

Home Savings of America

Wholesale Lending

BROKER BULLETIN



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Conventional Loan Updates

Summary

Due to investor restrictions and changes, the following clarifications and updates apply.

1. **NAL – family relationships updated**
2. **Conversion of Primary residence appraisal and 30% equity requirements clarified**
3. **Requirements for large deposits clarified**
4. **Appraisal form requirements updated**

Detailed Requirements

The following requirements apply to all conforming conventional and Home Savings Direct programs. Changes are indicated in **red**.

1. Non-Arm's Length/Interested Party and Familial transactions

This matrix lists various family and non-family scenarios and their acceptance. When there is a difference between investors, exception approval is required.

Relationship	Investor B	Investor C
Appraisal support documentation	Data Verify, Landsafe desk review	Corelogic Pass
Family-related transactions		
Employed by family member	<p>Allowed</p> <p>Provide most recent pay stub and 2 years most recent personal tax returns with all W-2s Two years tax returns (and the time period after the most recent tax returns) must reflect continuous employment by the current employer.</p> <p>When employed by family members, ownership in the family business must be documented, regardless of the ownership percentage. Not considered as self-employed unless they have $\geq 25\%$ business ownership</p>	<p>Allowed</p> <p>Provide most recent pay stub and 2 years most recent personal tax returns with all W-2s. Borrower must have at least 6 months family employment prior to application date, and previous employment in the same or related field.</p> <p>When employed by family members, ownership in the family business must be documented, regardless of the ownership percentage. Not considered as self-</p>

		employed unless they have >=25% business ownership
Buying from family member, including purchasing from the estate of a relative, fiancé, fiancée, domestic partner, or other individual related to borrower by blood, adoption or legal guardianship.	Allowed	Allowed, subject to: owner-occupied or second home transactions No DU appraisal or documentation relief (must have a full appraisal, 2 years income verified, 2 months asset verification)
Buying and employed by family member	<i>Not allowed</i>	
Borrower is employed by submitting broker Or Borrower is mortgage lender employee and was involved in the origination/processing of the loan	Primary residence transactions only Provide most recent pay stub and 2 years most recent personal tax returns with all W-2s. Two years tax returns (and the time period after the most recent tax returns) must reflect continuous employment by the current employer. Pre-funding QC required.	Not allowed
Borrower is employed by the lender and was not involved in the origination/processing of the loan	Allowed	Not allowed
Borrower is related to mortgage broker or lender originator/processor	Allowed, provided the applicant is not the broker/originator's spouse	
Realtor is representing buyer and seller	Allowed	
Realtor is representing buyer and seller, and is related to –or affiliated with – the seller	Reviewed case by case; pre-funding QC is required	
Seller is also the realtor	Allowed, provided the realtor is not also representing the buyer	
Borrower is related to the realtor, or Seller is related to the realtor or Seller is related to the originator	Allowed	
Occupancy and relationship between buyer and seller	Fannie Mae will not purchase mortgage loans on newly constructed homes secured by a second home or investment property if the borrower has a relationship or business affiliation with the builder, developer, or seller of the property.	
Non-Family transactions	The following scenarios are considered Non-arms-length; where allowed, due diligence to affirm transaction veracity is required	
Interested Party: Employed by someone with an interest in the property	Allowed, provided it is a bona fide sales transaction and the borrowers will occupy the	Allowed, subject to: owner-occupied or second home

	<p>property as their primary residence. Provide most recent pay stub and 2 years most recent personal tax returns with all W-2s. Two years tax returns (and the time period after the most recent tax returns) must reflect continuous employment by the current employer. Pre-funding QC required</p>	<p>transactions</p> <p>No DU appraisal or documentation relief (must have a full appraisal, 2 years income verified, 2 months asset verification)</p> <p>Pre-funding QC required</p>
Interested Party: Borrower is <u>related to</u> someone with an interest in the property	<p>Prohibited</p> <p>Not allowed if the builder, property seller, and/or any party currently on title on the subject property is any of the following:</p> <ul style="list-style-type: none"> • A company owned by the borrower • A borrower who is related to the builder, property seller, or any party currently on title as a: <ul style="list-style-type: none"> o Registered agent o Sales agent o Partner 	
Corporate sales or transfers	Allowed, provided it is a bona fide sales transaction and the borrowers will occupy the property as their primary residence.	
Non-family relationship with Builders or developers.	Allowed, provided it is a bona fide sales transaction and the borrowers will occupy the property as their primary residence.	<p>Allowed, subject to: owner-occupied or second home transactions</p> <p>No DU appraisal or documentation relief (must have a full appraisal, 2 years income verified, 2 months asset verification)</p>
For Sale by Owner transactions	allowed	<p>Allowed, subject to: owner-occupied or second home transactions</p> <p>No DU appraisal or documentation relief (must have a full appraisal, 2 years income verified, 2 months asset verification)</p>
Transactions involving principals of a lender,	Allowed case-by case on primary residence transactions . Pre-funding QC required	

broker, or other vendor (such as an appraiser, settlement agent, title company)		
Renters buying from landlord.	Allowed, provided it is a bona fide sales transaction and the borrowers will occupy the property as their primary residence.	Allowed, subject to: owner-occupied or second home transactions No DU appraisal or documentation relief (must have a full appraisal, 2 years income verified, 2 months asset verification)
Trading properties with the seller (who is not a builder/developer)	Allowed, provided it is a bona fide sales transaction and the borrowers will occupy the property as their primary residence.	Allowed, provided realtors are involved
Trading properties with a builder/developer	Not allowed	Allowed

2. Conversion of Primary Residence – Concurrently funded transactions

For conversion of a primary residence, and Air-compliant appraisal is required (for Conforming loans, this applies to recently converted properties and concurrently funded transactions)

For properties with an existing lien, if rental income will be used to offset the mortgage payment, **subject to an**

- AIR compliant appraisal (2055 with 1004MC accepted on 1 unit detached properties)
- **Note: Appraisals must be dated within 60 days of closing date**

Note: In all cases when an additional principal reduction is required to attain the 30% equity position; the principal reduction and the documentation of the updated balance must be provided prior to closing the subject property transaction.

3. Large Deposits

Bank statements

- All pages of all bank statements must be provided.
- Large Deposits:
 - **Large deposits must be adequately explained and documented.** This is generally required when non-payroll deposits exceed \$1,500, either individually or in aggregate, over one month's statement, **or reflect an unusual pattern of deposits not consistent with the borrower's employment, earnings and/or savings patterns.** "Generally" is meant to allow more flexible, or - in some situations - tighter enforcement, depending on the borrower profile and transaction risks.

4. Appraisal Forms

Follow DU for appraisal requirements except in the scenarios below:

Scenario	Appraisal requirements
<i>LTV exceeding 80% (restriction not applicable for DU Refi Plus)</i>	<i>1004/1073 appraisal (required by MI companies and an investor.)</i>
<i>Refinances that are Texas 50-a-6 transactions</i>	<i>Obtain 1004/1073 as applicable for property type.</i>
<p>If any of the following are present</p> <ul style="list-style-type: none"> • Short sale (purchase transactions) • Loans that are REO sales by the foreclosing lender, or the last transaction was the purchase of a foreclosed property • Mixed use properties • Appraiser is unable to view the property improvements from the street • Property is new construction and has not yet been occupied • Property is undergoing renovation • Property does not conform to the neighborhood • Adverse physical deficiencies or environmental conditions are observed • Data sources do not provide sufficient information about the interior or exterior of the property the appraisal, or the appraiser cannot reconcile all significant discrepancies (e.g. size, condition, etc) among available sources 	Obtain 1004/1007/1025 as applicable for the property type (1004 or 1007 on Mixed Use properties)
<i>Current value stated in DU reflects a significant increase since a recent purchase (generally within 6 months prior to application date)</i>	Obtain 1004/1007/1025 as applicable for the property type
<i>Loans with a disaster declared (Incident date) within 120 days of the application date.</i>	<p>Without exception approval: 1004/1007/1025 as applicable for the property type.</p> <p>With exception approval:</p> <p>For 60 days following the last day of the disaster to the date of application:</p> <p>A full appraisal with interior and exterior photos must be obtained after the disaster occurred, regardless of automated underwriting decision if.</p> <ul style="list-style-type: none"> • The appraisal was not yet completed, or • DU allowed a property inspection waiver (PIW) or Exterior Only inspection.

If a full appraisal was completed prior to the disaster occurring, the property must be re-inspected prior to the loan closing.

Questions

If you have any questions, contact your Community Banker.

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