Top Trending Mortgage FAQs

Focus on Assets & Income



MGIC

Borrower's willingness to **Credit** repay a loan Borrower's ability to repay based on Capacity The Four Cs the amount & stability of income **Borrower's investment in the** Capital property from savings & other sources Property's value & marketability to provide adequate security for the Collateral loan based on the appraisal MORTGAGE GUARANTY 2 INSURANCE CORPORATION

Asset FAQs MORTGAGE GUARANTY INSURANCE CORPORATION



Please address assets from a nonborrowing spouse or significant other.

Is a gift letter required when the funds are not from a joint account?

Regarding gift funds – How do we document if an unrelated person has close family ties?

Pop quiz

Can a relative, who is also a real estate agent, give a gift to the borrower for the down payment?

Answers:

- a) Yes
- b) No
- c) It depends

Is cryptocurrency an acceptable asset?

Income FAQs MORTGAGE GUARANTY INSURANCE CORPORATION 9

Pop quiz

What income should be used if the borrower is currently employed but the employer has notified the lender that the borrower elected to retire?

Answers:

- a) Current income as the borrower is still employed
- b) Verified retirement income
- c) The lower of the two pay structures
- d) The borrower must wait until they are retired and reapply for the loan

How can we use retirement income to help our borrowers qualify?

What are your biggest challenges when it comes to variable income?

How do you know what base pay, overtime, and shift differential are by just looking at a pay stub or a W2?

Beware of recent changes

Change in compensation
Change in position
Change in employment
Change in pay structure

Pop quiz

If the borrower recently received a raise, one method of calculating the qualifying variable income would be to multiply the new rate of pay by the average number of hours worked as verified on the VOE?

Answers:

- a) No
- b) Yes

Freddie Mac income trend analysis

- Degree of fluctuation ≤ 10%: The income trend is considered consistent. No additional analysis or documentation is required when calculating the qualifying income.
- Degree of fluctuation > 10% ≤ 30%: No additional analysis or documentation is required when the increase is supported by the documented income breakdown and/or verification of pay raise.
- Degree of fluctuation > 30%: Additional analysis and documentation are required to determine income stability and develop an accurate calculation of qualifying income.
- Declining trend: Use the YTD income and do not include the previous higher level unless there is documentation of a one-time occurrence (e.g., injury) that prevented the borrower from working or earning full income for a period of time and evidence that the borrower is back to the income amount that was previously earned.
- Declining trend > 10%: Further analysis and additional documentation may be necessary to determine whether the income is currently stable. This analysis must include the reason for the declining trend, and support that the current income has stabilized.

Mortgage Guaranty
Insurance Corporation

Can we talk about RSU income?

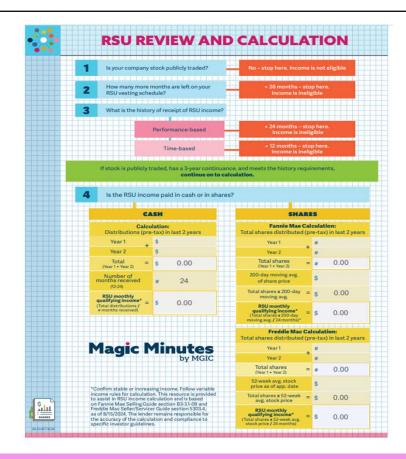


Restricted stock units (RSUs)

Are restricted stock units part of your borrower's compensation? Don't panic. This tutorial will take you step by step through the process of documenting, analyzing and calculating income from this source. We'll go over 2 case studies to help you understand what questions to ask, what to consider, and how to correctly calculate income from RSUs.

Watch it on YouTube ►

RSU review and calculation tool ►



Pop quiz

My borrower recently renegotiated their child support payment amount from \$800 to \$1200 per month. Can the higher amount be used for qualification?

Answers:

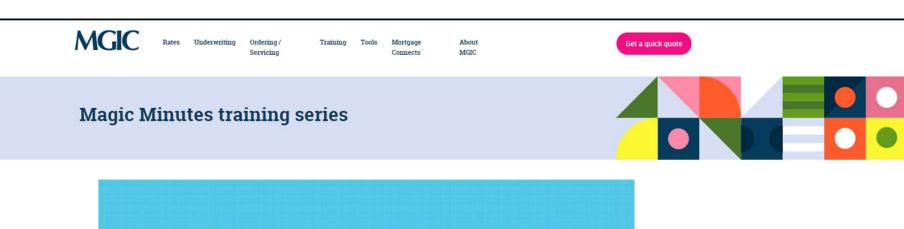
- a) No
- b) Yes
- c) It depends

What are your biggest challenges when it comes to rental income?

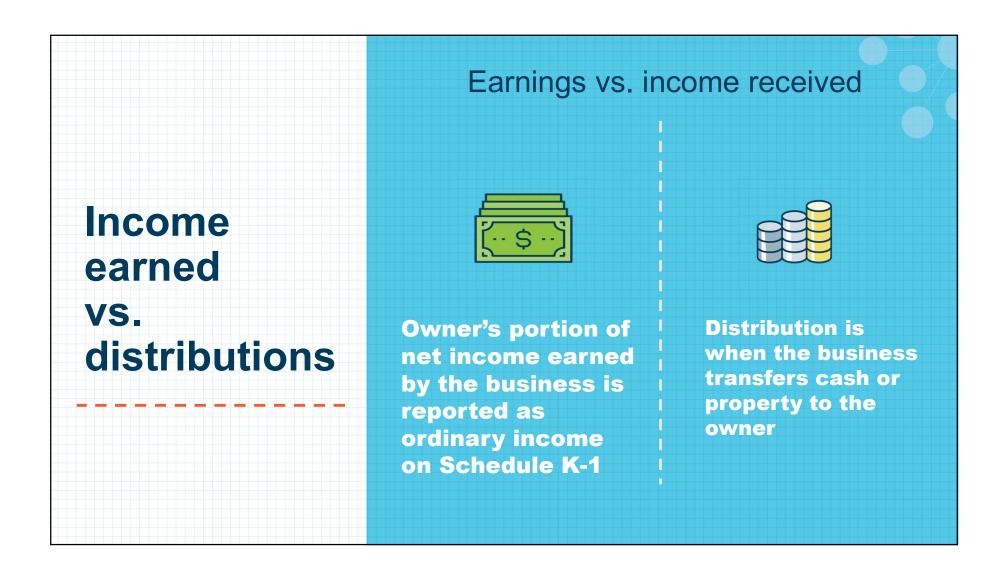
Should a borrower be considered when their only source of income is Schedule E rental properties?

How does 8825 income work? Does it go on the SAM or the rental worksheet?

What are your biggest challenges when it comes to self-employed income?







5 possible Schedule K-1 scenarios

- Distributions = Ordinary income
- 2 Distributions < Ordinary income
- Ordinary income is positive, but no distributions are indicated
- Distributions > Ordinary income
- Ordinary income is negative, but there are distributions

Pop quiz

Borrower's business has been in existence for over 10 years. In 2023, the business structure changed from a sole proprietorship to a partnership. What tax returns are needed?

Answers:

- a) Since the business has been in existence for over five years, only the 2023 1040s and 1065s are required
- b) Two years of personal tax returns as well as 2023 1065s

What is your best advice to prevent the back and forth in and out of underwriting and changing of income calculation?

Let us earn your business

Get a free MI quote



mgic.com/MIQ



Explore training & special events

mgic.com/training

Connect

MGIC account manager mgic.com/contact

Training email training@mgic.com