

## **Underwriting Guidelines Overview**

Underwriting is a critical process in mortgage lending, ensuring that loans are granted to applicants who meet specific financial and credit requirements. The following underwriting guidelines outline the key criteria that must be met for loan approval. These guidelines help mitigate risk, ensure loan repayment capability, and comply with industry standards set by regulatory bodies such as Fannie Mae and Freddie Mac.

### **1. Property Valuation and Loan Structure**

- The home's appraised value must be equal to or exceed the loan amount.
- Loan-to-Value (LTV) ratio should not exceed 80% unless private mortgage insurance (PMI) is obtained.
- The loan structure must align with Fannie Mae/Freddie Mac underwriting guidelines.
- Loan amounts should be within 80-95% LTV depending on the down payment provided by the borrower.

### **2. Property Condition and Compliance**

- The property must pass a thorough physical inspection.
- Zoning compliance must be verified to ensure the property adheres to local regulations.

### **3. Borrower Creditworthiness**

- A minimum credit score of 620+ is required for conventional loans.
- Credit history should be verified and must be accurate with no major discrepancies.
- There should be no record of bankruptcies or foreclosures within the past four years.

### **4. Employment and Income Stability**

- Borrowers must have at least two years of stable employment in the same industry.
- Self-employed applicants must provide tax returns from the last two years.
- Acceptable sources of income include salary, commissions, bonuses, rental income, and investments. These must be verifiable and consistent.

### **5. Debt and Financial Responsibility**

- Debt-to-Income (DTI) ratio must not exceed 43%, taking into account all existing liabilities.
- Applicants must demonstrate sufficient income stability to support loan repayment.

### **6. Compliance and Risk Management**

- Applications must pass anti-money laundering (AML) and fraud detection screenings.
- Borrowers must be at least 18 years old to be eligible for the loan..