


Underwriting Tips for Contract Underwritten Loans




Enact's Contract Underwriting team wants to help you get your loan to closing as fast as possible. We have prepared this **tip sheet with top 3 areas of focus** to help minimize Prior-to-Closing Conditions.

Missing or Incomplete Documentation as Required by Program or AUS Guidelines		
SCENARIOS		HELPFUL TIPS
Documentation required by Program/AUS Guidelines weren't provided or Incomplete		<ol style="list-style-type: none"> 1. Make sure to refer to AUS or Program Guideline(s) documentation requirements <ul style="list-style-type: none"> • # of months of asset statements or VOD required • Paystub(s), # of years W2s or Tax Returns • Documentation on Large Deposit(s)

Agency Guideline References for Agency Documentation Requirements:

- **Fannie Mae:** Section B3-2-04, DU® Documentation Requirements, Section B3-3, Income Assessment, Section B3-4, Asset Assessment, Section B3-5, Credit Assessment, Section B3-6, Liability Assessment, Section B4-1, Appraisal Requirements
- **Freddie Mac:** Section 5101.4, Documentation requirements when using Loan Product Advisor®, Section 5200, Credit Assessment, Section 5300, Stable Monthly Income and Asset Qualification Sources, Section 5400, Evaluation of Monthly Obligations, Section 5500, Assets, Section 5600, Property Eligibility and Appraisal Requirements

****NOTE:** Investor Guidelines/Overlays may differ from Agency requirements. The above Agency Guideline References do not include validation/automated service documentation requirements.




Earnest Money Deposit (EMD) Not Documented as Required by Program or AUS Guidelines		
SCENARIOS		HELPFUL TIPS
Copy of EMD check provided dated 3.29, however, most recent bank statement for the account the EMD was written from was dated 3.15		<ol style="list-style-type: none"> 1. Provide updated bank statement or transaction history reflecting the EMD check dated 3.29 has cleared 2. Update 1003/1008/AUS findings with the updated bank account balance per statement/history after the date the EMD checked cleared
Copy of EMD check for \$5,000 dated 3.29, however, most recent bank statement for the account the EMD was written from was dated 3.15 and balance was \$129.04		<ol style="list-style-type: none"> 1. Provide updated bank statement or transaction history reflecting the EMD check dated 3.29 has cleared the account 2. Document the source of any/all large deposit(s) (as defined by Fannie Mae/Freddie Mac or Investor guidelines) that may have been used for funds to make the EMD 3. Update 1003/1008/AUS findings with the updated bank balance per statement/history after the EMD check cleared the account
EMD was listed as an "Other credit" in the Details of Transaction of 1003, but the file contained no documentation verifying the EMD and/or source		<ol style="list-style-type: none"> 1. Provide copy of EMD check 2. Provide copy of bank statement(s) or VOD for time period that covers up to & including the date the EMD cleared the borrower's account

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Agency Guideline References for EMD(s):

- **Fannie Mae Selling Guide:** Section B3-4.3-09, Earnest Money Deposit & Section B3-4.4-02, Requirements for Certain Assets in DU
- **Freddie Mac Selling Guide:** Section 5501.3, Asset eligibility & documentation requirements > (b)(iii) — Earnest Money Deposit (EMD)

****NOTE:** Investor Guidelines/Overlays may differ from Fannie Mae/Freddie Mac requirements

Gift Not Documented as Required by Program or AUS Guidelines		
SCENARIOS		HELPFUL TIPS
Borrower(s) EMD of \$7,500 came from gift funds		<ol style="list-style-type: none"> 1. Provide fully executed gift letter for gift funds of \$7,500 for the EMD funds 2. Verify the donor's availability of funds and their transfer of funds for the EMD 3. Ensure the 1003/1008/AUS reflect the source of EMD for \$7,500 was from a gift
A source of borrower(s) funds to close is coming from a gift		<ol style="list-style-type: none"> 1. Provide fully executed gift letter 2. Verify the donor's availability of funds and document transfer of gift funds to borrower(s) ** For gift funds not transferred until closing, please ensure either the gift letter reflects — OR — provide other indication of this in the file 3. Ensure the 1003/1008/AUS reflect the gift amount as source of funds to close
Borrower(s) savings account has a balance of \$12,000, but recently had a large deposit of \$10,000. It was determined the source of this deposit was from a gift		<ol style="list-style-type: none"> 1. Provide fully executed gift letter for gift funds of \$10,000 2. Provide evidence the large deposit borrower received, came from the gift donor & donor's availability of funds 3. Update 1003/AUS findings as follows <ul style="list-style-type: none"> • Reduce the qualifying balance in savings account to \$2,000 • Add a separate gift asset of \$10,000 • Re-run AUS findings with the updated asset information

Agency Guideline References for Gift(s):

- **Fannie Mae Selling Guide:** Section B3-4.3-04, Personal Gifts; Section B3-4.3-05, Gifts of Equity; Section B3-4.3-06, Grants and Lender Contributions & Section B3-4.4-02, Requirements for Certain Assets in DU
- **Freddie Mac Selling Guide:** Section 5501.3, Asset eligibility & documentation requirements > (c)(1,2,3) — Special Requirements for other eligible source of funds

****NOTE:** Investor Guidelines/Overlays may differ from Fannie Mae/Freddie Mac requirements

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