

## **Chapter 15 DELEGATED UNDERWRITING**

### **Delegated Underwriting Authority**

In order to qualify for Delegated Underwriting Authority (DUA), a lender must achieve and maintain certain performance standards in all areas. A description of the requirements can be found at the end of this document. Once this rating has been established for a minimum of six (6) months, the lender may designate an underwriter or underwriters from their shop to obtain PHFA Delegated Underwriting Authority. PHFA will also have to approve this person or persons. Once approved, the underwriter(s) will need to complete a half day training course. Upon completion of the training, each person will be assigned a Delegated Underwriter number. A separate number will be assigned to each approved delegated underwriter working for XYZ lender. An individual with DUA will have the ability to approve loans for credit and PHFA compliance on behalf of the Agency without having to submit an underwriting package prior to Purchase. In lieu of submitting a full underwriting package, a web based "Loan Approval Form" located on our Internet Reservation site will need to be completed and transmitted to the Agency prior to submitting the full loan package for purchase. As results of completing this information in the system you will receive an approval which must be submitted in the purchase package. Please note: the loan will not be eligible for purchase without this information being completed and submitted to the Agency.

The first ten (10) loans submitted by each approved Delegated Underwriter will be considered as test cases and will be reviewed prior to purchase to ensure the credit and compliance documents are adequate. Upon satisfactorily completing these test cases, a lender may continue to utilize their DUA. From that point on, the Agency will review a percentage of every delegated underwriter's loans after purchase. Should it be discovered that any of the required information is missing, the lender will be notified and have 30 days to obtain and submit the necessary documentation. If the documentation cannot be obtained, the lender may be required to purchase the loan back. In order to continue utilizing your delegated underwriting authority, the lender and underwriter must continue meeting the requirements referenced at the end of this appendix. Each lender will be evaluated on a monthly basis. A copy of the evaluation form that will be used to rate the delegated submissions is available to all lenders upon request.

When a delegated underwriter leaves their current lender, their delegated underwriting number will be disabled. If the delegated underwriter becomes employed with another approved lender, and the new lender wishes to utilize this persons' authority, the delegated underwriter number will be re-activated under the new lender. If the delegated underwriter becomes employed with a PHFA lender who is not approved for delegated underwriting, they will not automatically be eligible to submit loans this way. Before the underwriter can continue to use their delegated underwriting authority, the lender will have to meet the

requirements detailed at the end of this appendix. Once the requirements have been achieved, the delegated underwriter may once again receive delegated underwriting authority.

### **Loans that can be delegated**

Loans that may be selected for delegated underwriting are those that were processed through Desktop Underwriter, Loan Prospector, CLUES or Decision Server and received an “Approve” or an “Accept” rating. Loans that have received a Refer, Ineligible, Out of Scope, and Expanded Approval rating or simply have no credit scores must be manually underwritten by an underwriter within your organization. If acceptable, the loan may be submitted to PHFA for pre-approval prior to purchase.

Since some lenders do not have access to or choose not to use DU, LP, CLUES or Decision Server, we will allow loans to borrowers who have median credit scores of 660 or higher to be delegated. The minimum credit score requirement pertains to all potential borrowers on the loan. As a result, if any of the borrowers have a median credit score below 660, a manual underwrite must be performed and if found acceptable, the complete underwriting package is to be submitted to PHFA for pre-approval prior to purchase.

### **Loans Ineligible for Delegated Underwriting**

The following products are ineligible for delegated underwriting; HOMESTEAD, Access Modification, Access Down Payment and Closing Cost Assistance, Employer Assisted Housing loans, Tax Credit Advance Loan and the Keystone Refinance Loan (REAL) program.

### **Where to begin/Internet Instructions**

After approved as a delegated underwriter and assigned a number, you may begin using the new system. To get started, go to our website at [www.phfa.org](http://www.phfa.org). Once there, click on “Lenders & Brokers” under the Homeownership Professionals section. Then click the “Lender Login” selection. On the next screen key in your lender number, your user ID and your password; then click on “Log-in”. The next screen will be the “Lender Menu” and it is here where the “Delegated Underwriting” button will appear. Note, only those who have been approved and assigned a DUA number will have this “Delegated Underwriting” option on their screen.

### **System Overview**

Once signed into the system, select the “Delegated Underwriting” button to begin. The next screen is titled; “Loans Eligible for Delegated Underwriting by XYZ Lender”. From this screen, there are two choices; “Show Loans Not Approved” and “Show Loans Approved but Not Closed”.

To locate the loan to be delegated, click on the “Show Loans Not Approved”, button. All loans reserved by your organization will appear; just select the loan to be processed through delegated underwriting.

To select the borrower for underwriting, click on the button to the left of their name and then click “Select for Loan Approval” (at the top or bottom of the page). A one page form will appear. The information submitted at the time of reservation will already be completed. At this point, the balance of the information will need to be completed in order for our system to accept the closing package when it is submitted for purchase. Since several of the fields contain a drop down box requiring a code to be selected or requiring information you may not be familiar with, we have added a “?” (description box) to provide an explanation of the information or code needed to complete the information accurately. In addition to the “?”, a “reference sheet” has been developed to facilitate the selection process. This identifies all of the codes and provides a definition for each. This alternative to the “?” can be found at the end of this chapter. Please feel free to print it and refer to it while completing the approval process.

The second option, “Show Loans Approved but Not Closed” shows all of the loans approved and submitted through the delegated underwriting system. To view the information on a particular loan, or to make certain changes on an approved loan, click on the button in front of the name and click on “Select for Update”. From here you will be able to change certain information as explained below. This option should also be used whenever there is a change to the borrowers information such as increase/decrease in loan amount or you need to correct a typo, etc.

### **Entering the loan information**

The first section to be completed is the borrower’s “Demographics”. Please note most of the information was “auto populated” from the reservation, so please review for accuracy. Changes can be made to the Borrower(s) Name, Age and Gender. Due to security purposes and the possibility of having more than one reservation for a borrower, the social security number field will be locked. If a correction to the social security number is needed, please contact our underwriting department at (717) 780-3871 to make the correction.

Completing the balance of the information in the Demographics section:

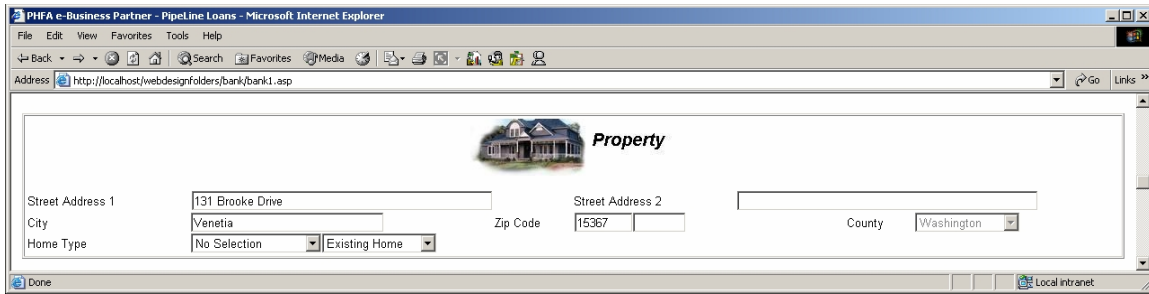
**Demographics**

	Borrower	Co-Borrower	3rd Borrower	4th Borrower	1st Co-signer	2nd Co-Signer
Last Name	Miller					
Suffix						
First Name	Tammy					
Middle Initial	J					
Social Security	999-99-9999					
Credit Score						
Gender	Female	No Selection				
Ethnicity	No Selection	No Selection				
Race	Unknown	Unknown				
Age	25					
<input checked="" type="checkbox"/> 1st Non-Purchasing Co-Owner		<input checked="" type="checkbox"/> 2nd Non-Purchasing Co-Owner				
Last Name						
Suffix						
First Name						
Middle Initial						
Social Security						

First Time Homebuyer  
  Yes    No  
  Head of Household  
 No Selection  
  Household Size   03

- **Credit Scores** – Reference the borrower(s) median FICO score, do not leave the space blank or use anything other than the borrowers 3 digit score. You will only need to input a credit score for the first two borrowers. If there are more than two borrowers, you will not need to reference the credit score of the additional person(s).
- **Co-Owner(s)** – If the borrowers significant other intends to take title of the property by being on the Deed, Mortgage and Title Policy, place their name and Social Security number (if available) in the appropriate fields. If they have no intention on being on any documents, do not reference them in any fields.
- **Ethnicity** – You will need to reference the ethnicity of the first two borrowers. We require this information for HMDA purposes. The ethnicity will either be “1” for Non-Hispanic or “2” for Hispanic.
- **Race** – You will need to select the category that best describes the race the borrower selected on the application.
- **Head of Household** – select the appropriate household composition. Please not that a traditional married couple with or without children is to be coded “None of the Above”.

The next section encompasses the “Property” information. See sample below:



The property address and the new or existing home type will be displayed as it was completed on the reservation screen and must be reviewed for accuracy. Corrections can be made to the street name, city, zip code and the type of property that was selected (new or existing). If a loan was registered in the wrong county, it will be necessary to contact the underwriting department at the Agency to have the correction made. The only piece of data requiring completion in this section is the “**Home Type**”. A drop down box provides the various property types, i.e. detached, semi-detached, condo, row, etc.; select the appropriate type.

Next, is the “Financial” data. See sample below:

Financial			
<input type="checkbox"/> Purchase Price	\$ 82,500	<input type="checkbox"/> Closing Costs	\$
<input type="checkbox"/> Market Value	\$	<input type="checkbox"/> Existing Improvements	\$
<input type="checkbox"/> Loan Amount	\$ 81,852	<input type="checkbox"/> Land Value	\$
<input type="checkbox"/> MIP/VARHS Fee	\$	<input type="checkbox"/> Purchase Total Acquisition Cost	\$
<input type="checkbox"/> Household Current Income	\$ 50,000	<input type="checkbox"/> Loan to Value	99.21 %
<input type="checkbox"/> Gift Amounts & Categories	\$ No Selection	<input type="checkbox"/> Gift Amounts & Categories	\$ No Selection
	\$ No Selection	<input type="checkbox"/> Gift Amounts & Categories	\$ No Selection
	\$ No Selection	<input type="checkbox"/> Gift Amounts & Categories	\$ No Selection

denotes a "calculated" value

Like the other areas, some sections are auto populated with the information from the reservation. Review for accuracy and make any necessary changes. All dollar amounts are to be referenced in whole numbers; no cents can be entered.

Completion of this section is as follows:

- **Purchase Price** – Complete cost to purchase home. Includes any/all improvements and land if obtained separately on new construction. For land purchased in past 2 years, use the actual cost. Use the estimated site value from the appraisal for land owned more than 2 years or if acquired as a gift at any time.
- **Market Value** -- Reflect the appraised value from the appraisal.

- **Loan Amount** – Total amount to be financed as the first mortgage. This amount should also include any fees being financed in the mortgage amount. For example; FHA upfront premium, VA fee, RHS Guaranty fee and when utilizing the “Split Premium” options conventionally.
- **MIP/VA/RHS Fee** – Show amount of FHA/MIP, VA Funding Fee, RHS Guaranty Fee or amount of the upfront Mortgage Insurance being financed. If not being financed, leave blank.
- **Closing Costs** – For RHS loans only. Reference the amount of closing costs the borrower is financing in the mortgage amount. Do not include the Guaranty Fee. Do not reference the PHFA Closing Cost Assistance in this section.
- **Existing Improvements** – For existing properties under the purchase improvement program, enter cost of repairs and/or improvements. For new construction, reference the “as is” value of the site improvements (found in the “cost approach” section of the appraisal) for any existing improvements (i.e. septic, well, driveway, etc).
- **Land Value** – If new construction and the land was owned over two years, use the estimated site value from the appraisal.
- **Purchase Total Acquisition Cost** – Actual cost to complete home, including any/all improvements. For land purchased within the last two years, use actual cost. If it was acquired from a relative as a gift within the past two years, use the estimated site value from the appraisal. Do not include land if obtained over two years ago. If the property is existing, use the purchase price for the property and any of the seller’s closing costs being paid by the borrower(s), if applicable.
- **Household Current Income** – Reference the projected annual income of all adult members to live in the home. Do not include income from dependant children who are full time undergraduate students.
- **Household Adjusted Gross Income** – Reference the Adjusted Gross Income from the Federal tax returns for most recent year for all adult members living in the home. Do not include income from dependant children who are full time undergraduate students. If their most recent year tax return was missing (but requested) and you do not know the actual Adjusted Gross Income, place a “1” in the box. Be sure that you have used the appropriate “Tax Code” referenced in the Demographics section.
- **PHFA Assistance** – Available with the Keystone Home Loan and Home Loan PLUS Program. Amount of assistance will be calculated by the system upon completion of the Needs Assessment Form. The Needs

Assessment Form will automatically appear as the last screen to be completed if the borrowers qualify for assistance. If the borrower is not requesting Assistance from PHFA, do not complete the Needs Assessment Form.

- **Loan to Value** – No entry required. The system will calculate this field by dividing the loan amount by the lesser of the purchase price or appraised value. If you wish to see the LTV ratio before submitting the Loan Approval, click on the “Calculate” button at the bottom of the screen. The system will instantly calculate the LTV and display it on the screen.
- **Gift Amount and Categories** – Reference the dollar amount of the gift being given. Then choose the source of the gift from the selections provided. (If borrower receives down payment and/or closing cost assistance from a previously approved organization and there is a monthly repayment due and payable in the future, select “subordinate financing” as the gift category. If they are forgiven immediately or over a period of time, select “non-profit organization”). Loans receiving gifts, grants or subordinate seconds will automatically receive a condition for proof of receipt of the funds. Be sure the purchase package contains this proof.

The "Mortgage Insurance" section is next. See sample below:

**Mortgage Insurance**

Guaranty Provider & Plan Type: No Selection

Commitment Effective Date (mm/dd/yyyy):

Approval Certificate #:

Coverage %: 00 %

denotes a "calculated" value

To complete this section, select the Mortgage Insurer or Guaranty provider from the list provided. When selecting the MI Company for conventional loans, be sure to also select the correct “Plan” being utilized (i.e. Level, Standard, Monthly, No Upfront, 97%, etc.). Please be sure to read the options carefully. Each insurer has several available. It is essential that you choose the correct plan. If a conventional loan has an LTV equal to or less than 80%, select the option “Pool Only”. The Commitment Effective Date is the date the insurer issued their certificate or conditional commitment. The field requires a two digit month and day and a four digit year. The Approval Certificate number is to be the commitment number of the Mortgage Insurer, FHA, VA or RHS. When referencing the RHS certificate number, drop the “0” after the state code of “44” and before the county code. The system will only accept thirteen (13) digits. If the

zero is not dropped, the system will drop the last number which in turn will result in an incorrect number. The last piece of data shows the amount of coverage required on a conventional loan. The system will automatically complete this section based upon the calculated LTV. If you wish to see this percentage before submitting the Loan, click on the “Calculate” button at the bottom of the screen. The system will instantly respond and show you the percent of coverage required. Review the Mortgage Insurance Certificate to ensure it reflects the correct premiums and amount of coverage needed.

The last section is called “Miscellaneous” (provided this is not a Keystone PLUS loan).

The screenshot displays the 'Miscellaneous' section of a mortgage application form. At the top, there is a diagram showing a house icon with 'HOME' and 'PORTION OF HOME EQUITY FINANCED' labels, and a flowchart below it with 'CASH' and 'FINANCEMENT' boxes connected to an 'INCOME' box. The form fields are as follows:

- Program Code: No Selection (dropdown)
- Automated Underwriting: No Selection (dropdown)
- Underwriting Ratios: Two empty text input boxes
- Counseling Agency: No Selection (dropdown)
- Loan Type: FHA 203(b) (dropdown)
- Piggyback Loan Type: No Selection (dropdown)
- Notepad: 2000 (text input)

All areas in this section must be completed. In order to do so, the following represents what must be inputted and/or selected in each box:

- **Program Code** – Only needed when the borrower is receiving a Section 8 Homeownership Voucher from a Housing Authority. If this is the case, select the payment type of the Voucher. If this does not apply, leave blank.
- **Automated Underwriting** – Select the approved automated underwriting system used for approving this loan. Expanded Approvals, Ineligibles, Refers, and Cautions are not eligible. If the loan is being delegated because all borrowers have a median credit score above 660, leave blank.
- **Underwriting Ratios** – Enter the borrower’s front end ratio in the first box and enter the total debt to income ratio in the second box. You must enter three digits in each box (including the decimal point). For example, if the ratio is 26.0, you must enter 26.0. Do not drop the third number no matter what it is.

- **Counselor Code** – If either or all of the borrowers have a credit score below 660, counseling is required. If the borrower(s) has already received his/her/their certificate from a PHFA approved counseling agency, select the Counseling Agency from the list provided. If they have not yet completed the required counseling sessions, leave blank. If counseling is completed prior to purchase, you are to go into the system and complete this information. The system will automatically condition the file for the Counseling certificate if it has not been entered. You will need to include that certificate in the Purchase Package and we will complete this field.
- **Loan Type** – Select the type of loan being underwritten: Conventional, VA, FHA 203(b), FHA 223E, FHA 234C, RHS Guaranteed, FHA/VA, FHA 203K or the special PHFA/RHS joint financing program. This last selection is only for those loans where PHFA is providing up to a maximum 50% LTV first mortgage and RHS is giving a second mortgage from their 502 subsidy program.
- **Piggyback Loan Type** – Select the type of Piggyback loan is being used; 80/10/10 or 80/15/5.
- **Notepad** – A 200 character notepad has been provided to enable a lender to add any additional conditions the loan is subject to. For example, if the property has a well, the notepad is the place to condition for a well cert. or any other certifications that may be required or anything else.

If the borrower is looking for assistance under wither the Keystone Home Loan or Keystone Home Loan PLUS program, the “**Needs Assessment**” will appear after the Miscellaneous section. The information appears as follows:

## Needs Assessment

Asset Verification			
<input type="text" value="Total Borrower Assets"/>		\$	<input style="width: 95%;" type="text"/>
<input type="text" value="Minimum Required Investment from Borrower Funds"/>	(-)	\$	<input style="width: 95%;" type="text"/>
Conventional Loans only.			
<input type="text" value="SubTotal"/>	(=)	\$	<input style="width: 95%; background-color: #f0f0f0;" type="text"/>
<input type="text" value="Asset Allowance"/>	(-)	\$	<input style="width: 95%; background-color: #f0f0f0;" type="text" value="5,000"/>
<input type="text" value="Additional Assets Available"/>	(=)	\$	<input style="width: 95%; background-color: #f0f0f0;" type="text"/>
Cash Required for Transaction			
<input type="text" value="Total Funds Needed from Borrower for Closing"/>		\$	<input style="width: 95%;" type="text"/>
Total amount required from line "P" on Page 3 of the Mortgage Application under Details of Transaction section.			
<input type="text" value="Gifts, Grants and/or other, not included in Details of Transaction"/>	(-)	\$	<input style="width: 95%;" type="text"/>
<input type="text" value="Additional Assets Available"/>	(-)	\$	<input style="width: 95%; background-color: #f0f0f0;" type="text"/>
<input type="text" value="Total Amount of Assistance Needed"/>	(=)	\$	<input style="width: 95%; background-color: #f0f0f0;" type="text"/>
If negative, borrowers need no Closing Cost Assistance from PHFA			
<input type="text" value="Total Amount of Assistance Granted"/>		\$	<input style="width: 95%; background-color: #f0f0f0;" type="text"/>
May not exceed \$2,000 or be less than \$150			

**PLEASE NOTE:** No Closing Cost Assistance will be granted on less than maximum financed loans. Any additional dollars the borrower has must go towards closing costs before additional downpayment. PHFA Assistance may be considered part of the borrower's required investment.

If PHFA's Assistance plus the borrower's Subtotal of Assets does not cover the total amount needed, borrower(s) are required to document additional sources of funds needed to cover the difference.

The HUD 1 Settlement Sheet will be used to verify the actual amount of Closing Cost Assistance disbursed at loan closing in order to determine the amount of reimbursement due the lender at the time of purchase.

The form is designed to mimic the paper version that you are familiar with. If the borrower(s) is/are not requesting Assistance, no additional information is required, scroll down and click the "Loan Approval" button. If however, the borrower is looking to obtain Assistance, the Needs Assessment information must be completed on line; do not delegate the loan and then request the assistance via the paper version in the purchase package. When completing the information on line, some of the section will automatically be calculated for you based upon the information you key on. For this reason, you must select the **"Calculate"** button before you select "Approve Loan". This way you can be sure that what you thought the borrower should be receiving in assistance is what is being given. The descriptions of the sections are as follows:

### Assets Verification

Enter the amounts in whole dollars. If a section does not apply, leave it blank. The system will calculate certain fields in this section.

- **Total Borrower Assets (excluding gifts, grants & retirement accounts)** – Enter the amount of funds in borrower(s)(and any other additional household members) bank accounts. Include any Earnest or Hand Money that have not cleared the accounts. Include CD's regardless of maturity dates, Profit sharing (if funds can be withdrawn without penalty), amount of the participation fee, qualifying fee and any other closing costs not deducted in Line "P" of the Details of Transaction on page 3 of the application.

- **Minimum Required Investment from Borrower's Funds (Conventional Loans only; otherwise enter -0-)** – Assets necessary for the minimum downpayment must be deducted from the total assets to determine the subtotal of assets available for closing costs.
  1. For 95% Conventional loans, borrowers must have 3% of the purchase price (borrowers with credit scores greater than or equal to 660, only need \$1000 of their own funds); the balance of the 5% can be a gift.
  2. For 97% loans, borrowers only need \$1000 of their own funds. The balance of the 3% can be a gift.
  3. For FHA, VA and RHS loans; -0- is to be listed on this line.
- **Subtotal** – This is an automated calculated field. The system will take the total assets and deduct the Minimum Required Investment.
- **Asst Allowance** – This is an automated calculated field. The system will deduct the amount of allowable assets the borrowers may keep
- **Additional Assets Available** – This is an automated calculated field. The system will determine the amount if applicable the borrower has in excess of the \$5000 asset limitation. If the amount is less than or equal to zero, it will place a -0- on the line. In all cases, we will require verification that the borrower(s) have sufficient funds to cover their minimum required investment and closing costs from an acceptable source.

### Cash Required for Transaction

Enter amounts in whole dollars. If a section does not apply, leave the field blank.

- **Total Funds Needed from Borrower for Closing (Total amount required from line "P" on Page 3 of the Mortgage Application under Details of Transaction section)** – These costs must come from the Good Faith Estimate of Closing Costs issued to the Borrower by the Lender. This estimate is NOT to include any monthly PITI reserves. Please Note: The VA Funding Fee, the RHS Guarantee Fee and the FHA Upfront MIP are NOT eligible closing costs because they can be financed in the Mortgage. (Be sure you have not included our CCA amount in the Details of Transaction, if you have, be sure to back it out).
- **Gifts, Grants and/or other, not included in Details of Transaction** – Enter the amount of any other assistance that is being received that was not included in the details of transaction.

- **Additional Assets Available** – This field is automatically calculated based upon any additional funds available as calculated above under section “B”.
- **Total Amount of Assistance Needed** – This field will automatically be calculated by the system when the “Calculate Button” at the bottom of the screen is pressed. If the systems calculates to be a negative amount, the borrower(s) are not to be given any PHFA CCA.
- **Total Amount of Assistance Granted** – Based upon the program they are applying under and the calculation above, the system will show the amount of assistance the borrower(s) qualified for. If the amount needed ended up as a negative, this line will be blank. If assistance is to be granted, this line will verify between \$150 and \$3000 the amount of funds the borrower(s) are eligible to receive. In no instance should a borrower receive more than what is approved.

If upon hitting the “Calculate” button it is discovered that the borrowers are not going to receive the amount of funds as originally thought, you may want to double check your figures. The system is only as good as the information provided. If an amount was entered incorrectly, correct it and click the “Calculate” button again. The system will automatically recalculate the assistance based upon the new information entered. Please note: the “Loan Approval” button will also complete the calculated fields. It is not recommended to use this button first because once the “Loan Approval” button is selected, the loan information is submitted to PHFA (as long as all information has been entered correctly). Should you happen to hit the “Loan Approval” button first, you can go into the “Show Loans Approved but not Closed” from the Delegated screen and select the borrower you just approved. Simply go to the Needs Assessment form, make the necessary correction and hit calculate again. The system will accept them. Complete the HUD 1 and subordinate mortgage forms with the actual amount of Assistance disbursed. When the loan is submitted for purchase, in addition to the first mortgage funds, we will reimburse the lender for the Assistance. You will no longer receive a check prior to closing for the assistance funds.

After completing the required information you are ready to submit the loan information to the Agency. Click on the “Approve Loan” button at the bottom of the screen. As mentioned previously, any fields that are to be calculated by the system will be done so at this time. As long as all of the required fields have been completed, the information is transmitted to our system without delay. If there was any missing or incorrect information based upon the loan type selected, the system will send an error message. The error message will give an indication of what the problem is. When this happens, review the information, make the necessary corrections and click the “Approve Loan” button again. Once the program has accepted the information, the loan is considered “Approved” and the system will return to the “Loans Eligible for Delegated Underwriting” screen. You

will now see the loan you just completed under the “Show Loans Approved But Not Closed” option. By selecting this option and clicking on the loan just approved, you will be able to view the information that was submitted as well as see if there are any special conditions required due to the loan type. We were able to program the system to capture certain conditions based upon the type of loan being submitted. Conditions like wood destroying insect certifications, Counseling Certificates, construction completion certifications, Assistance and a few others have been pre-programmed into the system based upon the information provided. This however does not release you from the responsibility of providing any and all additional documentation required for credit, compliance, and property issues necessary to meet the underwriting requirements for the type of loan it has been approved under, (i.e. Conventional, FHA, VA or RHS). If the borrower decides to change the loan amount or if something else changes, you will need to go back into the loan information and correct it before submitting the Loan Set Up sheet and purchase package to the Agency.

All delegated underwritten loans will receive a PHFA approval notification via fax or email. As previously indicated, this Approval Notification along with any conditions must be included in the purchase package. On the Delegated Underwriter Approval Notification, the Delegated Underwriter’s name will appear instead of the PHFA Underwriter’s initials. This version of the Approval Notification will also contain fewer conditions and include the following statement: “This loan has been approved through the PHFA Delegated Underwriting System. The participating lender is responsible for ensuring this loan complies with all applicable guidelines established for the respective PHFA program for which it was reserved, as outlined in the Sellers’ Guide and Master Origination and Sale Agreement. The purchase package must contain all applicable completed, signed and dated credit and compliance documents listed on PHFA Form 51.” Form 51 and the items referenced on it will still be required to be submitted in the Purchase Submission Package. See specific details in the Purchase Submission section referenced below.

### **Cancellation of an Approved Delegated Loan**

To cancel a loan that was approved through delegated underwriting, fax a copy of the Approval Notification with “cancel” written across it along with the reason for the cancellation.

### **Post Closing – Delivery of Purchase Submission**

When submitting a loan for purchase please be sure to indicate that it is a Delegated loan on page one of the purchase checklist, Form 58. By indicating this on Form 58 it will alert the purchase staff that it is a Delegated loan, this is very important.

On page two (2) of Form 58 please refer to the instructions and warning sections on the top of this page for the items that are required on Delegated loans. The purchase package must contain the Mortgagor's and Seller's Affidavits, if either document is missing we will not purchase the loan. The other item that is needed in order to purchase the loan is item number Fifteen (15), the underwriting package including Form 51

The other items that are required regardless if the loan is Delegated or Non Delegated are the Recapture Tax (Form 4), the Service Released Submission package (Form 58, page 4) with the escrow check, and items eight (8) through fourteen (14) on page 2 of Form 58, if they apply to the loan. Page three (3) of Form 58 does not list any items specific to Delegated Underwriting, these items are required by the Agency to purchase the loan. If these items are missing we will not purchase the loan.

On Delegated loans there is no need to fill out the Needs Assessment Form. The closing cost information is entered into the system as previously explained in this appendix. Purchase staff will rely on the HUD 1, submitted in the Serviced Released section of the Purchase Package to verify the amount of assistance disbursed at closing. The Purchase Staff will make changes in our system, if needed, to the final amount of assistance actually given at closing. The closing cost assistance money that was provided by your institution at closing will be electronically transferred along with the other loan funds when we purchase the loan. The transfer of these funds is the same on Delegated and Non Delegated loans. Please remember if you are processing a loan with any other type of additional assistance, the loan will not be eligible for Delegated Underwriting.

**MISC. CODES FOR DELEGATED UNDERWRITING**

<u>LOAN TYPE</u>	<u>PROP. TYPE</u>	<u>NEW/EXIST</u>	<u>RACE</u>
01-CONV.	1-DETACHED	1 / 2	0-UNKNOWN
02-VA	2-SEMI DET.		1-AMER INDIAN
03-FHA 203B	3-2 UNIT PROPERTY (DUPLEX)		2-ASIAN/PACIF.
34-221D2 (3BDRM) 36.008	4-TOWNHOUSE/ROW		3-BLACK
44-221D2 (4BDRM) 42.000	5-CONDO		
05-223E	6-PUD		5-WHITE
06-234C	7-MANUFACTURE/MOBIL		6-OTHER
07-RHS & RHS BUYDOWN	8-MODULAR		7-PACIFIC ISLAN /NATIVE HAWIA
13-FHA/VA			8-AMER. IND/AL ASKAN/WHITE
14-FHA 203K			9-ASIAN/WHITE
			10-BLACK/WHT
18-FIXED RATE JOINT			11-AMER. IND/ ALASKAN & BLK
			12 OTHER MULTI RACIAL

<u>INSUR. CODE</u>	<u>PLAN CODE</u>	<u>RATIO'S</u>
01- NO INSURANCE	8 – MONTHLY (TRIAD & UG)	33/38 CONVENTIONAL/RHS LEV.
4-RADIAN	11- 3/2(MGIC, UG, RMIC)	31/43 FHA, RHS GUAR
6-GE	12 – 3/2 (TRIAD)	/41 VA
9-MCIC	13 – 3/2 (TRIAD)	40/50 DU/LP/CLUES Approve/Accepts
10-PMI	19 – SINGLE PREMIUM (RMIC, TRIAD & UG)	
11-RMIC	30- RADIAN FREE AFTER FIVE	<u>HOMEOWNER</u>
		1-FIRST TIME
13-AIG/UG (UG)		2-SECOND TIME
15-VA		
16-FHA	33 – PMI & RADIAN'S SPLIT PREMIUM PLAN	<u>ETHNICITY</u>
18-RHS	34 - UG – SPLIT EDGE PLAN	1--- NOT HISPANIC
19 TRIAD GUARANTY		
22-CMG		
	35 – PMI & RADIAN'S MORTGAGE PROTECTION FOR ALL MONTHLY PLANS EXCEPT SPLIT PREMIUM	2--- HISPANIC
	36—MGIC'S, RMIC & GE 3 Year MORTGAGE PROTECTION	
	37—MGIC & GE SPLIT PREMIUM PLANS 3 YEAR PROTECTION	

<u>HEAD HOUSEHOLD</u>	<u>RATE LOCK</u>	<u>CCA PAYMENT TYPE ID</u>
1-SINGLE PARENT	1-90 DAYS	DS-CCA DUE ON SALE
02-VET.	2-240 DAYS	
03-SINGLE PARENT VET		<u>PIGGYBACK LOANS</u>
04-NONE OF THE ABOVE		<u>ASSOCIATION TYPE</u>
05-SINGLE –NON-ELDERLY		01 – 80/10/10
06-ELDERLY (62)		02 – 80/15/5
07-DISABLED BORROWER		
08-DISABLED FAMILY MEMBER		
09-DISABLED VET.		

## Lender Delegated Underwriting Eligibility Criteria

Process	Item	Criteria
Originations	Pre-closing Approval Submissions (underwriting/pre-compliance)	At least 80% of files submitted for the pre-closing (underwriting/pre-compliance) approval must be approved upon initial PHFA review; i.e., the file was submitted with all information and documentation necessary for an approval.
Post-Closing	Timeliness of Purchase Files	At least 80% must be delivered purchasable and on time.
Post-Closing	Post-Purchase Conditions	At least 80% of the total number of loans originated over previous 12 months must be cleared of all conditions, and no loans can have conditions with expired deadlines. Includes both purchasing and final document conditions on the Deficient Loan Tracking Report. Extensions are granted, when applicable, upon request.
Loan Set-Up/ Servicing	Loan Set Up Sheet	Form 26, the Loan Set Up Sheet, must be submitted within 4 business days from closing on at least 80% of files. Please note that this form should still be faxed separately within this time frame, even though it is included in the purchase package. This is necessary to facilitate a timely set up in the Agency's servicing system.
Loan Set-Up/ Servicing	FHA Endorsement	At least 80% of FHA loans must be endorsed within 60 calendar days of closing.
Originations	Quality Control	Once a lender achieves delegated underwriting status; 10% of their files will be fully reviewed post-purchase to ensure underwriting and compliance guidelines are adhered to per PHFA's Sellers' Guide and Master Origination and Sales Agreement. A delegated underwriter must maintain an average rating of at least a 95% (i.e., no missing or incomplete information or documents).

The following items will be monitored independently as they occur: reservation cancellations, misdirected payments, delinquent recorded final documents (except when cause is the courthouse), and delinquency rates. Patterns that present concern will be discussed with the lender and handled as appropriate.

New lenders may request to have delegated authority once they have been in the program for 6 months from their date of reservation authority, at which time their performance will be evaluated using the above criteria.