

CREDIT MEMORANDUM

Residential Mortgage Loan Application

Date: May 23, 2025

Loan Officer: Sarah Mitchell

NMLS #: 1234567

Branch: Main Street Branch (#101)

Application #: 2025-MTG-05231

EXECUTIVE SUMMARY

Recommendation: APPROVE WITH CONDITIONS

Loan Request:

- Loan Amount:** \$385,000
- Purchase Price:** \$425,000
- Down Payment:** \$40,000 (9.41%)
- Loan Program:** Conventional 30-Year Fixed Rate
- Interest Rate:** 6.875%
- Purpose:** Purchase - Primary Residence
- Property Type:** Single Family Residence
- Property Address:** 1234 Oak Grove Lane, Springfield, IL 62701

Key Strengths:

- Strong credit profile (745 FICO)
- Stable employment history (8+ years)
- Low overall debt obligations
- Substantial liquid reserves
- Down payment from verified savings

Key Risks/Mitigants:

- LTV >80% requires PMI (mitigated by strong credit and reserves)
- First-time homebuyer (mitigated by homeownership counseling completed)

BORROWER INFORMATION

Primary Borrower

Name: Michael James Anderson

SSN: XXX-XX-1234

Date of Birth: 04/15/1987

Phone: (217) 555-0123

Email: m.anderson@email.com

Current Address: 456 Rental Ave, Apt 2B, Springfield, IL 62702

Time at Address: 3 years, 4 months

Housing Payment: \$1,850/month (rent)

Co-Borrower

Name: Jennifer Lynn Anderson

SSN: XXX-XX-5678

Date of Birth: 08/22/1989

Phone: (217) 555-0124

Email: j.anderson@email.com

Current Address: Same as primary borrower

Time at Address: 3 years, 4 months

INCOME ANALYSIS

Primary Borrower - Michael Anderson

Current Employment:

- **Employer:** Springfield Medical Center
- **Position:** Senior Financial Analyst
- **Employment Type:** Full-time, Salaried
- **Start Date:** June 2017 (7 years, 11 months)
- **Base Salary:** \$92,500 annually (\$7,708.33/month)
- **Overtime:** Average \$8,500/year (last 2 years) = \$708.33/month
- **Annual Bonus:** Average \$12,000/year (last 2 years) = \$1,000/month

Employment History:

- 2015-2017: Financial Analyst, Regional Health Partners (\$65,000/year)
- 2013-2015: Jr. Financial Analyst, Springfield Community Hospital (\$48,000/year)

Total Monthly Income - Primary: \$9,416.66

Co-Borrower - Jennifer Anderson

Current Employment:

- **Employer:** Lincoln Elementary School District
- **Position:** 4th Grade Teacher
- **Employment Type:** Full-time, Salaried (10-month contract)
- **Start Date:** August 2015 (9 years, 9 months)
- **Contract Salary:** \$58,000 annually
- **Monthly Calculation:** $\$58,000 \div 10 \text{ months} \times 12 \text{ months} \div 12 = \$4,833.33/\text{month}$
- **Summer School:** Average \$3,600/year = \$300/month
- **Coaching Stipend:** \$2,400/year = \$200/month

Education/Certifications:

- Master's in Education, 2015
- Illinois Teaching Certificate (current)

Total Monthly Income - Co-Borrower: \$5,333.33

Combined Qualifying Income

Total Monthly Income: \$14,750.00

Income Documentation Provided:

- ✓ 2023 & 2024 W-2s (both borrowers)
- ✓ Most recent 30 days pay stubs
- ✓ 2023 & 2024 tax returns
- ✓ Written VOE from both employers
- ✓ 2 months bank statements showing direct deposits

CREDIT ANALYSIS

Credit Scores (Tri-merge Report dated 05/20/2025)

Michael Anderson:

- Experian: 748
- Equifax: 742
- TransUnion: 751
- **Middle Score: 748**

Jennifer Anderson:

- Experian: 738
- Equifax: 745
- TransUnion: 743

- **Middle Score: 743**

Representative Score Used: 743

Credit History Summary

Trade Lines: | Creditor | Type | Balance | Limit | Payment | Status | |-----|-----|-----|-----|-----|-----| | Chase Sapphire | Credit Card | \$2,100 | \$15,000 | \$63 | Current | | Capital One | Credit Card | \$0 | \$8,000 | \$0 | Current | | Toyota Financial | Auto Loan | \$8,750 | Original: \$28,000 | \$485 | Current | | Sallie Mae | Student Loan | \$0 | Paid 2022 | \$0 | Paid/Closed | | Best Buy | Retail Card | \$0 | \$3,000 | \$0 | Current |

Payment History:

- No late payments in past 24 months
- No collections, judgments, or liens
- No bankruptcy history
- Credit history length: 12+ years

Recent Inquiries:

- 2 inquiries in last 6 months (mortgage shopping - treated as single inquiry)

DEBT-TO-INCOME ANALYSIS

Monthly Debt Obligations

Creditor	Monthly Payment	Notes
Toyota Financial	\$485	18 months remaining
Chase Sapphire	\$63	Minimum payment
Proposed Housing Payment	\$3,287	See calculation below
Total Monthly Debt	\$3,835	

Proposed Housing Payment (PITI)

- Principal & Interest: \$2,568.42 (30-year @ 6.875%)
- Property Taxes: \$445.83 (\$5,350 annually)
- Homeowners Insurance: \$125.00 (\$1,500 annually)
- PMI: \$147.75 (0.46% annually)
- **Total PITI: \$3,287.00**

DTI Ratios

- **Front-End Ratio:** $\$3,287 \div \$14,750 = 22.3\%$ ✓ (Policy max: 28%)
 - **Back-End Ratio:** $\$3,835 \div \$14,750 = 26.0\%$ ✓ (Policy max: 43%)
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ASSETS AND RESERVES

Liquid Assets

Account	Institution	Balance	Notes
Joint Checking	First National Bank	\$8,450	
Joint Savings	First National Bank	\$52,300	Down payment source
M. Anderson 401(k)	Fidelity	\$87,500	Not used for transaction
J. Anderson 403(b)	TIAA	\$45,200	Not used for transaction
Joint Investment	Charles Schwab	\$18,750	
Total Liquid		\$79,500	Excluding retirement

Funds Needed for Closing

- Down Payment: \$40,000
- Closing Costs (est.): \$8,500
- Prepaid Items (est.): \$3,200
- **Total Needed:** \$51,700

Post-Closing Reserves

- Liquid Assets: \$79,500
- Less Closing Needs: -\$51,700
- **Remaining Reserves:** \$27,800
- **Months of PITI:** 8.5 months ✓ (Exceeds 2-month requirement)

PROPERTY INFORMATION

Subject Property Details

- **Address:** 1234 Oak Grove Lane, Springfield, IL 62701
- **Year Built:** 2015
- **Square Footage:** 2,450 sq ft
- **Bedrooms/Bathrooms:** 4 BR / 2.5 BA
- **Lot Size:** 0.31 acres
- **School District:** Springfield District 186 (Rated 8/10)

Appraisal Summary (Completed 05/18/2025)

- **Appraised Value:** \$428,000
- **Sales Price:** \$425,000
- **Value Conclusion:** Sales price supported

- **Property Condition:** Good (C2)
- **Comparable Sales:** 3 closed sales within 0.5 miles, last 90 days
- **Market Conditions:** Stable, balanced market

LTV/CLTV Calculations

- **LTV:** $\$385,000 \div \$425,000 = 90.59\%$
 - **CLTV:** Same (no subordinate financing)
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UNDERWRITING ANALYSIS

Strengths

1. **Credit Quality:** Excellent credit scores (743/748) with perfect payment history
2. **Stable Income:** Combined income of \$177,000 annually with long employment tenure
3. **Low DTI:** 26% back-end ratio provides substantial payment cushion
4. **Strong Reserves:** 8.5 months PITI in liquid reserves post-closing
5. **Professional Occupations:** Both borrowers in stable, recession-resistant fields

Risk Factors & Mitigants

1. **High LTV (90.59%):** Mitigated by PMI coverage and strong credit profile
2. **First-Time Homebuyers:** Completed HUD-approved counseling; substantial reserves
3. **Limited Property Appreciation:** 2015 construction limits upside; stable neighborhood

Automated Underwriting System

- **DU Findings:** Approve/Eligible
- **Risk Class:** Accept Plus
- **MI Coverage:** 25% coverage required

Compliance Review

- ✓ Qualified Mortgage (QM) - Safe Harbor
 - ✓ Ability-to-Repay verified
 - ✓ TRID timing requirements met
 - ✓ Fair Lending review completed
 - ✓ HMDA data collected
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CONDITIONS FOR APPROVAL

Prior to Docs

1. Updated bank statements within 5 days of closing
2. Verbal verification of employment within 10 days of closing
3. Clear title commitment
4. Acceptable homeowners insurance binder (\$425,000 dwelling coverage minimum)

Prior to Funding

1. Review final Closing Disclosure (3-day review period)
2. Confirm no new credit inquiries
3. Final verbal VOE day of closing
4. All closing conditions cleared by underwriting

Post-Closing (Trailing)

1. Original recorded mortgage
2. Original title policy
3. IRS tax transcript validation

RECOMMENDATION AND RATIONALE

Recommendation: APPROVE

This loan represents a strong credit risk with multiple compensating factors that offset the >80% LTV. The borrowers demonstrate:

- Exceptional credit management with 740+ scores
- Stable, dual-income household in recession-resistant occupations
- Conservative debt management with only one installment loan
- Substantial liquid reserves beyond down payment needs
- Income trajectory supporting long-term payment ability

The 90.59% LTV is appropriately mitigated through conventional PMI. The borrowers' profile suggests minimal default risk despite the higher leverage. Their completion of homeownership counseling and conservative property selection (well within approval limits) demonstrates prudent decision-making.

APPROVALS

Submitted by:

Sarah Mitchell

Loan Officer

Date: 05/23/2025

Reviewed by:

Robert Chen

Senior Underwriter

Date: _____

Approved by:

Maria Rodriguez

Underwriting Manager

Date: _____

Loan Committee: ☐ Required ☒ Not Required (Within individual authority)

ATTACHMENTS

1. Full credit reports (all borrowers)
2. Income documentation package
3. Appraisal report
4. Purchase agreement
5. Asset verification documents
6. AUS findings report
7. Homeownership counseling certificate
8. Compliance checklist