

On Behalf of HUD & FHA  
*Welcome to our session on the*  
**Credit Underwriting  
Borrower Analysis**



# About Your Instructor



**Pava J Leyrer**  
*CMC, CRMS, CMP*

# FHA Subject Matter Expert



**Welcome to our guest from the FHA –**  
**Lisa Ellis** - *who will be responding to participant questions and offering additional guidance during today's webinar.*

# Credit Underwriting Borrower Analysis





# Course Objectives

- Discuss the differences in underwriting FHA and conventional loans.
- Understand allowable assets and borrower cash requirements for FHA loans.
- Know ratios and eligibility requirements of FHA borrowers.
- Understand how to calculate allowable income.
- Understand borrower credit requirements.
- How to review more challenging FHA borrowers.
- Explain TOTAL Scorecard.



# Course Overview

Together we will look at:

- FHA borrower eligibility.
- Different types of borrower income.
- Borrower qualifying ratios.
- Borrower credit requirements.
- Different types of borrower debt.
- Allowable assets for cash investment requirements.
- Allowable assets for closing.
- Gift funds and documentation.
- TOTAL Scorecard and Manual Underwriting.
- Case studies.

# Polling Questions

- How long have you been in the mortgage industry?
- What is your position or primary responsibility?



# FHA Borrower Eligibility



LOAN INFORMATION	
If you are applying for optional Life Insurance, your loan document must be selected, your loan document	
III. TERMS OF LOAN	
Term (years)	No. Months
30	360
If your down payment is less than 3.5%, your down payment must be equal to or greater than 3.5%	
COM	



# Borrower Eligibility

- Age requirements
- Identification requirements  
(Patriot Act & SSA)



# Borrower Eligibility

- Resident Aliens
- Non-resident Aliens:
  - Principal residence
  - Valid Social Security Number
  - Eligible to work in U.S.



# Borrower Eligibility & Occupancy

- Occupancy Requirements:
  - Primary residence for majority of the year.
  - Occupy within 60 days.
- Identity of Interest.



# Multiple FHA Loans

- Previous use of FHA.
- General rule – Only one FHA-insured loan per borrower at one time.
- Possible Exceptions.



# Multiple FHA Loans

- Other properties:
  - Rental property
  - Previous owner-occupied home



# Borrower Risk Assessment

## *Multiple Borrowers & Past History*

A close-up of a loan application form. The form includes sections for 'LOAN INFORMATION', 'III. TERMS OF LOAN', and 'INCOME'. The 'TERMS OF LOAN' section shows 'Term (years)' as 30 and 'No. Months' as 360. The 'INCOME' section is partially visible. A yellow highlighter is marking the 'No. Months' field.

# Co-Borrowers

- Take title to property.
- Obligated on mortgage note.
- Sign all security instruments.



4155.1 4.A.1.d; 2.B.3.b

# Co-Signers

- Do *not* have ownership interest.
- Obligated on mortgage note.
- Sign all security instruments.



4155.1 4.A.1.e-f



# Co-Borrowers & Co-Signers - Eligibility

- Prohibited parties.
- Must meet credit guidelines.
- Principal residence in U.S.



4155.1 4.A.1.f

# Co-Signers & Co-Borrowers

- Non-purchasing spouse.
- Community property state.



4155.1 4.A.5.a-c

# Risk Assessment

- CAIVRS System:
  - Borrowers
- LDP Check:
  - All Parties
- EPLS Check:
  - Discontinued on 11/21/2012
- SAM Check:
  - System for Award Management



# Risk Assessment - CAIVRS

- Credit Alert Verification Reporting System

The screenshot shows the CAIVRS Authorization web application running in Microsoft Internet Explorer. The browser's address bar displays the URL: <https://entp.hud.gov/cas/html/f17cvrs.cfm>. The page header features the "FHA Connection" logo and navigation links: Home, Main Menu, ID Maintenance, E-mail Us, and Contact Us. Below the header, a red banner reads "Welcome CARRIE STREET". The main content area is titled "CAIVRS Authorization" and includes a "Help Links" button. The form contains the following fields:

SSN/TIN Indicator	SSN/TIN Number
Borrower: N/A	<input type="text"/>
Coborrower1: N/A	<input type="text"/>
Coborrower2: N/A	<input type="text"/>
Coborrower3: N/A	<input type="text"/>
Coborrower4: N/A	<input type="text"/>
Lender ID:	<input type="text"/>
Agency:	Select Agency/Program

At the bottom of the form are "Send" and "Reset" buttons. The Windows taskbar at the bottom shows the Start button, several open applications (including Microsoft Edge and CAIVRS Author...), and the system clock showing 4:48 PM.

# Risk Assessment - CAIVRS

- Eligibility exceptions:
  - Assumption
  - Divorce
  - Bankruptcy
  - Seller of principal residence
  - Disaster victims



# Risk Assessment - CAIVRS

- Clearing incorrect information.
- Resolving conflicting information.



# Risk Assessment – LDP List

- Limited Denial of Participation

**Homes & Communities**  
U.S. Department of Housing and Urban Development

[Download List](#) | [Help](#) | [Enforcement Center](#) | [Search/index](#)

## U.S. Department of Housing and Urban Development

### Limited Denial of Participation, HUD Funding Disqualifications and Voluntary Abstentions list as of 12/14/2012

To search by name, enter the name or names in the box below.  
 Search options for John Smith are "Smith" or "Smith, J" or "Smith, John" or "John".  
 Use the keyword or to search for multiple names. For example: "Smith or Jones".

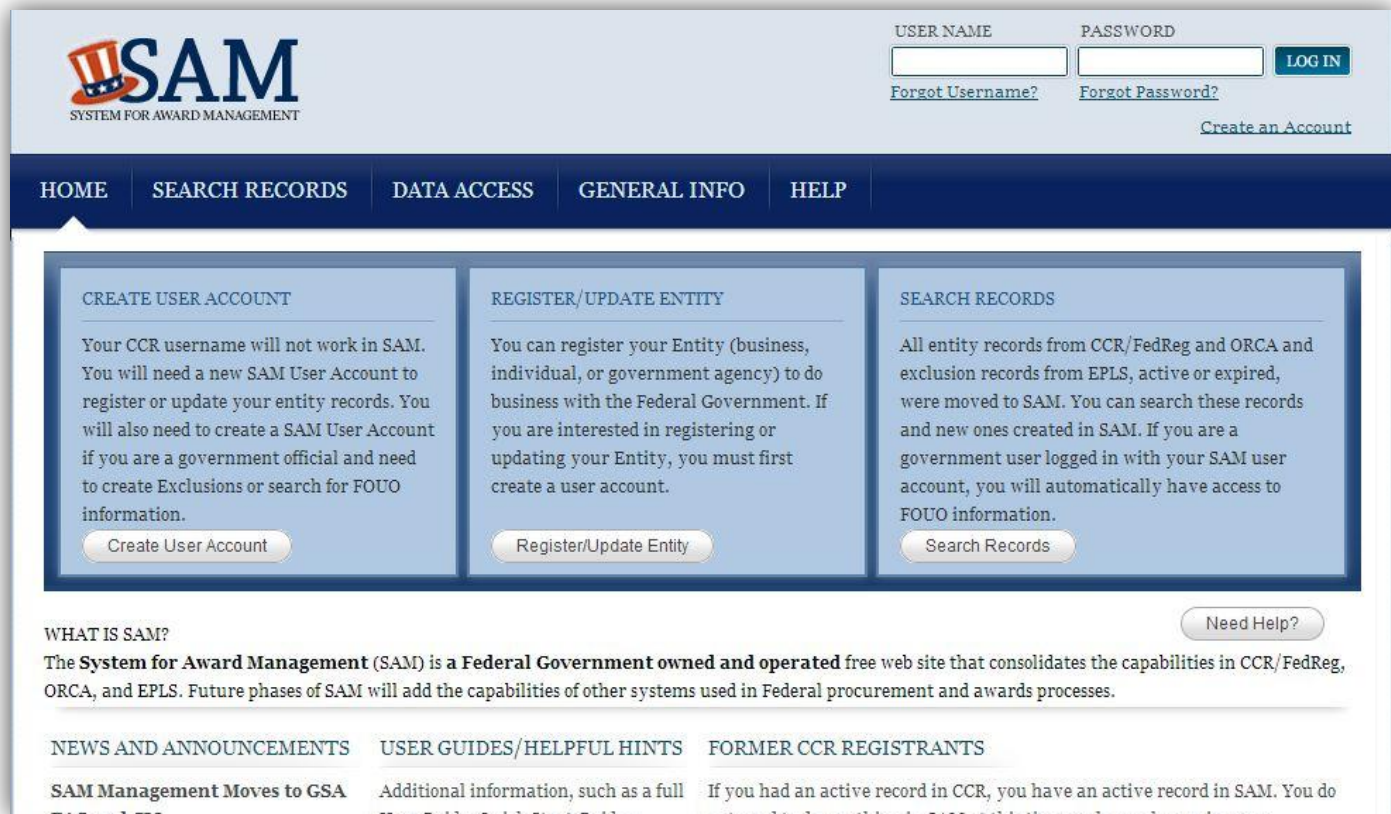


**All LDPs**  
**Records Found: 27**

Subject ↑	Affiliate	Address	Scope of Disqualification	Disqualification Start Date	Disqualification End Date	Disqualification List Date	Office	Contact Person	Contact Office Phone	Contact Email
Diaz, Norma D.		Rahway, NJ	Voluntary Abstention from All HUD Programs;	11/24/2006	11/23/2016	11/24/2006	New Jersey State Office	Milner, Michael J.	202-708-2350 ext. 3554	<a href="mailto:Michael_J_Milner@HUD.Gov">Michael_J_Milner@HUD.Gov</a>
Grazzini, Brian		Marietta, GA	Voluntary Abstention from All HUD Programs;	01/25/2008	01/24/2013	03/10/2008	Atlanta Satellite EC	Allen, Franklin W.	(678) 732-2025	<a href="mailto:Franklin_W_Allen@HUD.Gov">Franklin_W_Allen@HUD.Gov</a>
Grant Park Nursing Home Limited Participation		Atlanta, GA	Voluntary Abstention from All HUD Programs;	01/25/2008	01/24/2013	03/10/2008	Atlanta Satellite EC	Allen, Franklin W.	(678) 732-2025	<a href="mailto:Franklin_W_Allen@HUD.Gov">Franklin_W_Allen@HUD.Gov</a>

# Risk Assessment - SAM

- System for Award Management
  - [www.SAM.gov](http://www.SAM.gov)



The screenshot shows the SAM (System for Award Management) website homepage. At the top left is the SAM logo with the text "SYSTEM FOR AWARD MANAGEMENT". To the right of the logo are input fields for "USER NAME" and "PASSWORD", a "LOG IN" button, and links for "Forgot Username?" and "Forgot Password?". Below these is a link to "Create an Account". A dark blue navigation bar contains links for "HOME", "SEARCH RECORDS", "DATA ACCESS", "GENERAL INFO", and "HELP". The main content area is divided into three columns: "CREATE USER ACCOUNT", "REGISTER/UPDATE ENTITY", and "SEARCH RECORDS". Each column contains descriptive text and a button. Below this is a section titled "WHAT IS SAM?" with a paragraph explaining the system. At the bottom, there are three columns of links: "NEWS AND ANNOUNCEMENTS", "USER GUIDES/HELPFUL HINTS", and "FORMER CCR REGISTRANTS".

**SAM**  
SYSTEM FOR AWARD MANAGEMENT

USER NAME  PASSWORD  [LOG IN](#)  
[Forgot Username?](#) [Forgot Password?](#) [Create an Account](#)

[HOME](#) [SEARCH RECORDS](#) [DATA ACCESS](#) [GENERAL INFO](#) [HELP](#)

**CREATE USER ACCOUNT**  
Your CCR username will not work in SAM. You will need a new SAM User Account to register or update your entity records. You will also need to create a SAM User Account if you are a government official and need to create Exclusions or search for FOUO information.  
[Create User Account](#)

**REGISTER/UPDATE ENTITY**  
You can register your Entity (business, individual, or government agency) to do business with the Federal Government. If you are interested in registering or updating your Entity, you must first create a user account.  
[Register/Update Entity](#)

**SEARCH RECORDS**  
All entity records from CCR/FedReg and ORCA and exclusion records from EPLS, active or expired, were moved to SAM. You can search these records and new ones created in SAM. If you are a government user logged in with your SAM user account, you will automatically have access to FOUO information.  
[Search Records](#)

**WHAT IS SAM?**  
The **System for Award Management (SAM)** is a **Federal Government owned and operated** free web site that consolidates the capabilities in CCR/FedReg, ORCA, and EPLS. Future phases of SAM will add the capabilities of other systems used in Federal procurement and awards processes.


[Need Help?](#)

[NEWS AND ANNOUNCEMENTS](#) [USER GUIDES/HELPFUL HINTS](#) [FORMER CCR REGISTRANTS](#)

**SAM Management Moves to GSA** Additional information, such as a full User Guide, Quick Start Guide, If you had an active record in CCR, you have an active record in SAM. You do not need to do anything in SAM at this time, unless a change is made.



# Risk Assessment - SAM



USER NAME  
  
[Forgot Username?](#)

PASSWORD  
  
[Forgot Password?](#)

LOG IN

[Create an Account](#)

HOME | SEARCH RECORDS | DATA ACCESS | GENERAL INFO | HELP

## Search Records

You can enter a DUNS number, CAGE code or Business Name to search for the entities that you are interested in reviewing. You can also enter exclusion search terms to search for exclusion records. Once a search has returned results, use the filters provided to narrow results.

Government employees must create a SAM user account with their government email address. Log in before searching in order to see FOUO information and those registrants who selected to opt out of the public search.

SEARCH

Need Help?

(Examples of search terms include the entity's DUNS number, name, etc.)

<https://www.sam.gov>





# Questions

# FHA Borrower Income *Calculation & Documentation*



# Borrower Income

- General Employment Guidelines
  - Exceptions for military service or educational
- W-2 Wage Earner
- Overtime & Bonus

The image shows a sample W-2 Wage and Tax Statement form. The form is titled "W-2 Wage and Tax Statement" and includes the following fields:

- Employer identification number (EIN)
- Employee's name, address, and ZIP code
- Employee's Social Security number
- Employee's first name and initial, Last name
- Employer's address and ZIP code
- Box 1: Wages, tips, other compensation
- Box 2: Federal income tax withheld
- Box 3: Social Security wages
- Box 4: Social Security tax withheld
- Box 5: Medicare wages and tips
- Box 6: Medicare tax withheld
- Box 7: Social Security tips
- Box 8: Allocated tips
- Box 9: Advance EIC payment
- Box 10: Dependent care benefits
- Box 11: Nonqualified plans
- Box 12: See instructions for box 12
- Box 13: Other
- Box 14: State income tax
- Box 15: Local income tax
- Box 16: State income tax
- Box 17: Local income tax
- Box 18: State income tax
- Box 19: Local income tax
- Box 20: Locally imposed income tax

The form is labeled "OMB No. 1545-0046" and "Form W-2 Wage and Tax Statement".

# Borrower Income

- Part-time/2<sup>nd</sup> job income
- Commission
- Seasonal income
  - Unemployment income



4155.1 4.D.2.d; 4155.1 4.D.2.g; 4155.1 4.D.2.e

# Borrower Income

- Military
- Contract/Per-diem
- Return to workforce
  - Maternity leave
  - Layoffs



4155.1 4.E.3.a; 4155.1 4.D.1.d

# Borrower Income – Self-Employed

Type of Entity	Tax Documentation Needed
Sole Proprietor	2-years Federal tax returns with Schedule C
Partnership	Above, plus 2-years IRS Form 1065 <i>(Income should be matched to personal return - Schedule E)</i>
Corporations & LLC's	Form 1120 or 1120S <i>(must show percentage ownership)</i> Business Credit Report*
*Not required if approved by TOTAL Scorecard	

- P&L Statements
- Balance Sheet
- Depreciation & Depletion



# Borrower Income – Self-Employed

- Computing Income:  
Example:
  - 2010 - \$72,000
  - 2011 - \$82,000
  - 2012 - \$103,000
  - Use \$103,000 as long as the YTD P&L is consistent.





# Polling Question

- What if the YTD income shows less than the previous year?
- How would you calculate it?



# Borrower Income – Other

- Social Security Income
  - Two programs
    - Social Security Disability Insurance (SSDI)
    - Supplemental Security Income (SSI)



# Borrower Income – Other

- Social Security Income
  - Federal Tax Return
  - Most recent bank statement showing auto deposit
  - Benefits letter (SSA)
  - Benefits statement  
(*SSA-1-00/1042S form*)



# Borrower Income – Other

- Retirement income
- Disability



4.D.2.j; 4.E.5.a-b

# Borrower Income – Other

- Child Support
- Alimony
- Spousal Maintenance



4155.1 4.E.1.a; 4.E.5.b

# Borrower Income – Other

- Rental income
  - 3-4 unit properties
- Fair Market Rent





# HUD.GOV

U.S. Department of Housing and Urban Development  
Secretary Shaun Donovan



SEARCH

Site Map | Print | Font A A A

SHARE

HOME

ABOUT PD&R

RESEARCH & PUBLICATIONS

DATA SETS

PROGRAMS

QUICK LINKS

EVENTS

## DATA SETS

### Fair Market Rents

#### FMR Documentation

[Fair Market Rents: Overview \(\\*.doc, 112 KB\)](#)

#### ACCESS INDIVIDUAL FMR AREA INFORMATION

**NOTE:** Official FMRs, as published in the Federal Register (links below), may differ slightly from those calculated in the documentation systems, and should be used for ALL official purposes ([more details](#)).

- [Individual Area Final FY2013 FMR Documentation](#)
- [Individual Area Final FY2012 FMR Documentation](#)
- [Individual Area Final FY2011 FMR Documentation](#)
- [Individual Area Final FY2010 FMR Documentation](#)
- [Individual Area Final FY2009 FMR Documentation](#)

### TOPIC AREAS

- 50th Percentile Rent Estimates
- American Housing Survey
- Annual Adjustment Factors
- Assisted Housing: National and Local
- CINCH
- Consolidated Planning
- Data Set Reference Guide
- Fair Market Rents
- Geographic Information Systems
- Government Sponsored Enterprise Data
- Housing Affordability Data System
- Income Limits
- Uniform Relocation Act Income Limits
- Infographics

<http://www.huduser.org/portal/datasets/fmr.html>



# Borrower Income – Other

- Dividend or interest income
- Foster care





# Borrower Income – Other

- Section 8
- Employer differential payments
- VA benefits
- Mortgage Credit Certificates (MCC's)



4155.1 4.E.3.b-c; 4155.1 4.D.2.i; 4155.1 4.E.3.d

# Borrower Income – Case Study

- Joe is buying a home, and wants to know what he might qualify for.
- Let's calculate his income.



# Borrower Income – Case Study

Joe works as a District Manager for Wellco Foods, and has been there for four years. He currently is earning \$22.00 per hour, plus a shift premium of \$135.60 per week since he covers the night shift (which he has had to do ever since they fired Benny three years ago). As part of his contract, he also is entitled to a production bonus. His bonus in 2010 was \$9500 and in 2011 it was \$9700. For the first nine months 2012 YTD, his paycheck stub shows a bonus of \$7200.



***What is Joe's usable Gross Monthly Income?***

# Borrower Income – Case Study

- $\$22.00 \times 40 = \$880$
- $\$880.00 \times 52 = \$45,760/\text{yr} = \$3813/\text{mo}$
- $\$135.60 \times 52 = \$7,051/\text{yr} = \$588/\text{mo}$
- $\$9500 + \$9700 + \$7200 = \$26,400$
- $\$26,400 / 33 \text{ months} = \$800/\text{mo}$
- $\$3813 + \$588 + \$800 =$

***\$5201 per month***





# Questions



# Borrower Credit Analysis *Are There Problems?*



# Borrower Credit Analysis

- What is a credit profile?
- What is credit performance?
- Other credit documents:
  - Paycheck stubs
  - Bank statements
  - Verification of Rent
  - Verification of Loan



4155.1 4.C.1.a-c

# Borrower Credit Analysis

- Credit Reports
  - Credit Reporting Agencies (CRA's)
    - TransUnion
    - Equifax
    - Experian



4155.1 4.C.1.d; ML 10-28; 4155.1 4.A.1.c



# Borrower Credit Analysis

- Credit Score requirements:
  - $\geq 580$  **96.5% LTV**
  - 500-579 **90% LTV**
  - $\leq 500$  **Not Qualified**

*Borrowers with debt ratios that exceed 43%, and who have a credit score below 620 MUST be manually underwritten.*



# Borrower Credit Analysis

- Judgments
- Collections
- Tax liens
- Credit counseling
- Identity theft or disputed accounts
- Student loans



# Borrower Credit Analysis

- Bankruptcy
  - Chapter 7



4155.1 4.C.2.g

# Borrower Credit Analysis

- Bankruptcy
  - Chapter 13
- Dismissal vs. Discharge
- CAIVRS



4155.1 4.C.2.h

# Borrower Credit Analysis

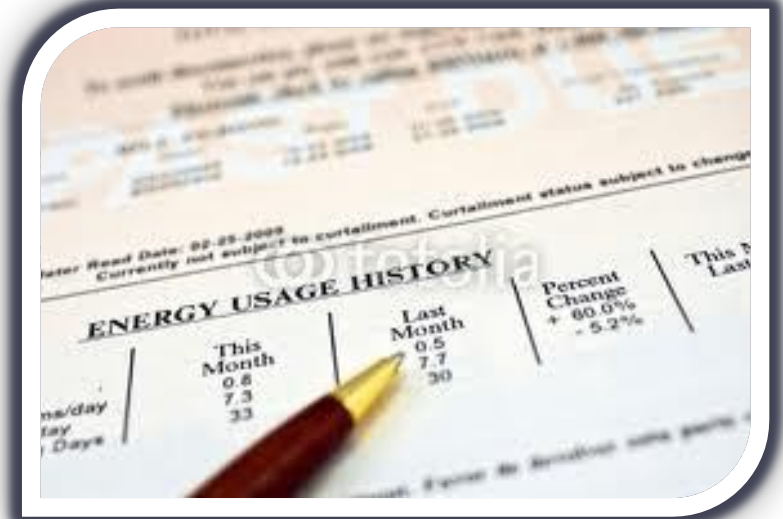
- Past Problems:
  - Foreclosure
  - Short Sale
  - Deed-in-lieu



4155.1 4.C.2.f; ML 08-43; 09-52; 10-23; 12-05

# Borrower Credit Analysis

- Non-traditional credit:
  - NTMCR (Non-traditional Mortgage Credit Report)



# Borrower Credit Analysis

Group I	Group II
<ul style="list-style-type: none"> <li>• Rental housing payments*</li> <li>• Utility company reference including:</li> <li>• Gas company</li> <li>• Electric company</li> <li>• Water supplier</li> <li>• Land-line telephone service</li> <li>• Cable TV</li> </ul> <p><i>*rental from family member requires cancelled checks or money orders</i></p> <p><i>Statements must be in borrowers name!</i></p>	<ul style="list-style-type: none"> <li>• Insurance payments including:               <ul style="list-style-type: none"> <li>○ Medical</li> <li>○ Auto</li> <li>○ Life</li> <li>○ Renter's insurance</li> <li>○ <i>(may not be payroll deducted)</i></li> </ul> </li> <li>• Child Care expenses</li> <li>• School tuition</li> <li>• Retail department stores</li> <li>• Rent-to-own stores</li> <li>• Internet/cell phone service</li> <li>• Regular deposits to savings account</li> <li>• Auto leases</li> <li>• Personal loans <i>(in writing with cancelled checks)</i></li> </ul>



# Borrower Credit Analysis

- Insufficient credit:
  - NO compensating factors
  - NO late payments
  - Strict 31/43 ratios





# Borrower Credit Analysis

- Non-purchasing spouse
- Community property state
- Contingent liabilities
- Job-related expenses



4155.1 4.A.5.b-c; 4155.1 4.D.5.b; 4155.1 4.C.5.a-e

# Qualifying Ratios

- Automated vs. Manual underwriting
- TOTAL Scorecard
- 31% Housing (PITI)
- 43% Housing plus recurring long-term debts



# Qualifying Ratios

- Compensating factors:
  - Housing expense
  - Down payment
  - Accumulated savings
  - Previous credit
  - Additional income
  - Minimal housing expense increase



# Qualifying Ratios

- Compensating factors:
  - Substantial cash reserves
  - Substantial non-taxable income
  - Increased earning potential
  - Primary wage-earner relocation





# Questions

# Borrower Assets

## *Show Me The Money...*



# Borrower Assets

- Cash-to-close requirements:
  - Cash investment
  - Closing costs
  - Prepays



# Borrower Assets

<b>Liquid Assets</b>	<ul style="list-style-type: none"><li>• Earnest Money Deposit</li><li>• Checking/savings accounts</li><li>• Private savings club account</li><li>• Savings bonds</li><li>• Cash saved at home</li></ul>
<b>Near-liquid Assets</b>	<ul style="list-style-type: none"><li>• IRA, 401k, Keogh accounts</li><li>• Stocks, bonds</li><li>• Gift funds</li><li>• Employer assistance plans</li></ul>
<b>Non-liquid Assets</b>	<ul style="list-style-type: none"><li>• Sale of personal property</li><li>• Collateralized loans</li><li>• Rent credit</li><li>• Sweat equity</li></ul>



# Borrower Assets

- Earnest Money Deposit
- Checking/savings accounts
  - Large deposits
  - Overdrafts/NSF
  - Joint accounts
- Private savings club
- Savings bonds



# Borrower Assets

- Cash saved at home
  - Letter from Borrower
  - Does it make sense?



4155.1.5.B.2

# Borrower Assets

- Retirement accounts
- Stocks & bonds
- Employer assistance plans



# Borrower Assets

- Gift Funds:
  - Allowable parties
  - Gift letter
  - Personal check
  - Cashier's check
  - Wire transfer
  - Equity gift



4155.1 5.B.4 -5; ML-2006-13; ML 04-28

# Gift Letter

## GIFT LETTER

I/We, \_\_\_\_\_, of \_\_\_\_\_,  
(Donor's Name) (Donor's Address)  
\_\_\_\_\_, of \_\_\_\_\_,  
(Relationship) (Recipient of Gift)

do hereby certify that I will give *(or have given)* him/her a gift of \$\_\_\_\_\_ to be  
applied towards the purchase of the property located at \_\_\_\_\_.  
(Property Address)

This is a bona fide gift to the Borrower/Recipient, and there is no obligation, expressed or implied, to repay this sum at any time either in the form of cash or future services.

These funds were not made available to the donor from any person or entity with an interest in the sale of the property including the seller, real estate agent or broker, builder, loan officer, or any entity associated with them.

\_\_\_\_\_  
Signature of Donor

\_\_\_\_\_  
Signature of Recipient

\_\_\_\_\_  
Signature of Donor

\_\_\_\_\_  
Signature of Recipient

\_\_\_\_\_  
Donor's Phone Number

\_\_\_\_\_  
Date

---

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**PLEASE NOTE THAT ALL GIFT FUNDS MUST BE VERIFIED AND RECEIVED BY THE BORROWER PRIOR TO OR AT CLOSING. FOR FUNDS VERIFICATION, THE FOLLOWING IS REQUIRED:**

# Borrower Assets

- Sale of personal property
- Collateralized loans
- Rent credits
- Sweat equity



4155.1 5.B.6.b; 5.B.6.f-h

# Borrower Assets

- Secondary financing
- Seller contributions
- Sales concessions

The image shows a financial statement, possibly a balance sheet, with multiple columns. The first column contains descriptions of assets and liabilities, while the subsequent columns contain numerical values. A redacted area is visible at the top of the table. The table is organized into sections, with bold headings for each major category. The data is presented in a structured, tabular format, typical of financial reporting.

4155.1.5.C; 4155.1.5.C.1.b

# Borrower Assets

- Non-profit organizations
- Government DPAs
- Secured loans against assets



4155.1 5.B.6.h; 4155.1.5.B.4.h



# Borrower Assets

- Unacceptable sources for source of funds to close:
  - unsecured signature loans.
  - cash advances on credit cards.
  - borrowing against household goods and furniture.



4155.1: 5.B.7.a-b

# Polling Questions

- Your borrower just sold a high-end camera for \$2500 and needs the money to close. How would you document the funds?
- What if the borrower just obtained a line-of-credit for the \$2500?





# Questions

# Automated Underwriting *TOTAL Scorecard System*



# TOTAL Scorecard

- How TOTAL works
- Relation to AUS
- When to use TOTAL
- Data integrity
- Third-party data
- Input into system



Information about  
FHA TOTAL  
Scorecard ►

# TOTAL Scorecard

- Underwriting analysis:
  - Review
  - Validation
  - What is not evaluated
- Resubmission and tolerances
- Findings



# TOTAL Scorecard

- Documenting to the findings report
- Quality control
- TOTAL Scorecard User's Guide
- Manual downgrades
- Common deficiencies

[http://portal.hud.gov/hudportal/documents/huddoc?id=total\\_userguide.pdf](http://portal.hud.gov/hudportal/documents/huddoc?id=total_userguide.pdf) Pg. 13-15  
[http://portal.hud.gov/hudportal/documents/huddoc?id=total\\_faqs.pdf](http://portal.hud.gov/hudportal/documents/huddoc?id=total_faqs.pdf) Total FAQ's 7-2012





# TOTAL Scorecard

- Final scoring of the loan file.
- More information:
  - [http://portal.hud.gov/hudportal/documents/huddoc?id=total\\_userguide.pdf](http://portal.hud.gov/hudportal/documents/huddoc?id=total_userguide.pdf)
- Or FHA training:
  - *“Fundamentals of DE Credit Review & TOTAL Scorecard”*



A close-up photograph of a 'RATING' form. The form has a column of checkboxes on the left and a column of rating categories on the right. The categories are 'Exceptional', 'Exceeds Requirements', 'Meets Requirements', and 'Needs Improvement'. The 'Exceptional' checkbox is checked with a blue pen. A silver pen with a gold tip is resting on the form, pointing towards the 'Exceptional' checkbox. The number '80' is visible in red text at the bottom right of the form.

RATING	
<input checked="" type="checkbox"/>	Exceptional
<input type="checkbox"/>	Exceeds Requirements
<input type="checkbox"/>	Meets Requirements
<input type="checkbox"/>	Needs Improvement





# Questions



# Let's Review –

- **Borrower Eligibility**

- Residency Status
- Occupancy Requirements
- Qualifying Ratios

- **Risk Assessment**

- Co-borrowers & Co-signers
- Non-occupant Borrowers
- CAIVRS/LDP/SAM

- **Borrower Income**

- Employment Income
- Self-employment Income
- Other Types of Income



- **Borrower Credit**

- Credit Scores
- Traditional/Non-traditional
- Bankruptcy/Foreclosure
- Job Expenses
- Collections/Judgments

- **Assets**

- Cash Requirements
- Liquid/Near & Non-liquid
- Unacceptable Sources
- Gift Funds

- **TOTAL Scorecard**

- How It Works
- When To Use TOTAL
- User's Guide



# Completing the Course

## *Objective Summary*

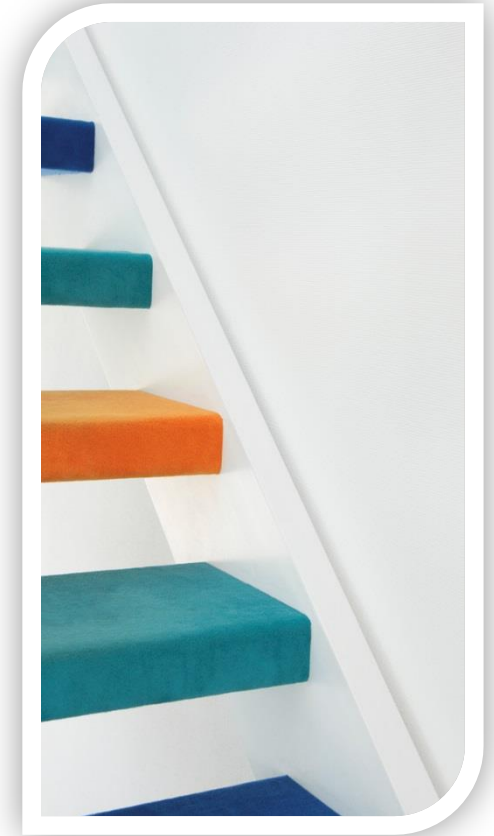
What did we cover?

- Discussed the differences in underwriting borrowers of FHA and conventional loans.
- Determined allowable assets and cash requirements to close an FHA loan.
- How to review more challenging FHA borrowers.
- Ratios and eligibility requirements of FHA borrowers.
- Understand how to calculate allowable income.
- Understand borrower credit requirements.
- Explained TOTAL Scorecard.

# Next Steps & Resources

## Reminders

- Course Evaluation.
- Recorded version of webinar will be available on the HUD website.
- Webinar FAQs will be available on HUD website.
- FHA Knowledge Database:
  - <http://portal.hud.gov/hudportal/HUD?src=/FHAFAQ>.
- Call FHA at (800) CALL FHA or email us at [answers@hud.gov](mailto:answers@hud.gov).



# Thanks for attending this course!

We look forward to your participation in other training events.

- Overview of HUD/FHA Programs
- Home Mortgage Insurance for Disaster Victims 203(h)
- FHA 203(k) Rehabilitation Mortgage Insurance Program
- FHA Energy Efficient Mortgage (EEM)
- FHA Home Equity Conversion Mortgage (HECM)
- How to Manually Underwrite an FHA Mortgage
- Credit Underwriting - Loan Calculations
- Fundamentals of DE Credit Review & TOTAL Scorecard
- FHA Condominium Approval Process
- Fundamentals of Insurance Endorsement
- FHA Appraisal Requirements - Property Types
- How to Review an FHA Appraisal



# Credit Underwriting - Borrower Analysis

*Thank You!*

