

Home First DPA Program

Lender Processing Information

The Home First DPA loans are reserved and processed the same as all normal Home is Possible loans with the following additions:

- A. Lenders must complete and submit to NHD the following two documents at least 5 days prior to closing:
 - 1. Worksheet for Documenting Eligible Household Income & Residency
 - 2. Dodd-Frank Certification

Both of these one-page documents will be automatically generated on the eHousingPlus platform at the time of reservation. These two documents, along with the residency verification, must be sent by encrypted email to the following address at least 5 days prior to closing: dpacer@housing.nv.gov

- B. NHD will review the documents and email lender a “Clear to Close” letter within 24 hours of receiving email. If borrower does not meet program requirements, lender will be emailed an “Ineligibility” letter. The lender must receive a “Clear to Close” letter prior to closing the loan. *
- C. Both the “Clear to Close” letter and the Dodd-Frank Certification should be included in the post-closing file sent to eHousingPlus.

* Receiving a “Clear to Close” letter means NHD has reviewed the required documents submitted by the lender and based on this information, the borrower(s) meet guidelines. The “Clear to Close” letter does not indicate NHD has verified the income calculations submitted.

WORKSHEET FOR DOCUMENTING ELIGIBLE HOUSEHOLD INCOME

Determine eligible household income for the NHD Home First DPA Program by following instructions listed on attached Addendum A.

GENERAL INFORMATION

| | | | |
|---------------------|-----------------------|---------|-------------------|
| Borrower Last Name: | eHousing Plus Loan #: | Lender: | Reservation Date: |
| | | | |

INFORMATION ON HOUSEHOLD MEMBERS

| Name | Age | Receives Income? Y/N | Total Monthly Gross Income |
|--|-----|-------------------------|-------------------------------|
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| Total Monthly Household Income | | | |
| TOTAL YEARLY HOUSEHOLD INCOME (Total Monthly Income X 12) | | | |
| NUMBER OF PERSONS IN HOUSEHOLD | | | |

NHD HOME FIRST DPA PROGRAM - HOUSEHOLD INCOME LIMITS (300% of FPG)

| # of Persons in Household | Annual Income | # of Persons in Household | Annual Income |
|------------------------------|------------------|------------------------------|------------------|
| 1 | \$40,770 | 5 | \$97,410 |
| 2 | \$54,930 | 6 | \$111,570 |
| 3 | \$69,090 | 7 | \$125,730 |
| 4 | \$83,250 | 8 | \$139,890* |

*Add \$14,160 for each additional family member.

NHD HOME FIRST DPA PROGRAM - RESIDENCY VERIFICATION

At least one occupying borrower has been a resident of Nevada for at least six (6) months prior to loan reservation date. Please provide a photocopy of the qualified buyer's Nevada Driver's License or State Issued I.D.

I certify under penalty of perjury that the income and residency information provided above is to the best of my knowledge true and accurate.

_____ Date

_____ Lender Representative Name (Please Print)

_____ Signature

ADDENDUM A
DETERMINING INCOME FOR
HOME FIRST DOWN PAYMENT ASSISTANCE (DPA) PROGRAM

**An Underwriting Guide for Determining Borrower and
Occupant Income for Household Income**

Program qualifying income (or compliance income) is not the same as credit qualifying income. The calculation of Program qualifying income is different than the calculation of credit qualifying income, the income that is used for credit underwriting your borrower's FHA, USDA-RD, VA, or Fannie Mae/Freddie Mac Conventional loan.

Program qualifying income considers the income of borrowers and their spouses (regardless of spouse's occupancy of the primary residence and whether or not a party to the loan) AND all household members 18 years of age or older (related or unrelated).

Unlike income that is averaged for credit underwriting, the Nevada Housing Division Home First DPA Program considers the actual Current Gross Annual Income. You should be reviewing the YTD income and the income shown on previous tax returns for consistency. If there are not inconsistencies in earnings, use the below for determining the actual Current Gross Annual Income for each occupant 18 years of age or older. Current gross monthly income is generally determined first then it is multiplied by 12 months to determine the total Current Gross Annual Income. Upon the determination of Current Gross Annual Income for each occupant, the Household Income can then be determined and compared to the Income Limits and household size for the county in which the borrower(s) are purchasing to determine if the borrower(s) are eligible.

Please note that this serves as a guide only. Underwriters and Lenders must determine the most accurate actual Current Gross Annual Income based on the pay documentation collected from borrower(s) and spouse(s) and other occupants 18 years of age or older. Underwriters and Lenders must exercise due diligence in determining Household Income and collect the appropriate pay documentation for each occupant 18 years of age or older that supports and validates the Program qualifying income of each occupant. Please note that this documentation may vary from borrower or occupant depending on the borrower or occupant's profession, income source, work schedule or how often income is received. Just as a Lender would collect the necessary income documentation to support and validate credit qualifying income for a borrower, Lenders should collect the necessary income documentation to support and validate the Program qualifying income of the borrower(s) and/or occupant(s).

Gross monthly income considers the sum of monthly gross pay; any additional income from overtime, part-time employment, bonuses, income from self-employment, dividends, interest, royalties, pensions, VA compensation and net rental income, other income (such as alimony, child support, sick pay, social security benefits, unemployment compensation, income received from trusts, and income received from business activities or investments), and the continuation of which is probable for the next 12 months based on foreseeable economic circumstances determined at the time of application.



Program Qualifying Income: Household Income will be confirmed on the eHousingPlus eHPortal, Underwriter's Certification. Any income obtained from this document that reflects a Household Income exceeding the income limit will result in the pending of the loan file and non-purchase of the loan until Lender resolves the discrepancy. Lenders can resolve by providing any necessary documentation to support income eligibility or, if it is determined through the review of additional documentation submitted by the Lender that the Household Income does exceed the Income Limit, the loan will be cancelled, and the borrower will not be eligible for participation in the Program. Use the information below as a general guide. Please contact the eHousingPlus Compliance Team with any questions or concerns at services@eHousingPlus.com or 954-217-0817.

IMPORTANT! PLEASE READ.

Alternative pay or income documentation used to support Household Income should be retained by the Lender and any alternative documentation used to validate Household Income should be acceptable to the Loan Agencies (FHA, USDA-RD, VA, Fannie Mae/Freddie Mac Conventional). Alternative pay or income documentation includes, but may not be limited to, current pay stubs which delineate "current period", W-2's, for all borrowers and all employers, and bank statements to verify the receipt of income. If W-2's are present in the loan file, Lenders should verify that the total of W-2's presented equals the income shown on borrower / occupant tax returns. For clarification on which documentation should be submitted to eHousing to confirm borrower(s) are eligible for participation in the Program, please see the "Closing, Shipping and Clearing Loans for Purchase" section of this Lender Guide.

Pay or income documentation to support credit underwriting for the first mortgage loan and to support AUS findings are forwarded to the Master Servicer upon loan closing in the first mortgage closed loan file. **The Master Servicer does not re-underwrite loans.** The Master Servicer will confirm that the pay/income documentation included with the first mortgage closed loan file supports the AUS findings and credit underwriting approval.

Verification of Employment

A verification of employment (VOE) may not be required if acceptable pay/income or alternative pay/income documentation can validate Household Income. If a VOE is required by the Agencies, then it should be obtained for credit underwriting, but it may not necessarily be considered in determining Program income if alternative documentation provides a more accurate reflection of a borrower / occupant's Current Gross Annual Income.

Income from a Salary or Wage

Using the last 4 – 6 weeks' pay stubs, add together the gross pay from each pay stub supplied. Divide this total by the number of pay stubs and then multiply by the number of pay periods within a year (i.e., if paid bi-weekly multiply by 26, if bi-monthly multiply by 24, etc.).

Commission / Bonus Income

If commission income was noted to have been received as YTD on the 4 – 6 weeks of paystubs supplied, but was not actually received during the review period:

Divide the YTD commission / bonus income by the number of pay periods that have already occurred in the year to obtain the average per pay period. Multiply this average by the total number of pay periods in the year. Add this amount to the calculated income from salary or wage.



Self-Employed / Income from Business

Use the quarterly tax returns and financial statements to identify the current net YTD income. Add back in any depreciation. Divide the YTD income by the number of months during which it was earned and multiply by 12. Losses from a business cannot be deducted from another source of income.

Verification that Overtime, Bonus or Commission payments are terminated

If OT was received during the 4 – 6 weeks of pay subs provided, or bonus or commission income was noted as paid in the YTD information, but verification has been provided in writing from valid third-party source (i.e., employer confirming termination of such income or that it is not likely to continue or change in employment status ceased these payments), you may remove these amounts received when calculating the Program income.

Interest / Dividends

Use current earnings statements issued by the bank, investment broker or agent. Identify the YTD interest or dividend earnings. Divide by the number of months this YTD represents and multiply by 12. If statements are not available, and the terms of the investment agreement are available, multiply the principal amount of the asset times the annual interest yield factor for a projected interest earnings amount. If neither are available, use the previous year's earnings statements or tax returns to identify the total annual interest and dividend income. If the assets are still invested in the same instruments, use the previous year's figures.

Alimony / Child Support

Use the monthly amount appearing in the divorce decree, separation agreement or other support document. If the borrower / occupant receives more or less than the amount stipulated in the agreements, use the monthly figure that the borrower / occupant declares and that can be verified (on bank statements for example).

Multiply the verified or calculated amount from the above process times 12.

Pensions / Temporary Payments

Use the benefits statement issued by the benefits provider (pensions, workers compensation, disability compensation, social security, AFDC, etc.) to identify the amount of the benefit, payment frequency and expected term of benefit. Multiply the amount of the benefit times the payment frequency. If the benefit is absolutely not payable to the recipient beyond a given date (a verifiable complete and permanent stop of benefits without extensions, exceptions, waivers or other conditions) and such date is within 12 calendar months of the anticipated closing date, then calculate the benefits expected through the end of the benefits term.

Boarder Income

All income of persons 18 years of age or older who are expected to principally and permanently reside in the residence being financed must be included in the calculation of Current Gross Annual Income. Anticipated Rental Income from 2 – 4 Unit Properties Anticipated rental income from the property being purchased is not included in the calculation of income for Program purposes but may be treated as detailed in Agency guidelines. If the borrower / occupant currently receives income from rental property, that income must be included in the calculation of income. Use the last year's tax returns to establish any rental income and remember to add back depreciation.



Calculation of Current Gross Annual Income

Add together all sources of income per each borrower / occupant. Compare the calculated Current Gross Annual Income to paystubs, VOE's, the previous year's income per W2's and tax returns. You should not note significant differences that cannot be accounted for (i.e., Child Support income). In some cases, the Current Gross Annual Income will be higher than the previous year's income. Significant variances should be attributable to increases/decreases in pay or number of hours worked. If paystubs are being used as confirmation of eligibility, Lenders should note within their loan file any variances and why any variances have occurred.

Calculation of Household Income

Add together the Current Gross Annual Income calculated for each borrower / occupant. Compare the Household Income calculated to the Income Limit to ensure compliance with Program requirements.

