

THE SOURCE

HELOC

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OVERVIEW

UWM offers Standalone and Piggyback HELOCs so you can give borrowers more flexibility and grow your business.

What is a **HELOC**?

- **H**ome **E**quity **L**ine **O**f **C**redit
- A line of credit secured by a property that a borrower can draw from, up to the amount they are approved for

What is a **Standalone HELOC**?

- Tied to a property that has an active mortgage attached to it
- The **HELOC** and the active mortgage do not need to be from the same lender

What is a **Piggyback HELOC**?

- Also referred to as a 2nd, Simultaneous Close **HELOC**
- The **HELOC** is done at the same time as the first mortgage on the subject property
- Typically done with a purchase transaction

Both transactions will be done by UWM

GENERAL TERMS

Note Rate – The interest rate the loan closes on

Draw – Dollar amount the borrower pulls from against the available line of credit

Initial Draw Amount – The dollar amount the borrower pulls from the available credit line at closing

Draw Period – Timeframe in which the borrower is able to withdraw funds from the available line of credit. 3-year and 5-year options available.

Repayment Period – The timeframe in which the borrower repays the balance owed. Once the repayment period begins draws are no longer permitted. The outstanding balance becomes the loan amount.

Max Loan Amount – The maximum dollar amount that can be financed (borrowed) with a **HELOC**

Total Line Amount/Max Loan Amount – The highest balance that can be drawn on the **HELOC**

CLTV – Combined Loan to Value

1st Lien Mortgage + 2nd Lien Mortgage Balance / Appraised Value = CLTV

Ex. Owe \$300,000 on 1st mortgage, drew \$75,000 on **HELOC**. Appraised Value is \$550,000. $\$375,000 / \$550,000 = 68.18\%$ CLTV

HCLTV – High Combined Loan to Value or Home Equity Combined Loan to Value

1st Lien Mortgage + 2nd Line Total Line Amount / Appraised Value = HCLTV

Ex. Owe \$300,000 on 1st mortgage. Total line amount (the highest balance available) is \$100,000. Appraised Value \$550,000. $\$400,000 / \$550,000 = 72.73\%$ HCLTV

Interest-Only Payment – Monthly interest payment borrowers will pay during first 10 years of the **HELOC**.

Fully Amortized Payment – Monthly payment that will apply towards principal and interest during repayment period of the loan.

GENERAL PARAMETERS

Rate Cap: 18% unless otherwise limited by state or regulatory requirements

Floor: 4%

Index: Prime Rate (resets monthly)

Margin: Subject to the rate sheet

Note Rate: Prime Rate + Margin

Qualifying Rate: Note Rate + 2%

Qualifying Payment: Qualifying rate over amortizing repayment period

- **EX:** 20-year **HELOC** at 8.5% rate. Qualifying payment = 10.5% over the 10-year fully amortization period.

AUS: No AUS run on Standalone or Piggyback HELOCs.

- Standalone – must follow Fannie Mae guidelines
- Piggyback – must follow the AUS ran on the 1st Lien Mortgage

Underwriting Fee:

- Standalone – \$1110 underwriting fee
- Piggyback – \$450 additional underwriting fee (on top of the underwriting fee for the 1st lien)

GENERAL PRODUCT OPTIONS

- HELOCs cannot be correspondent loans, HELOCs must be closed in UWMs name
- No pre-payment penalties

HELOC – YELLOW

Please refer to the **HELOC (Standalone) – Yellow** matrix for a more detailed list of product parameters.

PARAMETERS

- 30-year Standalone
 - First 10 years = interest only payment
 - Year 11 – 30 = payment is amortized over 20 years
- 20-year Standalone
 - First 10 years = interest only payment
 - Years 11 – 20 = payment is amortized over 10 years
- 3-year or 5-year draw
- Primary, second home and investment properties – 1-4 units
 - 2-4 units are ineligible on second homes
- Max loan amount = \$350,000
- Min line amount = \$25,000
- Min initial draw amount = 75% of the line amount
 - Subject to a 90-day lock-out period after the initial draw at closing
- Max CLTV/HCLTV = 85%
- Min FICO = 660
- Max DTI = 50%
- 2nd Lien Positions Only
 - 1st lien can be any product type or channel
 - Standalone must be conventional or high balance

- Manual underwrite required
- Temporary rate buydowns, manufactured homes and co-ops are not permitted
- Not available in Texas, Vermont and Iowa

APPRAISAL VALUATION REQUIREMENTS

IF THE TOTAL LINE AMOUNT IS GREATER THAN (\leq) \$250K:

- An approved AVM, Broker Price Opinion (BPO), desktop appraisal, exterior-only appraisal or full appraisal is required as the first property valuation

IF THE TOTAL LINE AMOUNT IS LESS THAN ($>$) \$250K:

- A full appraisal is required as the first property valuation

NOTE: Appraisal re-use is permitted for appraisals dated within 12 months.

CREDIT REQUIREMENTS

A **single bureau credit report** can be accepted for all borrowers on the loan. If a tri-merge credit report is already provided, a single-bureau report cannot be obtained and provided for the loan. There cannot be a mix of tri-merge reports and single bureau reports if there are multiple borrowers on the loan.

- The qualifying credit score must be from the primary wage earner on the loan

HELOC – PINK

Please refer to the **HELOC (Standalone) – Pink** and **HELOC (Piggyback) – Pink** matrix for a more detailed list of product parameters.

PARAMETERS

STANDALONE

- 30-year
 - First 10 years = interest only payment
 - Year 11 – 30 = payment is amortized over 20 years
- 20-year
 - First 10 years = interest only payment
 - Years 11 – 20 = payment is amortized over 10 years
- 3-year or 5-year draw
- Primary, second home and investment properties – 1-4 units
 - 2-4 units only eligible on primary residence
- Max loan amount = \$500,000
- Min line amount = \$25,000
- Min initial draw amount = 75% of the line amount
 - Subject to a 90-day lock-out period after the initial draw at closing
- Max CLTV/HCLTV = 90%
- Min FICO = 680
- Max DTI = 50%
- 2nd Lien Positions Only
 - 1st lien can be any product type or channel
 - Standalone must be conventional or high balance
- Manual underwrite required
- Temporary rate buydowns, manufactured homes and co-ops are not permitted

- Not available in Texas, Vermont and Iowa
- Mortgage payment history: zero 30-day lates allowed in the last 12 months

APPRAISAL VALUATION REQUIREMENTS

IF THE TOTAL LINE AMOUNT IS GREATER THAN (\leq) \$400K:

- An approved AVM, exterior-only appraisal or full appraisal is required as the first property valuation

IF THE TOTAL LINE AMOUNT IS LESS THAN ($>$) \$400K:

- A full appraisal is required as the first property valuation

NOTE: Appraisal re-use is permitted for appraisals dated within 12 months.

PIGGYBACK

- 30-year
 - First 10 years = interest only payment
 - Year 11 – 30 = payment is amortized over 20 years
- 3-year or 5-year draw
- Primary, second home and investment properties – 1-4 units
 - 2-4 units only eligible on primary residence
- Max loan amount = \$500,000
- Min line amount = \$20,000
- Min initial draw amount = 75% of the line amount
 - Subject to a 90-day lock-out period after the initial draw at closing
- Max CLTV/HCLTV = 90%

- Min FICO = 680
- Max DTI = 50%*
 - *Subject to first lien restrictions
- 2nd Lien Positions Only
 - 1st lien can be any product type or channel
 - Standalone must be conventional or high balance
- Approve/Eligible or Accept/Eligible findings required on the primary loan
 - No manual underwrite
- Non-occupant co-borrowers are permitted
- Temporary rate buydowns, manufactured homes and co-ops are not permitted
- Not available in Texas
- Mortgage payment history: zero 30-day lates allowed in the last 12 months

APPRAISAL VALUATION REQUIREMENTS

- Appraisal waivers accepted with a supporting AVM on loan amounts less than or equal to \$400,000 as the first property valuation

NOTE: Appraisal re-use is permitted for appraisals dated within 12 months.

PRODUCT COMPARISON

Product	Min FICO	Max DTI	Max CLTV	Min Line Amount	Max Loan Amount	Draw Periods	Term
Piggyback PINK	680	50%	90%	20,000	500,000	3- & 5-YR	30-YR
Standalone PINK	680	50%	90%	25,000	500,000	3- & 5-YR	20- & 30-YR
Standalone YELLOW	640	50%	85%	25,000	350,000	3- & 5-YR	20- & 30-YR

INCOME REQUIREMENTS

For both **Standalone** and **Piggyback** HELOCs, income produced, or in relation to, cannabis, hemp, or the adult entertainment industry are **not** permitted.

Feedback

THIRD PARTY DOCUMENTATION

HOI REPLACEMENT COST

For both **Standalone** and **Piggyback** HELOCs, a Replacement Cost Estimator (or equivalent) is required from the insurance provider.

- HOI policy must provide a dollar value if the policy is not “Full” or “Guaranteed” replacement cost

TITLE REQUIREMENTS

- All borrowers must be vested on title at the time of the loan application
- **HELOC** must be in the second lien position

- Subordinate financing is not permitted
- Additional subordinate mortgage liens must be paid off and/or closed

NOTE: There are no title seasoning requirements.

BROKER PARAMETERS

COMPENSATION

Brokers will be able to make money and charge differently for HELOCs than any other UWM loan. There may be additional Broker Compensation restrictions depending on the state. High-cost tests are applicable on HELOCs.

LICENSING REQUIREMENTS

Michigan Brokers – Second Lien License is required

Wyoming Correspondents – **HELOC** license is required

TESTING STANDARDS

Federal Points and Fees Test

- Up to 5% cap on origination charges – 5% is calculated off the initial draw amount
- The UW fee, origination, and any yield spread earned are included in the high-cost test
 - High-cost test is calculated off the total line amount
 - High-Cost Loans are ineligible since they must pass the High-Cost Test

Federal APR Test

- Caps the difference between the APOR and APR difference at 8.5%
- If APOR is roughly 5.8%, their APR can't be higher than 13.3%

STATE STANDARD SPECIFICS

Interest Rate Thresholds

- Tennessee, Minnesota, Ohio, Hawaii and South Carolina have state specific interest rate thresholds that cannot be exceeded in order to close the loan.
 - Tennessee primary residences are currently ineligible for HELOCs
 - Tennessee second homes and investment properties are eligible for HELOCs
- If a **HELOC** in one of these states goes above the threshold, the loan cannot close.

High Costs Tests

- Arkansas, Maine, Maryland, New Jersey, New York have state specific high-cost tests for HELOCs in addition to the federal Section 32 tests

State Specific Calculator

- Iowa, Michigan, Minnesota, Missouri, New Jersey, New Mexico, Pennsylvania, Vermont, Virginia, Washington, and West Virginia have many calculators developed for state requirements

Net Tangible Benefit Requirements

- Standalone and Piggyback HELOCs in Massachusetts require a Net Tangible Benefit (NTB) to be documented

State-Specific Fee Requirements

- Iowa:
 - No broker fees
 - Unable to make origination or charge fees
 - UW fee must be waived
- Michigan:
 - Unable to make origination or charge fees
 - If origination is charged, it will be labeled as Broker Processing fee
 - If a charge for the rate is incurred, it will be labeled as UWM processing fee
 - Processing fees combined cannot exceed 5% of the line amount

- UW fee must be waived
- Minnesota:
 - Fees cannot exceed 5% of the total line amount
- Missouri:
 - Fees cannot exceed 5% of the total line amount
 - If a charge for the rate is incurred, it must be labeled as Lender Origination Fee
 - UW fee must be waived
- New Jersey:
 - Only a single application fee can be charged, which cannot exceed 3% and labeled as Application Fee
 - UW fee must be waived
- New Mexico:
 - All fees cannot exceed 6% of the total line amount
- New York
 - Fees cannot exceed 5% of the total line amount if it is \$50,000 or more
 - Fees cannot exceed the greater of 6% or \$1,500 if the total line amount is less than \$50,000
- Pennsylvania:
 - Any money going to the lender can only be charged as an Origination fee and cannot exceed 3% of the total line amount
 - UW fee must be waived
- Vermont:
 - Unable to buy down the rate
- Virginia:
 - If there is a charge for the interest rate, fee will be labeled as Loan Fee
 - If there are origination charges, fee will be labeled as Broker Fee
 - Can also make yield spread premium (YSP), which will not show on docs
 - Broker Fees + Loan Fees (or YSP if there are any) cannot exceed 5% of the total line amount
 - UW fee must be waived
- Washington:
 - UW fee must be waived
- West Virginia:
 - All fees cannot exceed 6% of the total line amount

HELOCs IN EASY QUALIFIER (EQ)

The following fields in Easy Qualifier (EQ) must be selected for **HELOC** pricing to show:

- Loan Type: **HELOC** / 2nd Mortgage
- Lien Position
- Loan Amount / Initial Draw Amount
- Second Loan Amount / 1st Lien Amount
- Total Line Amount
- Loan Term: 20 years
- Compensation: Borrower Paid

LOAN INFORMATION

DRAG & DROP

YOUR FNMA 3.2 FILE HERE

Fields marked with * must be completed.

Company Name *	Occupancy *	Credit Score *	Commitment Period ?
<div>Training Mortgage LLC (GT1234)</div>	<div>Primary Residence</div>	<div>700</div>	<div>30 Day Lock</div>
			30 Day Lock Expires: 09/23/2022
Loan Officer *	Property Type *	Monthly Income	Compensation Payer Type
<div></div>	<div>Single Family Residence</div>	<div>\$</div>	<div>Borrower Paid</div>
Borrower Name *	Number Of Units *	Monthly Debt	Documentation Type
<div></div>	<div>1</div>	<div>\$</div>	<div>Full</div>
Loan Type	Property State *	Taxes (Annual)	Escrow / Impound Waiver Type
<div>HELOC / 2nd Mortgage</div>	<div></div>	<div>\$</div>	<div>No Waiver</div>
Lien Position	ZIP Code	HOI (Annual)	Loan Term
<div>1st</div>	<div></div>	<div>\$</div>	<div>20 Years</div>
Loan Amount / Initial Draw Amount	County *	Finance Charges ?	Flex Term
<div>\$</div>	<div></div>	<div>\$</div>	<div>20 Years</div>
Second Loan Amount / 1st Lien Amount	Financed Properties	<input type="checkbox"/> New Construction	<input type="checkbox"/> Waive Underwriting Fee
<div>\$ 0</div>	<div>1</div>	<input type="checkbox"/> Self Employed	<input type="checkbox"/> First Time Home Buyer
Total Line Amount			Exact Rate Type
<div>\$ 0</div>			<div></div>
Sales Price *			
<div>\$ 0</div>			
Appraised Value *			
<div>\$ 0</div>			
LTV *			
<div>0.000 %</div>			
CLTV *			
<div>0.000 %</div>			
HCLTV *			
<div>0.000 %</div>			
Purpose *			
<div>Purchase Home</div>			
Refinance Purpose			
<div></div>			

GET QUOTE

RESET FORM

MANAGE SCENARIOS

VIEW COMPENSATION

*RefiNow product requires DU findings that specify loan is approved as RefiNow by FNMA.

HELOCS IN THE FEE SCREEN

STANDALONE

The fees screen will be smaller and only include the necessary fees for a standalone **HELOC**.

PIGGYBACK

The fees screen will appear as normal as the 1st lien mortgage will still require all the traditional fees.

HELOC DISCLOSURES

A Closing Disclosure (CD) will not be provided on a Standalone or Piggyback **HELOC**.

A Settlement Statement and **HELOC** Agreement and Disclosures Statement will be provided at closing.

Final Document Generation Process

- Package only allowed to be generated by a UWM Closing team member after calculation is completed
- High-cost testing

EPO

HELOCs will follow the current UWM EPO policy. If a line is paid down to \$0 within 180 days of the original closing, you will be subject to the EPO.

SUBSEQUENT DRAWS

If the borrower wants to draw funds past time of closing, they will receive the necessary documents to do so, as well as a checkbook for them to make subsequent draws from, after the 90-day lockout period.

NOTE: The borrower is still required to make all the applicable interest-only payments based off the initial draw taken at closing. The 90-day lockout period is in regards to the borrower not being able to draw after closing until 90 days has passed.

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