

Home Savings of America

Wholesale Lending

BROKER BULLETIN



Summary

HSOA is pleased to offer this guideline expansion:

Acceptance Criteria for borrowers on Temporary Leaves of Absence

Detailed Requirements

Home Savings of America is announcing our acceptance of FNMA's guideline change on Temporary Leaves of Absence. Accordingly, it is accepted on conventional transactions that meet HSOA's Investor Exception Approval Criteria for, and subject to obtaining exception approval of, loans for the following programs:

- Conforming Fixed and LIBOR ARMs
- FNMA High Balance
- Texas Rate/Term refinances, but not cash out

Temporary Leaves of Absence (Including Maternity Leaves)

Temporary leave from an employer may encompass various circumstances (e.g., family and medical, short-term disability, maternity, other temporary leaves with or without pay). Temporary leave is generally short in duration. The period of time that a borrower is on temporary leave may be determined by various factors such as applicable law, employer policies and short-term insurance policy and/or benefit terms. Leave ceases being considered temporary when the borrower does not intend to return the current employer or does not have a commitment from the current employer to return to employment.

During a temporary leave, a borrower's income may be reduced and/or completely interrupted. The lender must determine that during and after the temporary leave the Borrower has capacity to repay the Mortgage and all other monthly obligations.

Determining qualifying income and Borrower capacity to meet obligations while on temporary leave

- For borrowers returning to their current employer prior to the first Mortgage payment due date:
 - The lender may use for qualifying income the borrower's gross monthly income amount that will be received upon the borrower's return to current employer.
- For borrowers returning to their current employer after the first mortgage payment due date the lender must determine the income amount that will be received upon the borrower's return to current employer. The lender must take into account any temporary reductions in income when determining qualifying income, as follows:
 - The lender may use for qualifying income the borrower's gross monthly income amount being received during the temporary leave. In the event that the income has been reduced or interrupted, the Lender may use for qualifying income the monthly reduced amount (this amount may be zero) being received during the temporary leave combined with the Borrower's available liquid assets, as necessary. Available liquid assets may be used as a partial or complete income supplement up to the amount of the income reduction.
 - The total qualifying income must not exceed the gross monthly income that will be received upon the Borrower's return to current employer.
 - Assets that are required for the transaction (e.g., down payment, Closing Costs, Financing Costs, Prepays/Escrow and reserves) may not be considered as available assets to supplement the income.

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Documentation Requirements

The following documents must be retained in the loan file:

- Verification of the Borrower's pre-leave income and employment
- Documentation from the current employer confirming the Borrower's statutory right to return to work (or the employer's commitment to permit the Borrower to return to work), the confirmation date of return, and the Borrower's post leave employment and income.
- Written statement signed by the Borrower confirming that the borrower will return to current employer and stating the confirmation date of return that has been agreed upon between the Borrower and the employer.

In addition, the following documentation is required for Borrowers returning to the current employer after the first Mortgage payment due date:

- Documentation evidencing amount, duration and consistency of all temporary leave income sources being used to qualify the Borrower (e.g., short-term disability benefits, or insurance, sick leave benefits, temporarily reduced income from employer) that are being received during the temporary leave
- All available liquid assets used to supplement the reduced income for the duration of the temporary leave must meet requirements of and be verified

DU data entry for Temporary Leave income

When income from temporary leave is being used to qualify for the mortgage loan, the lender must enter the appropriate qualifying income amount into DU based on the requirements provided in B3-3.2-08, Other Sources of Income.

- If the borrower **will** return to work as of the first mortgage payment date, the lender can consider the borrower's regular employment income in qualifying and must enter the income into DU using the applicable income type.
- If the borrower will **not** return to work as of the first mortgage payment date but is able to qualify using the lesser of the borrower's temporary leave income (if any) or regular employment income, that "lesser of" income amount must be entered into DU. Entry of the income into DU depends on what was derived as the "lesser of" figure:
 - When the borrower's temporary leave income is used, enter the income amount into DU as an Other Monthly Income amount of "Other Types of Income."
 - When the borrower's regular employment income is used, enter the income amount in DU using the applicable income type.
- If the borrower's temporary leave income is less than the regular employment income and the lender is able to "supplement" the temporary income with available liquid reserves (per B3-3.2-08, Other Sources of Income), the following must be applied:
 - The lender must enter the combined temporary leave income and supplemental income from reserves in DU as an Other Monthly Income amount of "Other Types of Income". The combination of these two incomes may not exceed the borrower's regular monthly employment income.
 - As DU is not able to determine the supplemental income is being used, nor is it able to determine the amount of reserves used to supplement the temporary income, the lender must manually reduce the amount of the borrower's total liquid assets by the amount of reserves used to supplement the temporary income (in order to avoid the reserves being used for both income and assets).

Locks/Pipeline

Effective immediately, eligible loans in the pipeline may take advantage of this guideline expansion.

Questions

If you have any questions, please contact your Account Executive

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