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Evaluating Assets

Designs for Learning®

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Objectives

- **Introduce importance of the 4 Cs**
- **Increase knowledge of Capital/Assets**
- **Understand different asset types**
- **Review documentation requirements**
- **Learn about funds required for closing and reserve funds**

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The 4 Cs

Credit

- Borrowers' willingness to repay a loan

Capacity

- Borrowers' ability to repay based on the amount & stability of income

Capital

- Borrowers' investment in the property from savings & other sources

Collateral

- Property's value & marketability to provide adequate security for the loan based on an appraisal

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Capital – Assets

- Do the borrowers demonstrate ability to save?
- What is their cash investment in the property?
- Do the borrowers have sufficient cash to close the loan?
- Any cash reserves?

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Required Assets

- **Down Payment**
  - Including Earnest Money Deposit
- **Closing Costs/Prepaids**
- **Reserves**

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Reserve Requirements

- **Amount required varies based on:**
  - Transaction
  - Occupancy
  - Number of units
  - Number of other financed properties
  - AUS findings
  - Investor

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Exercise

Down payment and closing costs: $18,500

Required reserves: $ 4,000

- **Verified savings $17,600**
- **Verified checking $ 1,800**
- **Verified IRA $ 4,500**

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Most Commonly Used Asset Types

- **Depository accounts**
- **Sale of real property**
- **Interested party contributions (IPCs)**
- **Stocks, bonds, mutual funds**
- **Retirement funds**
- **Business assets**
- **Gifts**

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Asset Documentation & Verification

- **Bank statements**
- **Online transaction histories**
- **Verification of Deposit (VOD)**
- **Third-party verification vendor**
- **Closing Disclosure (CD)**
- **Retirement funds statement**
- **Gift letter**

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VOD

- Depository and borrower
- Account type
- Account number - last 4 digits
- Current balance
- 2-mo. avg. balance
- Date opened
- Outstanding loans
- Signed & dated by representative

Request for Verification of Deposit

Privacy Act Notice: This information is to be used by the agency collecting it or its assignees in determining whether you qualify as a prospective mortgagor under its program. It will not be disclosed outside the agency except as required and permitted by law. You do not have to provide this information, but if you do not your application for approval as a prospective mortgagor or borrower may be delayed or rejected. The information requested in this form is authorized by Title 38, USC, Chapter 37 (If VA); by 12 USC, Section 1701 et.seq. (If HUD/FHA); by 42 USC, Section 1452b (if HUD/CPD); and Title 42 USC, 1471 et.seq. or 7 USC, 1921 et.seq. (If USDA/FmHA).

Instructions: Lender — Complete Items 1 through 8. Have applicant(s) complete Item 9. Forward directly to depository named in Item 1.
Depository — Please complete Items 10 through 18 and return DIRECTLY to lender named in Item 2.
The form is to be transmitted directly to the lender and is not to be transmitted through the applicant(s) or any other party.

Part I — Request

1. To (Name and address of depository)	2. From (Name and address of lender)
TCU Bank 123 Sunny Lane Pleasant Valley, XY 99999	ABC Lending 111 E. Mortgage Way Homestead, XY 88888

I certify that this verification has been sent directly to the bank or depository and has not passed through the hands of the applicant or any other party.

3. Signature of lender	4. Title	5. Date	6. Lender's No. (Optional)
Jordan Maan	Loan Processor	09/04/2019	

7. Information To Be Verified

Type of Account	Account in Name of	Account Number	Balance
Checking	Peter and Elizabeth Simon	XXXXX1789	$ 450.00
Savings	Peter and Elizabeth Simon	XXXXX2231	$ 9,300.00
			$

To Depository: I/We have applied for a mortgage loan and stated in my financial statement that the balance on deposit with you is as shown above. You are authorized to verify this information and to supply the lender identified above with the information requested in Items 10 through 13. Your response is solely a matter of courtesy for which no responsibility is attached to your institution or any of your officers.

8. Name and Address of Applicant(s)	9. Signature of Applicant(s)
Peter and Elizabeth Simon 12 Oakwood Lane Pleasant Valley, XY 99999	see attached see attached

To Be Completed by Depository

Part II — Verification of Depository

10. Deposit Accounts of Applicant(s)

Type of Account	Account Number	Current Balance	Average Balance For Previous Two Months	Date Opened
Checking	XXXXX1789	$ 462.80	$ 397.44	01/16/2012
Savings	XXXXX2231	$ 9,311.00	$ 9,100.00	01/16/2012

11. Loans Outstanding To Applicant(s)

Loan Number	Date of Loan	Original Amount	Current Balance	Installments (Monthly/Quarterly)		Secured By	Number of Late Payments
		$	$	$	per		
		$	$	$	per		
		$	$	$	per		

12. Please include any additional information which may be of assistance in determination of credit worthiness. (Please include information on loans paid-in-full in Item 11 above.)

13. If the name(s) on the account(s) differ from those listed in Item 7, please supply the name(s) on the account(s) as reflected by your records.

Part III — Authorized Signature - Federal statutes provide severe penalties for any fraud, intentional misrepresentation, or criminal connivance or conspiracy purposed to influence the issuance of any guaranty or insurance by the VA Secretary, the U.S.D.A., FmHA/FHA Commissioner, or the HUD/CPD Assistant Secretary.

14. Signature of Depository Representative	15. Title (Please print or type)	16. Date
Lea Knows	Customer Service Associate	09/10/2019
17. Please print or type name signed in item 14	**18. Phone No.**	
Lea Knows	800-123-4567	

Account Statements

- Depository
- Borrower
- Time Period
- Account Number – last 4 digits

ABC BANK

July 1, 20xx through July 31, 20xx
Primary Account: xxxx8976

ABC BANK
PO Box 123
Somewhere, WI 12345-6780

CUSTOMER SERVICE INFORMATION

WebSite:	www.ABC.com
Service Center:	1-800-000-0000
Hearing Impaired:	1-800-000-0000
Para Espanol:	1-800-000-0000
International Calls:	1-800-000-0000

00099999 DDA 001 WI 99999 – YYN T 1 00000000 00 0000

Susie Savings
1111 South St.
It, WI 12341-6711

CHECKING SUMMARY

Account Statements

- Beginning & ending balances
- Transaction history
- Identify loans

CHECKING SUMMARY

	INSTANCES	AMOUNT
Beginning Balance		$1,607.40
Deposits and Additions	4	3,144.18
Checks Paid	2	- 662.00
Other Withdrawals, Fees & Charges	4	- 786.03
Ending Balance		$3,303.55

This message confirms that you have overdraft protection on your checking account.

DEPOSITS AND ADDITIONS

DATE	DESCRIPTION	AMOUNT
07/05	Deposit Payroll – Park Co.	$1,120.09
07/09	Deposit	900.00
07/19	Deposit Payroll – Park Co.	1,120.09
07/23	Deposit	4.00
Total Deposits and Additions		$3,144.18

CHECKS PAID

CHECK NUMBER	DESCRIPTION	DATE PAID	AMOUNT
1212		07/08	$650.00
1213		07/18	12.00
Total Checks Paid			$662.00

If you see a description in the Checks Paid section, it means that we received only electronic information about the check, not the original or an image of the check. As a result, we're not able to return the check to you or show you an image.

^ An image of this check may be available for you to view on ABC.com.

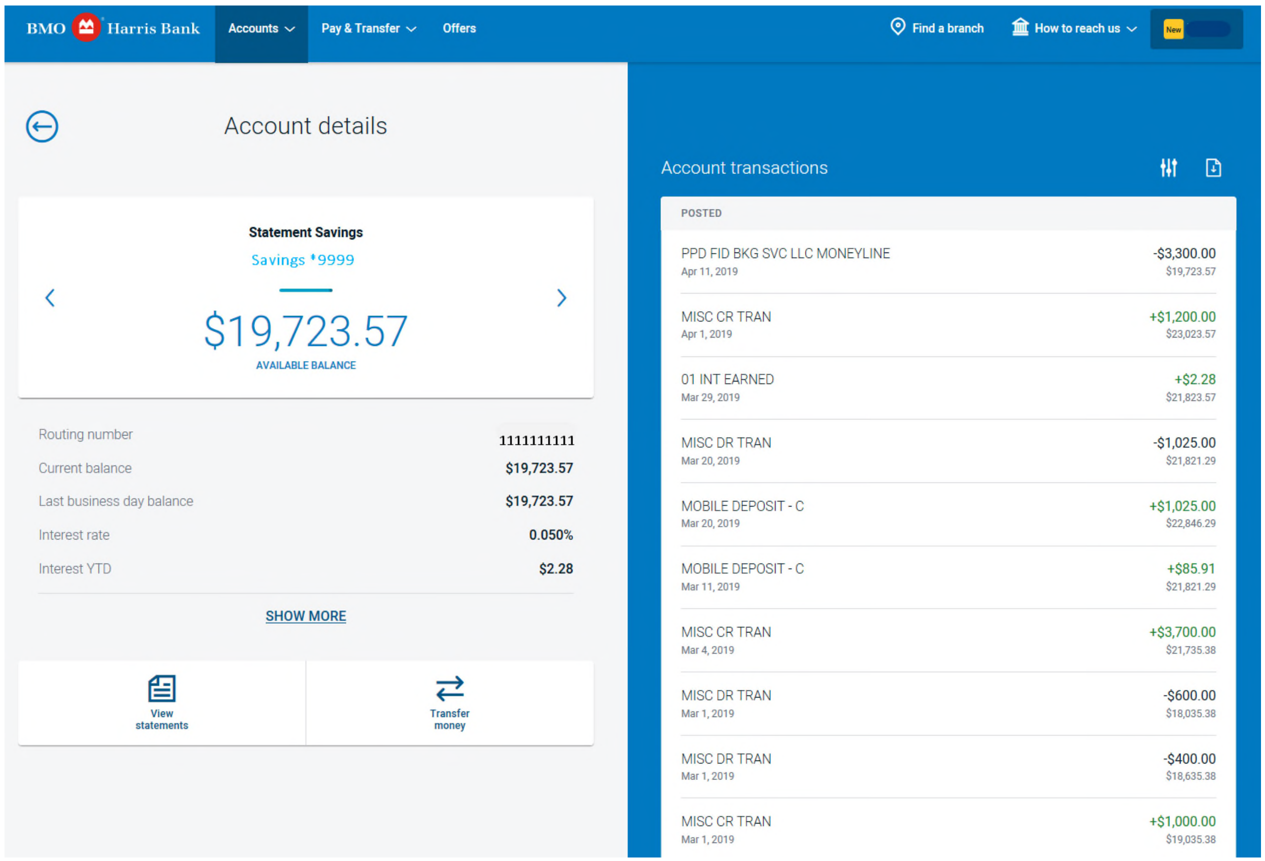
OTHER WITHDRAWALS, FEES & CHARGES

DATE	DESCRIPTION	AMOUNT
07/02	Online Payment to Vendor	$27.95
07/05	Clerk of Courts	275.00
07/09	Counter Debit	89.92
07/19	Clerk of Courts	275.00
07/24	Counter Debit	118.16
Total Other Withdrawals, Fees & Charges		$786.03

DAILY ENDING BALANCE

DATE	AMOUNT	DATE	AMOUNT
07/02	$1,579.45	07/18	3,692.71
07/08	1,774.54	07/23	3,421.71
07/09	2,584.62	07/24	3,303.55

Online Documentation



Joint account

- **Joint account with non-borrower**
  - Considered Borrower's personal funds

BMO Harris Bank
A part of BMO Financial Group

BMO HARRIS BANK N.A. 131268
P.O. BOX 94033
PALATINE, IL 60094-4033

PRIMARY ACCOUNT: 11111119999
REFERENCE NUMBER: 22222222654

Statement Period
02/16/19 TO 03/15/19
IM00990029000000000

90 09286
STACI ANGEL
NINA LISTON
98765 HILLTOP WAY
CYPRESS, XY 98765-4444

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Sourcing Funds

- **Earnest Money Deposit**
  - Document source of funds
    - Cancelled check
    - Bank statements
- **New Accounts and Large Deposits**
  - Source of funds
    - Gift, sale of asset, loan
  - Funds seasoned for minimum of 2 months

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Large Depositsts

- A single deposit >50% of total monthly qualifying income for loan

Refinance

- Documentation/explanation not required

Purchase

- Documentation/explanation required if needed to complete transaction; OR
- Reduce asset by amount not verified

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Large Deposit – Exercise #1

Purchase transaction

How much of borrowers' funds can be considered for underwriting?

Borrowers' monthly income: $4,200

Current balance in savings: $13,500

- $2,500 recently deposited
  - $250 documented as federal tax refund

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Large Deposit – Exercise #2

Purchase transaction

How much of borrowers' funds can be considered for underwriting?

Borrowers' monthly income: $4,200

Current balance in savings: $13,500

- $2,500 recently deposited
  - $1,000 documented as federal tax refund

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Most Commonly Used Asset Types

- Depository accounts
- Sale of real property
- Interested party contributions (IPCs)
- Stocks, bonds, mutual funds
- Retirement funds
- Business assets
- Gifts

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Stocks, Bonds and Mutual Funds

Value of stocks/mutual funds must be determined

- Most recent monthly/quarterly account statement; or
- Stock certificate & published stock price as of loan application date

Bond(s) value

- Based on purchase price, unless redemption value is documented

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Vested Stock Option

Value of vested stock option must be documented

- Statement that lists number of options/option price; and
- Calculation of gain from exercise of option & sale

What is vested?

The portion available for personal use

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Vested Stock Option

9/1/2018	9/1/2019	9/1/2020	9/1/2021
25 shares	50 shares	75 shares	100 shares

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Mutual Fund Account Statement

Future Savings Company

Investment Report

April 1, 20XX - April 30, 20XX

Online .com
FAST(sm)-Automated Telephone 800-
Customer Service 800-

JOHN SAMPLE

Using for down payment/closing costs:

- 100% of value
- No liquidation if value >20% funds required

Using for reserves:

- 100% of value

	This period	Year to Date
Taxable	$80.98	$492.23
Tax-exempt	14.03	52.03
Tax-deferred	79.21	355.16
Total	**$174.22**	**$899.42**

Retirement Accounts

IRA/SEP/Keogh and 401(k) accounts

- Most recent statement or VOD
- Ownership of account must be verified
- Confirmation that account is vested &
- Allows for withdrawals regardless of employment status
- Vested balance, less any outstanding loans

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Retirement Account

Your Retirement Account Statement

Sample 401(k) Retirement Plan

John Smith
123 Main Street
Anytown MA 01234

Account Snapshot
(as of 9/30/20XX)

Your Balance:	$18,674.10
Your Quarterly Return:	2.72%
Your YTD Return:	8.31%

Message Center

Access Your Retirement Balances on Your Mobile Device

Your Account Summary

Beginning Balance *(as of 7/1/20XX)*	**$17,198.82**
Additions	$684.72
Withdrawals	$-113.12
Net Earnings	$903.68
Ending Balance *(as of 9/30/20 XX)*	**$18,674.10**
Vested Balance	**$18,674.10**
Loan	**$ 5,000.00**

Diversification is important.
Over the long term, a mix of investments can outperform an investment in a single asset. Having a diverse mix of investments can help smooth out the effect of the financial market's ups and downs on your investment portfolio. This is because gains in some investments can help offset losses in others.

Your asset allocation can, and should, change over time to match the level of risk that makes sense for your individual situation.

Need More Information?

Manage your account
www. .com

Call the Member Service Center at **1-888-**

Download our app at iTunes App Store or Google Play.

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Business Assets

- **May be an acceptable source of funds when a borrower is self-employed**
  - Tax returns must be reviewed
  - Business cash flow analysis shows no negative impact
  - Standard documentation requirements apply

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Gift Funds

- **Types of Gifts**
  - Donated gifts (grants) from nonprofits
  - Personal gifts
    - Gift funds
    - Gift of equity

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Gift Funds

Personal gifts can be provided by…

- **Any individual related to the borrower by:**
  - Blood
  - Marriage
  - Adoption
  - Legal guardianship
  - Fiancé, fiancée or domestic partner

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Gift Funds

- **Gift letter signed by donor, must state:**
  - Date of the gift
  - Donor's name & relationship to the borrowers
  - Donor's address and phone number
  - Amount of gift
  - Repayment is not expected

Gift of Equity

- Identified on Closing Disclosure (CD)

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Wedding Gifts

Wedding Gift
(Freddie Mac)

- Primary residence of the newlyweds
- Marriage license or certificate
- Verification of deposit within 60 days

Large Deposit
(Fannie Mae)

- Borrower letter of explanation (LOX)
- Wedding invitation

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Gift Fund Reminders

- **Does occupancy allow for gifts?**
- **Is donor eligible?**
- **Is donor interested party to transaction?**
- **Were gift funds doubled counted?**
- **Are they being used for reserves?**

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Other Acceptable Asset Types

- Life insurance
- Corporate relocation
- Sale of personal assets
- Income tax refunds
- Employer assistance
- Grants
- Inheritance
- Asset based loan
- Lottery winnings

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Unacceptable or Maybe Asset Types

- Personal unsecured loans
- Proceeds from cash-out refinance
- Funds disbursed from no cash-out or limited cash-out refinance maybe
- Interested party contributions maybe
- Cash on hand maybe

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Summary

- Increased knowledge of Capital/Assets
- Discussed different asset types
- Reviewed documentation requirements
- Learned about funds required for closing and reserve funds

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