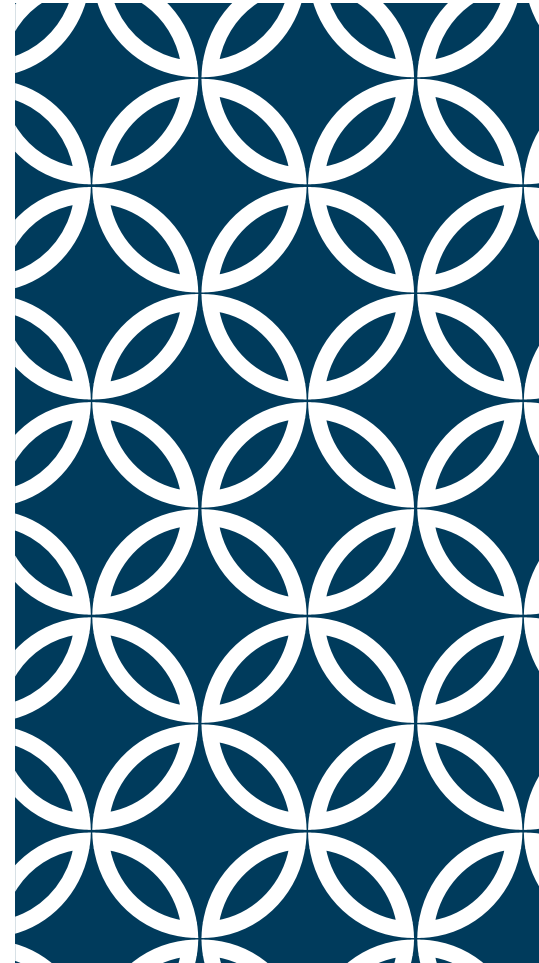
Assets

Income

Credit

Potpourri

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Asset FAQs



Cryptocurrency

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Q. Alex wants to use Bitcoin for the down payment on his new home. Can it be used and if so, how do you document it?



401k, IRAs and Keogh Accounts

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Q. How long must distributions from these accounts continue when used for income?

How is continuance determined?



IRA Distribution Example

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Clair has three IRA accounts. She receives a \$1,200 distribution from one of the IRAs which has a \$28,000 balance. She also has two other IRAs but has yet to take any distributions. Combined, they total \$145,000.



Funds to close

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Q. Can the borrower, who is also the realtor on the subject transaction, use their commissions from the sale as funds to close?



Income FAQs



Rental Income

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Q. What property types are eligible to use rental income?



Social Security Income

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Q. What are the requirements for using Social Security Income?



Grossing Up Non-Taxable Income

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Self-Employed Borrower

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- Veronica is a dental technician who specializes in fitting dental aligners. She's been working with several dental practices over the past five years in her area.

Q. Is she self-employed? If so, what income documentation will we need for her loan application dated Oct 5th to purchase a new primary residence?



Credit FAQs



30-day Accounts

Jesse has an AMEX account on his credit report that reflects a balance of \$9000 and this is showing as the amount due.

- Q. Which of the following is *not true*?
- a. The payment may be ignored if the lender verifies funds to cover the balance shown.
 - b. The entire payment must be held against him.
 - c. 5% of the balance can be used as a monthly payment.
 - d. The payment may only be ignored if it is paid at or prior to closing.



Rental History

Bart is a first-time homebuyer who has rented for many years and has a limited credit history with some old derogatory events.

Q. Is it possible to consider his stellar rental history?

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Using Rental History with DU

Borrowers must be a first-time homebuyer purchasing a primary residence.

An *average median credit score* of at least 620 is required.

Borrowers must have at least a 12-month history of renting and pay at least \$300 per month.

Borrower must have a bank account or accounts that document the rental payments.

How Does it Work?

DU will use verification of asset reports (i.e. bank statements) to identify recurring rent payments.

Lenders must order the asset report through a pre-determined vendor*. The report supplier will send the borrower an email or text that directs the borrower to a secure portal where the borrower can log in and specify the account(s) they need to use to generate the report.

** Lenders are responsible for setting up the vendor and covering any applicable costs.*

Potpourri FAQs



Party to a Lawsuit

Q. What is required if a borrower indicates on their loan application they are party to a lawsuit?

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Multiple Financed Properties

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Q. Your borrower, Gary, wants to purchase a new primary residence. He owns numerous rental properties and wants to use the cash flow for qualifying. If using an AUS for underwriting, what is the maximum number of financed properties he may own?



Multiple property ownership

How many FINANCED properties can a borrower own?

If DU submission

- Up to 10*

If Loan Product Advisor submission

- Up to 10*

* Additional criteria may apply



Rent to Own

Ted has been renting for several years and his lease contains an option to purchase. He pays \$500 each month over market rent to be applied towards down payment.

Q. How many months of this excess can be applied towards the down payment?

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Questions?

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thank you!

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