

Calculating and Entering the HCLTV and HTLTV

Suggested Best Practices and Reminders

October 2020

Customer Education

Brought to you by: Genworth Customer Development and Process Consulting



YOU-CENTRIC SOLUTIONS THAT MATTER

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Objective

Understand what LTV, CLTV/TLTV and HCLTV/HTLTV are and how to calculate and enter into the AUS for Fannie Mae and Freddie Mac

General Terms You Should Know

- **HELOC Home Equity Line of Credit:** A HELOC differs from a conventional loan in that the borrower is not advanced the entire sum up front but uses a line of credit to borrow sums that total no more than the credit limit, similar to a credit card.
- **Closed End Subordinate or Second Mortgage:** Borrower draws down all funds on day one and may not make any payment plan changes or access any paid-down principal once the loan is closed.
- **UPB:** Unpaid Principal Balance

Fannie Mae

LTV, CLTV and HCLTV

- **LTV** = (Loan to value) = Original loan amount divided by lesser of sales price or appraised value for purchase transactions*
- **CLTV** = (Combined loan to value) = Original loan amount, the drawn portion (outstanding principal balance) of a HELOC and the unpaid principal balance of all closed-end subordinate financing divided by lesser of sales price or appraised value for purchases transactions*
- **HCLTV** = (High credit loan to value) = Original loan amount, full amount of any HELOCs, whether or not the funds have been drawn, and the unpaid principal balance of all closed-end subordinate financing divided by lesser or sales price or appraised value for purchase transactions*

<https://selling-guide.fanniemae.com/Selling-Guide/Origination-thru-Closing/#Calculation.20of.20the.20CLTV.20Ratio>

<https://selling-guide.fanniemae.com/Selling-Guide/Origination-thru-Closing/#Calculation.20of.20the.20HCLTV.20Ratio>

*For refinances transactions use the appraised value

Fannie Mae Uses CLTV and HCLTV Whereas Freddie Mac Uses TLTV And HTLTV For Terminology; The Calculations Are The Same

Freddie Mac

Loan Product Advisor[®] calculates the loan-to-value (LTV) ratio, total LTV (TLTV) ratio, and Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratio based on the data submitted by the Seller.

For Non-Loan Product Advisor Mortgages:

- The LTV ratio is obtained by dividing the First Lien Mortgage amount by value, as defined in [Section 4203.1](#)
- The TLTV ratio is obtained by dividing the sum of the First Lien Mortgage amount and the disbursed amount of the HELOC and any other secondary financing by value, as defined in [Section 4203.1](#)
- The HTLTV ratio is obtained by dividing the sum of the First Lien Mortgage amount and the total HELOC credit line limit and any other secondary financing by value, as defined in [Section 4203.1](#)

To determine if a Mortgage meets LTV, TLTV or HTLTV ratio requirements, round each ratio up to the next whole number.

Freddie Mac will calculate the LTV ratio for each Mortgage it purchases based on data delivered by the Seller. Freddie Mac will calculate the LTV ratio to two decimal places and round the result of that calculation up to the next whole number. For example, 94.01% will be rounded up to 95%.

https://guide.freddiemac.com/app/guide/content/a_id/1000475

Calculations

Examples of LTV, CLTV/TLTV and HCLTV/HTLTV

- First Mortgage is \$250,000.
- Closed end second for \$25000
- Sales Price is \$400,000
- Appraised Value is \$400,000
- $LTV = \$250,000 / \$400,000 = 62.50\%$
- $CLTV/TLTV = \$250,000 + \$25,000 / \$400,000 = 68.88\%$
- $HCLTV/HTLTV = \$250,000 + \$25,000 / \$400,000 = 68.88\%$

Different Products Will Have Different LTV, CLTV or HCLTV Maximum Ratios; Always Check Guidelines To Verify Program Eligibility

Calculations

Examples of LTV, CLTV/TLTV and HCLTV/HTLTV

- First Mortgage is \$250,000.
- Undrawn HELOC at closing is \$0
- High Credit of the HELOC is \$50,000
- Sales Price is \$400,000
- Appraised Value is \$395,000
- $LTV = \$250,000 / \$395,000 = 63.29\%$
- $CLTV/TLTV = \$250,000 + \$0 / \$395,000 = 63.29\%$
- $HCLTV/HTLTV = \$250,000 + \$50,000 / \$395,000 = 75.95\%$

Different Products Will Have Different LTV, CLTV or HCLTV Ratios; Always Check Guidelines To Verify Program Eligibility

Lender Reminders- Fannie Mae

For each subordinate liability, the lender must determine the maximum credit line for all HELOCs, if applicable, and the unpaid principal balance for all closed-end subordinate financing.

If any subordinate financing is not shown on a credit report, the lender must obtain documentation from the borrower or creditor.

If the borrower discloses, or the lender discovers, new or increased subordinate financing after the underwriting decision has been made, up to and concurrent with closing, the lender must re-underwrite the mortgage loan. (B3-6-02)

<https://selling-guide.fanniemae.com/Selling-Guide/Origination-thru-Closing/Subpart-B2-Eligibility/#Calculation.20of.20the.20LTV.20Ratio>

Permanently Modified HELOCs-Fannie Mae

If a lender determines the HELOC has been permanently modified and the outstanding UPB is less than the permanently modified HELOC, the lender must use the modified HELOC amount in calculating the HCLTV ratio for eligibility purposes and for delivery.

The lender must obtain appropriate documentation that the HELOC has been permanently modified and include this documentation in the loan

If the outstanding UPB is greater than the permanently modified HELOC, the lender must use the outstanding UPB to calculate the HCLTV ratio for eligibility purposes and for delivery. The lender must obtain appropriate documentation and include that documentation in the loan file.

In no case may the CLTV exceed the HCLTV ratio

<https://selling-guide.fanniemae.com/Selling-Guide/Origination-thru-Closing/Subpart-B2-Eligibility/#Calculation.20of.20the.20LTV.20Ratio>

When to Include a Payment-Fannie Mae

Primary Home

Monthly Housing Expense

Monthly housing expense is the sum of the following and is referred to as PITIA for the subject property:

- principal and interest (P&I);
- property, flood, and mortgage insurance premiums (as applicable);
- real estate taxes;
- ground rent;
- special assessments;
- any owners' association dues (including utility charges that are attributable to the common areas, but excluding any utility charges that apply to the individual unit);
- any monthly co-op corporation fee (less the *pro rata* share of the master utility charges for servicing individual units that is attributable to the borrower's unit);
- any subordinate financing payments on mortgages secured by the subject property.

Home Equity Lines of Credit

When the mortgage that will be delivered to Fannie Mae also has a home equity line of credit (HELOC) that provides for a monthly payment of principal and interest or interest only, the payment on the HELOC must be considered as part of the borrower's recurring monthly debt obligations. If the HELOC does not require a payment, there is no recurring monthly debt obligation so the lender does not need to develop an equivalent payment amount.

<https://selling-guide.fanniemae.com/Selling-Guide/Origination-thru-Closing/#Home.20Equity.20Lines.20of.20Credit>

When to Include a Payment-Freddie Mac

Refer to [Bulletin 2020-31](#) for updates to monthly obligation requirements. The revisions may be implemented prior to the mandatory implementation of the November 5, 2020 effective version of this section.

Primary Home 5401.1

(a) Calculation of monthly housing expense-to-income ratio

The monthly housing expense is the sum of the following monthly charges on the Borrower's Primary Residence:

- Principal and interest payments on the Mortgage
- Property hazard insurance premiums
- Real estate taxes
 - The real estate tax amount included in the monthly housing expense must be based on the value of the improvements plus the value of the land
 - When the Mortgaged Premises is located in a jurisdiction where transfer of ownership causes or results in a recalculation of the amount of real estate tax, the real estate tax amount included in the monthly housing expense must be based on the recalculated real estate tax amount
 - When there is a tax abatement or other reduction in the amount of real estate tax, the monthly housing expense calculation must be based on the amount of real estate tax after the abatement and the documentation required after the Note Date
- When applicable:
 - Mortgage insurance premiums
 - Flood insurance premiums
 - Leasehold payments
 - Special assessments with more than 10 monthly payments remaining
 - Homeowners association dues (excluding unit utility charges)
 - Maintenance Fees (excluding unit utility charges)
 - Payments on secondary financing

MONTHLY HOME EQUITY LINE OF CREDIT (HELOC) PAYMENTS

Effective for Mortgages with Settlement Dates on and after November 5, 2020; however, Sellers may implement immediately

In [Bulletin 2020-31](#), we updated the Guide to require documentation of all monthly payment amounts included in the calculation of monthly housing expense-to-income ratio and total debt payment-to-income ratio, effective on November 5, 2020. This Bulletin provides a flexibility with respect to HELOC payment amounts to permit the use of 1.5% of the outstanding HELOC balance when the HELOC monthly payment amount is not captured in the Mortgage file documentation or in the credit report. Note: Documentation of HELOC terms, including the monthly payment amount, continues to be required for HELOCs originated concurrently with the First Lien Mortgage, as stated in [Section 4204.1](#).

Loan Product Advisor[®] messaging will be updated accordingly at a later date.

Guide impacts: [Sections 5401.1](#) and [5401.2](#)



https://guide.freddie.com/app/guide/content/a_id/1000662

Entering in DU[®]

HELOC Example where borrower is drawing \$25,000 of a \$55,000 line of credit for a purchase on a new line of credit

See the Desktop Underwriter Job Aid for Entering Subordinate Financing for additional scenarios, such as existing subordinate liens and Community Seconds[®]

a. Purchase Price	\$395,000.00
b. Alterations, Improvements, Repairs	\$0.00
c. Land	\$0.00
d. Refinance (Inc. debts to be paid off)	\$0.00
e. Estimated Prepaid Items	\$1,500.00
f. Estimated Closing Costs	\$5,000.00
g. PMI, MIP, Funding Fee	\$0.00
h. Discount	\$0.00
i. Total Costs	\$401,500.00
j. Subordinate Financing	\$25,000.00
k. Closing Costs Paid By Seller	\$0.00
l. Other Credits <small>(Sum of Other Credits section below)</small>	\$0.00
m. Loan Amount <small>(exclude PMI, MIP, Funding Fee)</small>	\$156,350.00
n. PMI, MIP, Funding Fee Financed	\$0.00
o. Total Loan Amount (m+n)	\$156,350.00
p. Cash From (-)/To Borrower	\$220,150.00

Other Credits

Description of Other Credits

[Insert More](#)

HELOC Information

Undrawn HELOC Amount

\$30,000.00 (For the subject property only)

https://singlefamily.fanniemae.com/job-aid/desktop-underwriter/topic/du_data_entry_instructions_for_subordinate_financing.htm#top

Your LOS May Look Different Or Have Different Data Entry Requirements

Entering in Loan Product Advisor®

Loan Product Advisor CREATE LOAN OTHER LINKS PRIOR VERSION

Create Loan: Loan and Property Information

LOAN FILE SETUP BORROWER INFO ASSETS AND LIABILITIES REAL ESTATE **LOAN AND PROPERTY INFO** DECLARATIONS DEMOGRAPHIC INFO LENDER LOAN INFO REQUEST SERVICES

Loan Data

Loan and Property Information *Required

Loan Amount *
\$

Loan Purpose *
 Purchase Refinance

Street Address
Unit # City State ZIP Code

Number of Units * Estimated Property Value Appraised Property Value Appraisal Identifier

Property Usage Type *
 Primary Residence Second Home
 Investment

FHA Secondary Residence
 Yes No

Offering Identifier
 HFA Advantage Home Possible Home Possible Advantage Not Applicable

Mixed-Use Property Manufactured Home

Other New Mortgage Loans on the Property You are Buying or Refinancing Does not apply

Creditor Name Creditor Type Lien Type * Monthly Payment

Loan Amount / Amount Drawn *
\$

HELOC *
 Yes No

HELOC Maximum Balance Amount *
\$

Is the Other New Mortgage an Affordable Second? Yes No

Is the Affordable Second Payment Deferred? Yes No

0 / 3

ADD

Your LOS May Look Different Or Have Different Data Entry Requirements

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Browse by Role

Due to various internet browser versions, please download and save PDF before entering data. Please note, calculators are updated periodically.

	<p>Fannie Mae Form 1084 Calculator (2018-2019) Calculate and analyze cash flow to help you complete Fannie Mae Form 1084. <small>UPDATED</small></p> <p>Fannie Mae Form 1084 Calculator XLS (2018-2019) Calculate and analyze cash flow to help you complete Fannie Mae Form 1084. <small>UPDATED</small></p>	<p>Freddie Mac Form 91 Calculator (2018-2019) Quick reference guide and income analysis for Freddie Mac Form 91. <small>UPDATED</small></p>
Browse by Tool	<p>Freddie Mac Form 92 Calculator (2018-2019) Form 92 Real Rental Income Calculators – Schedule E. <small>UPDATED</small></p> <p>Schedule Analysis Method (SAM) Calculator (2018-2019) Calculate qualifying income from tax returns. <small>UPDATED</small></p> <p>Rental Income Calculator (2018-2019) Assist in calculating rental income from IRS Form 1042 Schedule E. <small>UPDATED</small></p>	<p>Income Calculation Tools and Reference Guides</p>
	<p>Current Ratio – Liquidity Calculator (2018-2019) Calculate working capital liquidity against current liabilities. <small>UPDATED</small></p> <p>Quick Ratio – Liquidity Calculator (2018-2019) Calculate an organization's liquidity against current liabilities. <small>UPDATED</small></p> <p>Fannie Mae Rental Guide (Calculator 1037) Use this worksheet to calculate qualifying rental income for Fannie Mae Form 1027 (Single Residence, 2- to 4-unit Property).</p>	<p>Recorded webinars</p> <p>Explore and watch on your time!</p>
Featured Series	<p>Fannie Mae Rental Guide Calculator (1038) <small>UPDATED</small></p> <p>Fannie Mae Rental Guide (Calculator 1039) Calculate qualifying rental income for Fannie Mae Form 1029 (Business Rental Income from Investment Property).</p> <p>Fannie Mae Form 1088 Cheat Sheet (2017-2018) Use this quick reference guide for Fannie Mae's Comparative Analysis Form (Form 1088).</p>	<p>P&L Calculator (2020) Created as result of changes made by the SBA to allow for the COVID-19 pandemic. <small>UPDATED</small></p>
	<p>Fannie Mae Comparative Analysis Form 1088 (2017-2018) Calculate increases/decrease in gross income, expenses and taxable income.</p> <p>Income Calculation Worksheet Use this form to calculate income. <small>UPDATED</small></p> <p>Business Stability and Income Worksheet (2020) Created as result of changes made by the SBA to allow for the COVID-19 pandemic. <small>UPDATED</small></p>	

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Rental Income Calculator (2018-2019)



Fannie Mae Form 1084 Calculator (2018-2019)



Freddie Mac Form 91 Calculator (2018-2019)




Freddie Mac Form 92 Calculator (2018-2019)

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