



Evaluating Borrower Assets



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Objectives

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Learn about funds
required for closing
and reserves



Understand some
common asset types
and review
documentation
requirements



Discuss how to review
assets to determine
eligibility

The 4 Cs

The MGIC logo is displayed in a dark blue, serif font.A decorative vertical bar on the left side of the slide, composed of overlapping geometric shapes in red, orange, yellow, green, and blue.

Credit

- Borrower's willingness to repay a loan

Capacity

- Borrower's ability to repay based on the amount & stability of income

Capital

- Borrower's investment in the property from savings & other sources

Collateral

- Property's value & marketability to provide adequate security for the loan based on an appraisal

Risk Assessment and Assets

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- Do the borrowers demonstrate an ability to save?
- Is the money coming from the borrower's own funds?
- What is the cash investment in the property?
- Do the borrowers have sufficient assets at time of application?
- Do they have cash reserves?



Required Assets

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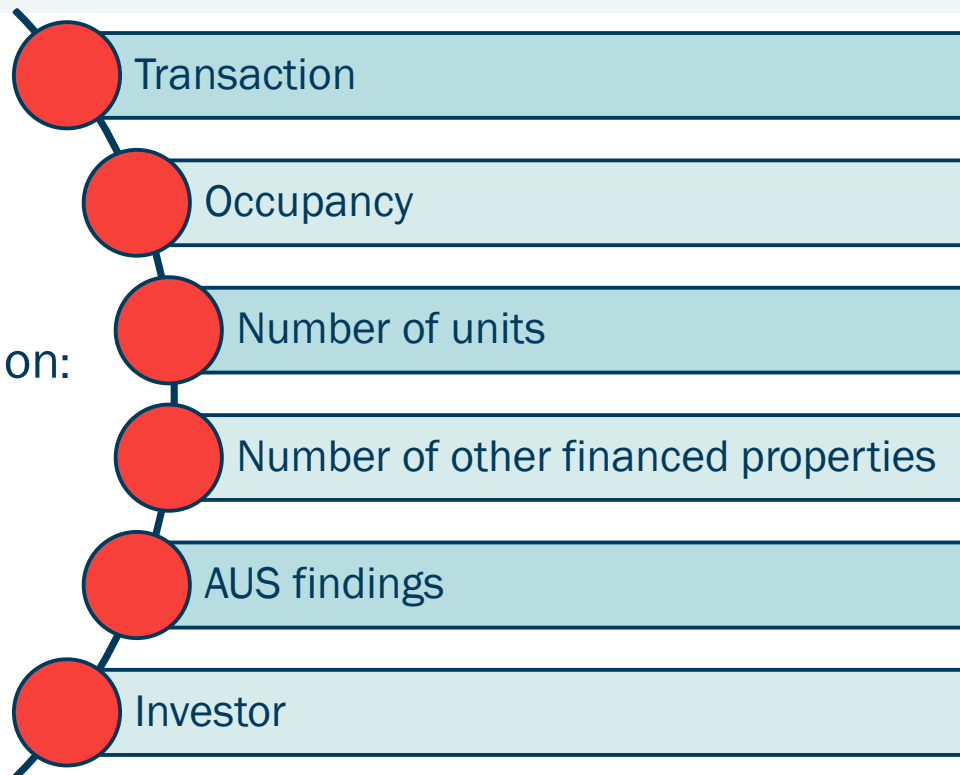


- Down payment
Including earnest money deposit
- Closing costs/prepays
- Reserves

Reserve Requirements

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Amount required varies based on:



SS2

DU and LPA findings help identify funds and reserve requirements



DU

Funds			
Total Available Assets	\$47,654.40	Net Cash Back	\$0.00
Funds Required to Close	\$37,293.08	Excess Available Assets, not required to be verified by DU	\$7,529.66
Reserves Required to be Verified	\$2,831.66		
© Fannie Mae 1994-2019. All rights reserved.			

LPA

Asset Information			
TOTAL ELIGIBLE ASSETS		TOTAL FUNDS TO BE VERIFIED	
\$34,503.09		\$29,210.59	
REQUIRED BORROWER FUNDS	+	REQUIRED RESERVES	+
\$29,210.59		\$0.00	
		PAID DOWN DEBTS	+
		\$0.00	

Slide 8

SS2

Sandra Sweeney, 5/6/2021

SS1

Understanding Asset Requirements

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Required: Down payment and closing costs of \$18,500
Reserves: \$4,000

Verified: Savings of \$17,600
Checking of \$1,800
Retirement \$4,500

1. Do we have enough assets verified?


2. Would the retirement funds need to be liquidated?



Slide 9


SS1

Sandra Sweeney, 5/3/2021



Answer

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Assets and the URLA

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2a. Assets – Bank Accounts, Retirement, and Other Accounts You Have

Include all accounts below. Under Account Type, choose from the types listed here:

• Checking • Certificate of Deposit • Stock Options • Bridge Loan Proceeds • Trust Account
• Savings • Mutual Fund • Bonds • Individual Development Account • Cash Value of Life Insurance (used for the transaction)
• Money Market • Stocks • Retirement (e.g., 401k, IRA)

Account Type – use list above	Financial Institution	Account Number	Cash or Market Value
			\$
			\$
			\$
			\$
			\$
Provide TOTAL Amount Here			\$ 0.00

2a

2b. Other Assets and Credits You Have

☐ Does not apply

Include all other assets and credits below. Under Asset or Credit Type, choose from the types listed here:

Assets
• Proceeds from Real Estate Property to be sold on or before closing
• Proceeds from Sale of Non-Real Estate Asset
• Secured Borrowed Funds
• Unsecured Borrowed Funds
• Other
Credits
• Earnest Money
• Employer Assistance
• Lot Equity
• Relocation Funds
• Rent Credit
• Sweat Equity
• Trade Equity

Asset or Credit Type – use list above	Cash or Market Value
	\$
	\$
	\$
	\$
	\$
Provide TOTAL Amount Here	\$ 0.00

2b

4d. Gifts or Grants You Have Been Given or Will Receive for this Loan

☐ Does not apply

Include all gifts and grants below. Under Source, choose from the sources listed here:

• Community Nonprofit • Federal Agency • Relative • State Agency • Lender
• Employer • Local Agency • Religious Nonprofit • Unmarried Partner • Other

Asset Type: Cash Gift, Gift of Equity, Grant	Deposited/Not Deposited	Source – use list above	Cash or Market Value
	<input type="radio"/> Deposited <input type="radio"/> Not Deposited		\$
	<input type="radio"/> Deposited <input type="radio"/> Not Deposited		\$

4d

Common Assets



- Depository accounts
- Sale of real estate property
- Interested party contributions (IPCs)
- Stocks, bonds, mutual funds
- Retirement funds
- Business assets
- Gifts





Asset Documentation & Verification



Bank statements

Online transaction histories

Verification of Deposit (VOD)

Third-party verification vendor

Closing Disclosure (CD)

Retirement funds statement

Gift letter

Desktop Underwriter® Day 1 Certainty® and Loan Product Advisor® AIM

Sale Of Real Estate Property

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- **Estimate net proceeds:**
Calculate 90% of the listing/sales price and subtract all associated liens
- **Document with Closing Disclosure**



Interested Party Contributions



Occupancy Type	LTV/CLTV Ratio	Max IPC
Primary/Second Home	90.01% or greater	3%
	75.01%-90%	6%
	75% or less	9%
Investment	All CLTV ratios	2%

VOD

- Depository and borrower
- Account type
- Account number (last 4 digits)
- Current balance
- 2-month average balance
- Date opened
- Outstanding loans
- Signed and dated by representative

Request for Verification of Deposit

Privacy Act Notice: This information is to be used by the agency collecting it or its assignees in determining whether you qualify as a prospective mortgagor under its program. It will not be disclosed outside the agency except as required and permitted by law. You do not have to provide this information, but if you do not your application for approval as a prospective mortgagor or borrower may be delayed or rejected. The information requested in this form is authorized by Title 38, USC, Chapter 37 (if VA); by 12 USC, Section 1701 et seq. (if HUD/FHA); by 42 USC, Section 1452b (if HUD/CPD); and Title 42 USC, 1471 et seq. or 7 USC, 1921 et seq. (if USDA/FmHA).

Instructions: Lender - Complete Items 1 through 8. Have applicant(s) complete Item 9. Forward directly to depository named in Item 1.
Depository - Please complete Items 10 through 18 and return DIRECTLY to lender named in Item 2.
The form is to be transmitted directly to the lender and is not to be transmitted through the applicant(s) or any other party.

Part I - Request

1. To (Name and address of depository) TCU Bank 123 Sunny Lane Pleasant Valley, XY 99999	2. From (Name and address of lender) ABC Lending 111 E. Mortgage Way Homestead, XY 88888
---	---

I certify that this verification has been sent directly to the bank or depository and has not passed through the hands of the applicant or any other party.

3. Signature
Gil

7. Information

Type of Acc

Check

Saving

To Depositor

to verify this

which no resp

8. Name and

Sourcing guidance from FHLMC:

- New accounts open within 90 days
- Current balance exceeding the avg. balance by more than 50% of total monthly income

To Be Cor

Part II -

10. Deposit Accounts of Applicant(s)

Type of Account	Account Number	Current Balance	Average Balance For Previous Two Months	Date Opened
Checking	123456-987	\$462.80	\$ 397.44	01/16/2012
Savings	987654-123	\$9,311.00	\$ 9,100.00	01/16/2012

11. Loans Outstanding To Applicant(s)

Loan Number	Date of Loan	Original Amount	Current Balance	Installments (Monthly/Quarterly)	Secured By	Number of Late Payments
		\$	\$	\$ per		
		\$	\$	\$ per		
		\$	\$	\$ per		

12. Please include any additional information which may be of assistance in determination of credit worthiness. (Please include information on loans paid-in-full in Item 11 above.)

13. If the name(s) on the account(s) differ from those listed in Item 7, please supply the name(s) on the account(s) as reflected by your records.

Part III - Authorized Signature - Federal statutes provide severe penalties for any fraud, intentional misrepresentation, or criminal connivance or conspiracy purposed to influence the issuance of any guaranty or insurance by the VA Secretary, the U.S.D.A., FmHA/FHA Commissioner, or the HUD/CPD Assistant Secretary.

14. Signature of Depository Representative Lea Knows	15. Title (Please print or type) Customer Service Associate	16. Date 06/11/20XX
17. Please print or type name signed in item 14 Lea Knows	18. Phone No. 800-123-4567	

Account Statements

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Depository

Borrower

Time Period

Account Number (last 4 digits)

The diagram shows a checkbook summary form with several fields highlighted by red arrows. The fields are: ABC BANK (Depository), July 1, 20xx through July 31, 20xx (Time Period), Primary Account: xxxx8976 (Account Number), and Susie Savings (Borrower).

ABC BANK

ABC BANK
PO Box 123
Somewhere, WI 12345-6780

July 1, 20xx through July 31, 20xx
Primary Account: xxxx8976

CUSTOMER SERVICE INFORMATION

WebSite: www.ABC.com
Service Center: 1-800-000-0000
Hearing Impaired: 1-800-000-0000
Para Espanol: 1-800-000-0000
International Calls: 1-800-000-0000

00099999 DDA 001 WI 99999 - YYN T 1 00000000 00 0000

Susie Savings
1111 South St.
It, WI 12341-6711

CHECKING SUMMARY

Account Statements

- Beginning & ending balances
- Transaction history
- Identify loans

CHECKING SUMMARY

	INSTANCES	AMOUNT
Beginning Balance		\$1,607.40
Deposits and Additions	4	3,144.18
Checks Paid	2	- 662.00
Other Withdrawals, Fees & Charges	4	- 786.03
Ending Balance		\$3,303.55

This message confirms that you have overdraft protection on your checking account.

DEPOSITS AND ADDITIONS

DATE	DESCRIPTION	AMOUNT
07/05	Deposit Payroll – Park Co.	\$1,120.09
07/09	Deposit	900.00
07/19	Deposit Payroll – Park Co.	1,120.09
07/23	Deposit	4.00
Total Deposits and Additions		\$3,144.18

CHECKS PAID

CHECK NUMBER	DESCRIPTION	DATE PAID	AMOUNT
1212		07/08	\$650.00
1213		07/18	12.00
Total Checks Paid			\$662.00

If you see a description in the Checks Paid section, it means that we received only electronic information about the check, not the original or an image of the check. As a result, we're not able to return the check to you or show you an image.

^ An image of this check may be available for you to view on ABC.com.

OTHER WITHDRAWALS, FEES & CHARGES

DATE	DESCRIPTION	AMOUNT
07/02	Online Payment to Vendor	\$27.95
07/05	Clerk of Courts	275.00
07/09	Counter Debit	89.92
07/19	Clerk of Courts	275.00
07/24	Counter Debit	118.16
Total Other Withdrawals, Fees & Charges		\$786.03

DAILY ENDING BALANCE

DATE	AMOUNT	DATE	AMOUNT
07/02	\$1,579.45	07/18	3,692.71
07/08	1,774.54	07/23	3,421.71
07/09	2,584.62	07/24	3,303.55

Online Documentation

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Accounts

Transactions & details

Move Money

Pay bills & transfer money

Support

Service & FAQs

Balance Checking

*6177

\$2,786.87

Available ⓘ

Show Account Details & Routing Number

Quick Transfer

Bill Pay

Statements & Documents

More

View All Recommendations

Account Balance History ⓘ

Return to Transaction View

🔍 📄

Date	Description	Amount	Available Balance ⓘ	Current Balance ⓘ
Ending Balances for 08/13/2021			\$2,786.87	\$2,786.87
AUG 13	US BANK CORP ONLINE PMT CKF10 5	-\$964.00	\$2,786.87	\$2,786.87
AUG 13	ONLINE BANKING TRANSFER TO 01 75	-\$220.00	\$3,750.87	\$3,750.87
AUG 13		\$2,425.14	\$3,970.87	\$3,970.87
Ending Balances for 08/11/2021			\$1,545.73	\$1,545.73
AUG 11		\$943.21	\$1,545.73	\$1,545.73
Ending Balances for 08/09/2021			\$602.52	\$602.52
AUG 09	66022770 CHECK 9114	-\$280.00	\$602.52	\$602.52

What is missing?

Sourcing Funds

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Earnest money deposit

- Document source of funds
 - Cancelled check
 - Bank statements

New accounts and large deposits

- Source of funds . . . gift, sale of asset, loan?
- Funds seasoned for a minimum of 2 months

Large Deposits

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**A single deposit > 50%
of total monthly qualifying income for loan**

Refinance – Documentation/explanation not required

Purchase – three options:

1. Verify source of deposit
2. Deduct unsourced funds from available assets
3. Verify a portion of the deposit and bring total under 50%

Understanding Large Deposits



- B1 has a monthly income of \$6,000
- B2 has a monthly income of \$4,000
- Total assets of \$20,000 were verified
- \$13,000 needed for closing
- Deposit of \$6,000 was noted

1. Is this a large deposit?
2. Do we need to source these funds?
3. Does it require a LOE?



Large Deposit – Poll

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Purchase Transaction

Borrower's monthly income = \$4,200

Current balance in savings = \$13,500

\$2,500 was recently deposited

\$1,000 was verified as a tax refund

How much of the borrower's funds can be considered for underwriting?





Answer

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Commonly Used Assets

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- Depository accounts
- Sale of real property
- Interested party contributions (IPCs)
- Stocks, bonds, mutual funds
- Retirement funds
- Business assets
- Gifts

Stocks, Bonds and Mutual Funds

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Value of stocks/mutual funds must be determined

- Most recent monthly/quarterly account statement, or
- Stock certificate & published stock price as of loan application date

Value of bond(s) must be determined

- Based on purchase price, unless redemption value is documented

Vested Stock Option

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Value of vested stock option must be documented

- Statement that lists number of options/option price, and
- Calculation of gain from exercise of option & sale

What is “vested”?

The portion available for personal use

Vested Stock Option

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October 2021

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

10/1/2022
25 shares

10/1/2023
50 shares

10/1/2024
75 shares

10/1/2025
100 shares

Mutual Fund Account Statement

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**Future Savings
Company**

JOHN SAMPLE

Investment Report

April 1, 20XX - April 30, 20XX

Online FAST(sm)-Automated Telephone .com
Customer Service 800-800-

Using for down payment/closing costs:

- 100% of value
- No liquidation if value >20% funds required

Using for reserves:

- 100% of value

Net Value April 1, 20 XX	Net Value April 30, 20 XX
39,850.83	\$41,751.64*
22,260.54	22,599.42
32,111.37	\$64,351.06

Income Summary

	This period	Year to Date
Taxable	\$80.98	\$492.23
Tax-exempt	14.03	52.03
Tax-deferred	79.21	355.16
Total	\$174.22	\$899.42

Understanding the >20% Rule **MGIC**

- You have verified \$25,000 in liquid funds
- Additionally, you have verified \$20,000 in mutual funds
- Funds required for closing are \$40,000

Do you need to verify liquidation of the mutual funds?





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Retirement Accounts

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IRA/SEP/Keogh and 401(k) accounts

- Most recent statement or VOD
- Ownership of account must be verified
- Confirmation that account is vested
- Allows for withdrawals regardless of employment status
- Vested balance, less any outstanding loans

Retirement Accounts

Your Retirement Account Statement

Sample 401(k) Retirement Plan

John Smith
123 Main Street
Anytown MA 01234

Account Snapshot (as of 9/30/20XX)

Your Balance:	\$18,674.10
Your Quarterly Return:	2.72%
Your YTD Return:	8.31%

Message Center

Access Your Retirement Balances on Your Mobile Device
Download the Retirement app from the iTunes

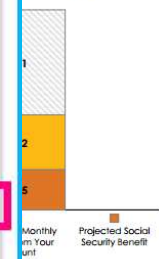
Your Account Summary

Beginning Balance (as of 7/1/20XX)	\$17,198.82
Additions	\$684.72
Withdrawals	\$-113.12
Net Earnings	\$903.68
Ending Balance (as of 9/30/20XX)	\$18,674.10
Vested Balance	\$18,674.10
Loan	\$ 5,000.00

at Retirement

ment account value will
his balance, along with
an estimated \$2,427
some target.

Need: \$5,518



cial professionals suggest you
would like more information.

on how to achieve your goals, contact your Plan's Advisor, visit
www. .com, or call 888-

This is for illustration purposes only and is based on your current balance and YTD
contributions. Refer to "Projected Income at Retirement" Disclaimer" section of this
statement for more details.

Diversification is Important.

Over the long term, a mix of investments can outperform an investment in a single
asset. Having a diverse mix of investments can help smooth out the effect of the
financial market's ups and downs on your investment portfolio. This is because
gains in some investments can help offset losses in others.


Your asset allocation can, and should, change over time to match the level of risk
that makes sense for your individual situation.

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Download our app at iTunes App Store or Google Play.



Answer

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Business Assets

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May be an acceptable source of funds
when a borrower is self-employed

- Tax returns must be reviewed
- Business cash flow analysis shows no negative impact
- Standard documentation requirements apply



Gift Funds

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- Donated gifts (grants) from nonprofits
- Personal gifts
- Gifts of equity

Personal Gift Funds: Eligible Donors

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Gifts may be provided by a relative, defined as:
the borrower's spouse, child or other dependent
OR any individual related to the borrower
by blood, marriage, adoption or legal guardianship

FANNIE MAE:

- Domestic partner (or relative of domestic partner)
- An individual engaged to marry the borrower
- A former relative
- Godparent

FREDDIE MAC:

- Fiancé, fiancée or domestic partner
- Estate and trusts of related persons
- Unrelated persons with close family-like ties
- Wedding and/or graduation gifts



Gift Funds: Documentation



Gift letter, signed by donor, must state:

- Date of the gift
- Donor's name & relationship to the borrower(s)
- Donor's address and phone number
- Amount of gift or maximum dollar amount of gift
- Repayment is not expected

Gift of equity

- Identified on Closing Disclosure (CD)

Wedding and Graduation Gifts

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**Wedding or
graduation gift**
(Freddie Mac)

- Primary residence of the newlyweds
- Marriage license or certificate / Evidence of graduation
- Verification of deposit within **90** days

**Wedding gifts =
Large deposit**
(Fannie Mae)

- Borrower letter of explanation (LOE)
- Wedding invitation



Gift Funds Reminder

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- Does occupancy allow for gifts?
- Is the donor eligible?
- Is the donor interested party to the transaction?
- Were gift funds double-counted?
- Are they being used for reserves?

Example of Gifts on URLA



4d. Gifts or Grants You Have Been Given or Will Receive for this Loan

☐ Does not apply

Include all gifts and grants below. Under Source, choose from the sources listed here:

- Community Nonprofit
- Federal Agency
- Relative
- State Agency
- Lender
- Employer
- Local Agency
- Religious Nonprofit
- Unmarried Partner
- Other

Asset Type: Cash Gift, Gift of Equity, Grant	Deposited/Not Deposited	Source – use list above	Cash or Market Value
Cash Gift <input type="button" value="v"/>	<input checked="" type="radio"/> Deposited <input type="radio"/> Not Deposited	Relative <input type="button" value="v"/>	\$ 15000
Cash Gift <input type="button" value="v"/>	<input type="radio"/> Deposited <input checked="" type="radio"/> Not Deposited	Relative <input type="button" value="v"/>	\$ 5000

Other Acceptable Assets

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Life insurance

Corporate
relocation

Sale of personal
assets

Income tax
refunds

Employer
assistance

Foreign assets

Grants

Inheritance

Asset-based
loan

Lottery winnings

Trust funds



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Updates

Tools

Resources





Summary

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- Discussed different asset types
- Reviewed documentation requirements
- Learned how to review assets documentation to determine what assets can be considered for underwriting purposes



MGIC Special Training Events

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Get a free MI quote:
mgic.com/MiQ

Explore training:
mgic.com/training

Connect with your rep:
mgic.com/contact

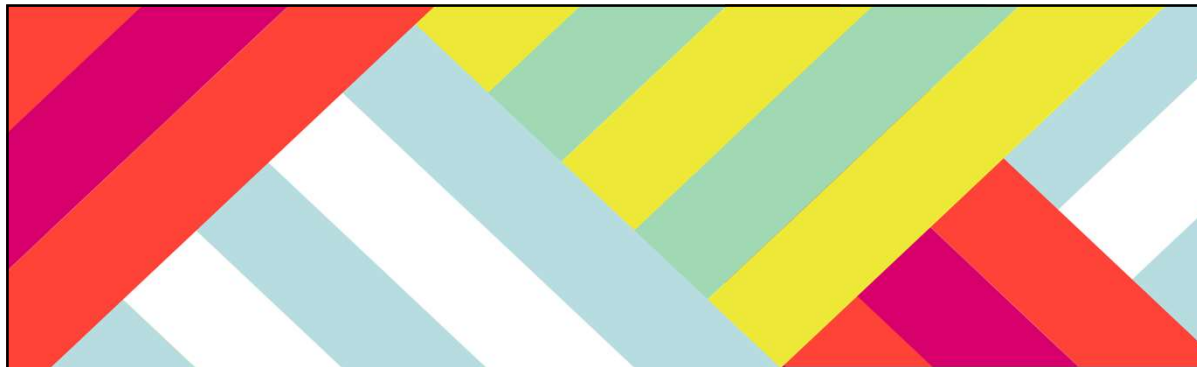
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Thank you!

Answer – Slide 9



Required funds for closing:

$\$18,500$ plus reserves of $\$4,000 = \$22,500$

Verified funds of $\$19,400$ plus retirement of $\$4,500 = \$23,900$

Yes, we have sufficient assets verified.

Liquidation is NOT required as these funds are only being used for reserves. Access to funds must be verified.

Answer – Slide 23

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Large deposit of \$2,500 minus \$1,000 = \$1,500, which is less than 50% of \$4,200 and, therefore, does not need to be deducted, and we can use the entire amount of \$13,500

Answer – Slide 30

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Funds required from mutual fund are
 $\$40,000 \text{ minus } \$25,000 = \$15,000$

$\$15,000 \times 1.20 = \$18,000$

We have \$20,000 verified, so no verification of
liquidation is required



Answer – Slide 33

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Balance is \$18,674

Vested amount is \$18,674

Qualified assets would be the vested amount of \$18,674 minus a loan of \$5,000 = \$13,674