



CALL THE UNDERWRITER

HELPING SELLER-FINANCE INVESTORS
STAY DODD-FRANK COMPLIANT

Frequently Asked Questions

1) How do I screen a suitable applicant?

Income: (2 years employment history required) A suitable applicant is a person or persons who have 2 years provable work history in the past two years. They can prove this with W-2s, pay stubs and previous year's taxes, or 12 months current bank deposits. If they don't have 2 year's work history, they will not be a suitable candidate. Second job can only be used to add income if the candidate has been on that job for 2 years.

Residence: (2 years residence history required) A suitable candidate has 2 years residence history. If their credit score comes in at less than 620, they will be required to provide a "Verification of Rent" (VOR) proving they have paid the most recent 12 month's rent payments in the month they were due. A candidate who cannot do this will not meet Dodd Frank requirements.

Citizenship: (must have SSN or ITIN) To pull credit, we need either an SSN or an ITIN. Candidates with neither, will not meet Dodd Frank requirements.

Other resources:

CTU How to screen borrowers: <https://youtu.be/SmeGpeSAdrc>



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2) What types of things delay the underwriting process?

Turn-around time: We can underwrite a loan application and deliver a decision to the lender within 48 business hours if the package comes in complete. A complete package consists of the following: 1) application (1003) with all highlighted fields accurately filled in. 2) Supporting income documents (see question 3) present to support income claims, 3) signed Borrower's Authorization form allowing us to pull credit, and 4) Terms of the transaction. We invoice the investor \$119 upon receipt and begin processing once that fee is received.

Submission packages: When packages come in missing information, our team has to identify everything missing and send a "CTU NEEDS LIST" back to the lender. This process can take days and countless emails to resolve.

Communication: Complicating the communication process greatly prolongs the time it takes us to get a package underwritten and decided for the lender. We highly encourage "Single Point" of contact practice from the lender to us. We request that lenders not have their borrowers contact us directly, as this increases the chances of miscommunication or confusion in the process. Additionally, for lenders working with teams or realtors. We request that you identify one point of contact (POC) for the process and make that known to our team from the beginning. Because we deal with dozens of lenders, from all over the country daily, confusion and disorganization are a tremendous challenge to stay on top of. One way we attempt to stay organized is not confusing files. We request that all e-mails use the following subject line format: Last name, First name & street address of subject property. Failure to observe this practice often results in confusion and a slowed process.

Submission format: All documents need to be submitted in PDF format. We cannot use cell phone snap shots, or other documents that



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cannot be converted to PDF. We cannot use documents not showing the borrower's full identifying information set. If documents come in upside down and we cannot turn them around, we cannot use them.

3) What is needed to document income?

There are 3 basic types of income a borrower may claim. 1) Self-employed, 2) W-2 wage earner, or 3) Pension holder/Social security recipient. Below are listed the general documentation requirements for each form of income claimed:

- 1) **Self-employed**: 2-year history of self-employment required. Income documented with 12 months most recent bank statements or prior year's federal tax return (and Corp return if applicable).
- 2) **Pension holder/ SS recipient**: submit award letter or previous yr.'s 1099 or most recent bank statement reflecting receipt.
- 3) **W-2 wage earner**: 2-year employment history required. Submit most recent 2 pay stubs, plus previous yr.'s W-2. **NOTE *** Income from a second job can only be considered if borrower has been on that same job for 2 years.

For 2 borrowers, or a borrower with a combination of income forms being claimed, we need each of the documents shown for the form of income they are claiming. We cannot count income for jobs no longer worked.

Income that can't be counted: We cannot count income paid in cash and not deposited in a bank. All forms of income claimed must have the above-mentioned documentation to support. We ask lenders to screen all documents before sending to us. Lender's careful prescreening processes save them and us valuable time and energy in the underwriting process.

We cannot count part time job income for jobs held less than 2 years.



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Bonuses, OT and special incentives are forms of income that can only be counted if the borrower has received it for at least 2 years.

Child support and Alimony can only be counted if it is shown to be continuous for the next 3 years. (Must be documented with either, (1) copy of child support order and proof of 3 months receipt, or (2) proof of 12 months receipt if no support order present.

4) How does the process work from completion of underwriting through closing?

After underwriting a deal, one of 3 decisions will be made. Either the borrower will be approved with no conditions, approved with conditions, or suspended.

Approval with no conditions: This means we send out disclosures and notify the lender and borrower of the approval. Disclosures are sent and the borrower has 2 business days to review and sign the disclosures before returning them to us. *This gives the lender time to review the documents also in case there are changes that need to be made.* **NOTE **** It's vitally important for the lender to let us know during this time of any changes or corrections needed. Any necessary changes after the 2-day disclosure period require "re-disclosure" and will set the closing date back another 7 business days. 4 business days after the approval, final closing disclosures (CD) will be sent to the lender and borrower for signature.

The loan's closing date can be on or after the 7th business day after the initial disclosures are received by the borrower.



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Conditional approval: This means the borrowers meet Dodd Frank Ability to Repay criteria, but we are requiring them to provide certain information before issuing Dodd Frank ATR Certification. Once these conditions have been met, we issue an approval with no conditions (shown above) and follow the disclosure process to closing. When we approve a loan on condition, we send these conditions to the lender (and borrower if provided their e-mail) and ask that lenders review the conditions and help borrowers gather what's necessary.

Suspension: When a borrower can not meet the Dodd Frank requirements for certifying ability to repay, we have to issue a SUSPENSE notice to the lender. This effectively halts the deal and we notify the lender of the status and possible options to restructure the deal. For instance, we may suggest that the borrower bring a well-qualified co-borrower to the deal, as the added income might be necessary to qualify. We might recommend that the borrower pay off some outstanding debt or that the lender change the deal's terms in order to help the borrower qualify. However, after we help explore these possibilities, if none of them can alleviate the problem, we have no choice but to indicate that the borrowers do not meet Dodd Frank ATR requirements.

5) When does CTU invoice the lender for the approved transaction?

Per the instructions on our submission sheet, we invoice the lender/investor \$119.00 up front to pay for processing and data entry. Then, we invoice \$380.00 once we determine that the borrower meets Dodd Frank requirements for Ability to Repay. We recommend that the lender collect



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enough earnest money up front to cover our invoices if the borrower backs out of the deal. CTU is paid based on ATR certification vs. a successful closing.

6) What terms of the deal do you need from the lender at the time of the submission?

At the time of the submission, it is best if the lender can supply all the following information about the deal.

Terms: Purchase price, down payment, earnest money, loan amount, P&I payment, APR and term of the loan (months or years).

Escrow: We need to know if the taxes and insurance are going to be escrowed or not. We also need a figure for annual property taxes and home owner's insurance.

Fees: Please let us know any specific fees you want put into the deal. If you intend to charge a processing fee, or a servicing fee, please indicate that in the initial paperwork on the deal.

Purchase Contract: If your purchase contract has any special instructions please bring that to our attention. We use standard verbiage for late fees if not specified otherwise. Include any other fees or escrow specifics with this submission.

Note* We cannot go back in and add fees or other figures once we have certified Ability to re-pay. It's important that all necessary figures be given at time of submission.

Parties: Please specify who the lender/seller should be on the documents. Also, if there might be confusion about who the investor is vs. agent, please



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clarify so that the paperwork will be correct. Please indicate who to invoice, company name, e-mail and point of contact.

If you want to use a certain Title company, please give us their name.

NOTE: CTU provides required legal disclosures related to the cost of credit to the borrower. We do not list every possible fee or detail that will come from the settlement statement provided by the Title company. **Our disclosures are sufficient to legally cover your (Loan Originator) requirement to disclose to the borrower all the costs associated with your loan.** For that reason, we cannot include every line-item fee that the Title company lists on the settlement statement.

7) How do you charge for files to be modified or re-worked after having already been done once?

We call these re-submissions and we will invoice an additional \$125.00 to work them. Typically, a re-submission is when we have worked a file and had to disapprove it, and later the investor changes borrowers, or substantially changes the terms of the deal. In these cases, we must essentially delete everything in the original loan and re-build the loan in order to re-calculate DTI and Residual income.

Another instance when a re-submission might be requested would be for a note originator selling the note at closing and the new note purchaser asking for substantial changes to the underwriting file. In these scenarios, we will invoice \$125.00 and then, once collected, we will rebuild the underwriting file for the new purchaser on a case-by-case basis.



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