

HOME ADVANTAGE PROCESSING CHECKLIST

A Home Advantage loan is processed and underwritten in accordance with standard first mortgage guidelines. This checklist addresses Home Advantage compliance items reviewed by the Lender during the processing of the loan. The following checklist is meant to be used as a tool only and may not be all-inclusive. Please review the Home Advantage Program Manual.

Further items apply if using a downpayment assistance program other than Home Advantage or if combining with the Mortgage Credit Certificate program.

Purchase and Sale Agreement

- Agreement fully complete, signed/dated by borrower & seller
- All Addendums to the Purchase/Sale Agreement are included

Home Inspection Report

- Must be completed by a licensed inspector
- Must be less than 6 months old
- Have paid receipt with property address and inspection date to verify home inspection complete (copy of report is not needed)

Homebuyer Education Certificate

- Have Certificate for each borrower who will be signing the Note & Deed of Trust
- Certificate is a Commission issued Certificate, signed by the instructor
- Certificate issued within last two years

Home Advantage Reservation Confirmation

- Funds were reserved after the Purchase/Sale Agreement was fully accepted by borrower and seller and after all borrowers attended an approved Homebuyer Education seminar
- All loan terms consistent with reservation (loan amount, sales price, interest rate, loan type, etc.)
- Property address consistent with reservation
- Lakeview - Loans must not be aged more than 45 days from the loan closing date until the time the loan is delivered to Lakeview for purchase. This includes the date the credit and closing file is received and the loan is eligible for purchase. All loans must be purchased by Lakeview within 60 days of the note date.**
- IHFA – All loans must be purchased within 60 days of the note date.**
- Funds for any Home Advantage or alternate Downpayment Assistance program have been reserved

Home Advantage Documents Complete

- Most current versions of forms used; see Forms Section of Program Manual at: <http://www.wshfc.org/sf/HAforms.html>.
- Pre-Closing Compliance Checklist (Form 15.13)
 - Top portion fully complete with all current Lender contact information
 - Have all required exhibits per checklist
- If applicable, Downpayment Assistance or Subsidy Worksheets complete and signed by Underwriter and have any additional exhibits required by the particular Downpayment Assistance or Subsidy program.

Residential Loan Application (Form 1003)

- All terms consistent with the reservation, DU findings, and signed underwriting transmittal
- Income consistent with the reservation, DU findings, and signed underwriting transmittal
- Family size is consistent with reservation; Explain any discrepancies
- Borrower has not owned a primary residence in the last 3 years, unless purchasing in a targeted area for some specialty Downpayment Assistance or Subsidy programs' Does not apply to the Home Advantage downpayment assistance program.

Credit Report

- All borrowers must have a minimum 620 credit score, unless other restrictions apply. Follow investor guidelines.

Credit Report for Specialty Downpayment Assistance Programs (ARCH, Bellingham, HomeChoice, Pierce County, Seattle, Tacoma & Veterans)(Does not apply to Home Advantage second)

- No past mortgages within the last 3 years for all borrowers.

Asset Verification

- All liquid assets are verified and updated on the Loan Application
- Liquid assets per the Downpayment Assistance or Subsidy Worksheet are consistent with the verified amounts and the updated Loan Application as applicable

Income Verification for Home Advantage first and Home Advantage second:

Automated Underwriting System (AUS) approval and underwriter's signed 1008/92900-LT/VLA

- Under income limits of \$145,000
- Verify Borrower meets credit score requirements as shown in Credit Report section
- Verify Total Debt To Income Ratio does not exceed 50.00%, unless further restrictions apply.
- Verify loan is Approved/Eligible – manual downgrades are acceptable, as applicable.
- Verify loan amounts for the first and any second mortgages are consistent with Emphasys loan reservation, 1003 and DU findings.

Income Verification for Downpayment Assistance Program Using Credit Underwriting Limits – (Home Advantage, Veterans, HomeChoice, House Key Plus CLT, & Opportunity)

- Verify Borrower is under income limits per program guidelines based on the AUS and underwriter's 1008/92900-LT/VLA

Income Verification for Specialty Downpayment Assistance Program Using Compliance Income Limits (Seattle, ARCH, Tacoma, Pierce County, & Bellingham)(Does not apply to Home Advantage second)

- Have VOE and current paycheck stubs for all jobs currently held by the borrowers or by additional occupants
- VOE verifies 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)
- Have minimum of two paycheck stubs for each employed borrower or additional occupant and they are no older than 45 days
- VOE and paycheck stub provide consistent information or discrepancies have been explained
- If purchasing as Married, Separate Estate, the income of the non-purchasing spouse has been documented
- Child support and alimony income has been addressed or documented
- Income for all occupants has been addressed or documented, including occupants that will turn 18 years old within the 12 months following loan closing
- Have current income verification of all income sources, including verified cash value of all assets
- Verify Borrower is under income limit for downpayment assistance program

Tax Returns for Downpayment Assistance Programs Using Compliance Income (Does not apply to Home Advantage).

- Have signed and dated copies of complete federal income tax returns filed for the three tax years (photocopies of signatures and dates are acceptable)
 - If borrower was not required to file, have signed and completed Statement of Income Tax Filing (Form 15.12) for the applicable tax year
 - Tax Transcripts issued by the IRS are acceptable in lieu of a copy of the tax return; Tax Transcripts do **not** need to be signed and dated; if a 1040 was filed, documentation must verify that a mortgage interest deduction was not claimed
 - Unacceptable forms are:
 - E-file Tax Declaration Form 8453
 - Printouts from the tax preparer's computer
 - Printouts from Credit Bureau links to the Internal Revenue Service
- Have complete returns, with all schedules included
- All income sources disclosed on tax returns have been documented
- All dependents on tax returns match loan application and reservation or discrepancies have been explained

- Have 3 years of tax returns for non-purchasing spouse regardless of occupancy.
- Verify all Borrowers have no Mortgage Interest Deductions

Tax Returns for Downpayment Assistance Programs Using Credit Underwriting Income (Does not apply to Home Advantage)

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 - If borrower was not required to file, have signed and completed Statement of Income Tax Filing (Form 15.12) for the applicable tax year
 - Tax Transcripts issued by the IRS are acceptable in lieu of a copy of the tax return; Tax Transcripts do **not** need to be signed and dated; if a 1040 was filed, documentation must verify that a mortgage interest deduction was not claimed
 - Unacceptable forms are:
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Appraisal

- Subject property located in the state of Washington
- Have acceptable appraisal according meeting requirements of the loan type (Note: "Drive-by" appraisals are not acceptable)
- Subject property is a single family residence including a townhome, condo or manufactured home (follow investor guidelines).

Miscellaneous

- Maximum Total Debt to Income Ratio is 50.00%, unless other restrictions apply.**
- Holdback meets requirements of loan type and do not need pre-approval by master servicer.
- Subordinate Financing, other than Home Advantage Downpayment Assistance or Subsidy programs, has been approved your underwriter and noted on the 1008 of 92900LT
- File has been approved to close by the Commission
- If using Home Advantage Downpayment Assistance or Subsidy, separate income calculation is complete and within applicable program limits
- If Conventional,
 - Fannie Mae is acceptable to the Commission (see Program Manual)
 - DU Findings do not require pricing adjustments/delivery fees, unless the product type is a standard Fannie Mae
 - Use the HFA Preferred Product

Compliance Income Calculations (Does not apply to Home Advantage)

The income calculation for the purpose of determining Program loan eligibility for federal tax purposes is an entirely different process than the one used for credit underwriting.

The income used for Program purposes is the anticipated (future) income for the 12 months following Mortgage Loan closing. The income used to qualify the Borrower(s) for credit underwriting may not exceed the income used to qualify for Program compliance. (Exception: foster care payments may be used for credit underwriting even though they are excluded for Program loan eligibility). Compliance income is the sum of: monthly gross pay; any additional income from overtime, part-time employment, bonuses, dividend, interest, royalties, pensions, IRAs, 401(k) plans, Veterans Administration (VA) compensation, net rental income, etc.; and other income (such as alimony, child support, public assistance, sick pay, social security benefits, unemployment compensation, income received from trusts, and income received from business activities or investments.) Income from all sources must be verified and included when calculating the compliance income. The income of all residents 18 years or older (related and unrelated) must be included in the calculation of compliance income and may not exceed the Program limits established by the Commission at the time of loan closing. Lenders must determine the household earnings for the "current period." The "current period" begins with the pay period prior to the date of loan application and ends at loan approval. See Chapter 3 of the House Key Program Manual for additional information or on-line at: <http://www.wshfc.org/sf/finalhkmanual.pdf>.

To be eligible for a Program loan, an applicant's Annualized Gross Household Income must not exceed the Program income limits at the time of loan closing:
Please see our Website for income limits for Downpayment Assistance programs using Compliance Income.

Income Calculation Worksheet

	Borrower	Coborrower
<u>Base Pay</u>	\$	\$
<u>Overtime</u>	\$	\$
<u>Bonus</u>	\$	\$
<u>Commission</u>	\$	\$
<u>Other</u>	\$	\$
<u>Subtotals</u>	\$	\$

TOTAL COMPLIANCE INCOME (ANNUALIZED): \$ _____