



Entering housing expenses for second homes and investment properties

Tip: To print this document, click  (Print). To get a closer look at a screen, click  (Zoom In) in the toolbar.

For loans involving the purchase or refinance of a second home or investment property, it is important that the Total Combined Housing Expense is accurately accounted for on the Liabilities screen of Desktop Originator[®] (DO[®]).

With the release of Desktop Underwriter[®] (DU[®]) Version 5.4, DU now uses current housing expense data from the Liabilities screen in calculating the total expense qualifying ratio, instead of the data entered on the Income and Housing screen (Section V). This change was made in support of the removal of the REO screen in the Quick 1003—which is part of the May 14, 2004 release of the DO user interface. To accommodate this user interface enhancement, which simplifies the entry of REO data overall, the change in DU was needed to ensure that the total current housing expense is accurately accounted for in the total expense ratio.

This document provides an example of how to enter monthly housing expenses on the Income and Housing screen as well as how to make any necessary adjustments on the Liabilities screen.

Note: The data entry requirements provided in this document also apply to loan origination systems.

In this example, Patrick and Lorraine Purchaser own their current residence, and are applying to purchase a second home. Below are the monthly housing expenses for their current residence:

- First mortgage: \$500
- Second mortgage: \$200
- Hazard insurance: \$75
- Taxes: \$100
- Homeowner association dues (HOA): \$125

This first step assumes that you have already ordered a credit report in DO and used the auto-populate liabilities feature to copy liabilities from the credit report to the 1003. For details on using this feature, see [Ordering a new credit report](#) or [Reissuing a credit report](#).

Step	Screen																																				
<p>1. In the Combined Housing Expense section of the Income and Housing screen, enter the current housing expenses for the borrower's principal residence, including first and second mortgages, hazard insurance, taxes, mortgage insurance, and HOA.</p> <p>As shown in the Total field in the Current column, the combined housing expense for the current residence is \$1,000.</p>	<table border="1"> <thead> <tr> <th colspan="3">Combined Housing Expense</th> </tr> <tr> <th></th> <th>Current</th> <th>Proposed</th> </tr> <tr> <td colspan="3" style="text-align: center;">Patrick P and Lorraine P</td> </tr> </thead> <tbody> <tr> <td>Rent</td> <td>\$0.00</td> <td></td> </tr> <tr> <td>First Mortgage (P&I)</td> <td>\$500.00</td> <td>\$1,295.30</td> </tr> <tr> <td>Other Financing (P&I)</td> <td>\$200.00</td> <td>\$0.00</td> </tr> <tr> <td>Hazard Insurance</td> <td>\$75.00</td> <td>\$0.00</td> </tr> <tr> <td>Real Estate Taxes</td> <td>\$100.00</td> <td>\$0.00</td> </tr> <tr> <td>Mortgage Insurance</td> <td>\$0.00</td> <td>\$0.00</td> </tr> <tr> <td>Homeowner Assn Dues</td> <td>\$125.00</td> <td>\$0.00</td> </tr> <tr> <td>Other</td> <td>\$0.00</td> <td>\$0.00</td> </tr> <tr> <td>Total</td> <td>\$1,000.00</td> <td>\$1,295.30</td> </tr> </tbody> </table>	Combined Housing Expense				Current	Proposed	Patrick P and Lorraine P			Rent	\$0.00		First Mortgage (P&I)	\$500.00	\$1,295.30	Other Financing (P&I)	\$200.00	\$0.00	Hazard Insurance	\$75.00	\$0.00	Real Estate Taxes	\$100.00	\$0.00	Mortgage Insurance	\$0.00	\$0.00	Homeowner Assn Dues	\$125.00	\$0.00	Other	\$0.00	\$0.00	Total	\$1,000.00	\$1,295.30
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<p>2. In the Proposed column, enter the applicable housing expenses for the subject property, including the second mortgage (if any), hazard insurance, taxes, mortgage insurance and HOA. The first mortgage is automatically calculated for you.</p> <p>Click the Liabilities link in the navigation bar.</p>	<table border="1"> <thead> <tr> <th colspan="3">Combined Housing Expense</th> </tr> <tr> <th></th> <th>Current</th> <th>Proposed</th> </tr> <tr> <td colspan="3" style="text-align: center;">Patrick P and Lorraine P</td> </tr> </thead> <tbody> <tr> <td>Rent</td> <td>\$0.00</td> <td></td> </tr> <tr> <td>First Mortgage (P&I)</td> <td>\$500.00</td> <td>\$1,295.30</td> </tr> <tr> <td>Other Financing (P&I)</td> <td>\$200.00</td> <td>\$0.00</td> </tr> <tr> <td>Hazard Insurance</td> <td>\$75.00</td> <td>\$25.00</td> </tr> <tr> <td>Real Estate Taxes</td> <td>\$100.00</td> <td>\$200.00</td> </tr> <tr> <td>Mortgage Insurance</td> <td>\$0.00</td> <td>\$120.00</td> </tr> <tr> <td>Homeowner Assn Dues</td> <td>\$125.00</td> <td>\$0.00</td> </tr> <tr> <td>Other</td> <td>\$0.00</td> <td>\$0.00</td> </tr> <tr> <td>Total</td> <td>\$1,000.00</td> <td>\$1,640.30</td> </tr> </tbody> </table>	Combined Housing Expense				Current	Proposed	Patrick P and Lorraine P			Rent	\$0.00		First Mortgage (P&I)	\$500.00	\$1,295.30	Other Financing (P&I)	\$200.00	\$0.00	Hazard Insurance	\$75.00	\$25.00	Real Estate Taxes	\$100.00	\$200.00	Mortgage Insurance	\$0.00	\$120.00	Homeowner Assn Dues	\$125.00	\$0.00	Other	\$0.00	\$0.00	Total	\$1,000.00	\$1,640.30
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Step

- The Liabilities screen lists the mortgage liabilities, including the first mortgage (\$500 monthly payment) and second mortgage (\$200 monthly payment) for the borrowers' current residence.

In this example, the total of these two liabilities (\$700) includes only the P&I payment of the first and second mortgages, and does not include the expenses for mortgage insurance, real estate taxes, and HOA fees (\$300). Therefore, the \$1,000 total housing expense is not accurately reflected on the Liabilities screen.

Because DU uses the information on the Liabilities screen to calculate the total expenses qualifying ratio, it is important that all current combined housing expenses are accounted for on the Liabilities screen. In this example, \$300 per month in taxes, insurance, and HOA from the current residence must be added to the screen.

The \$300 can be added to the mortgage payments in the Mortgage Liabilities section, or entered as "Taxes" or "Other" in the Other Liabilities section.

In this example, we will enter the \$300 as Taxes in the Other Liabilities section.

Screen

Mortgage Liabilities (HELOC, Mortgage)

To indicate which mortgage and HELOC liabilities are associated with the subject property and/or a rental property, click Subject Property Lien and Rental Property Lien, as appropriate. If you need to enter REO information for your purposes or for a government loan, please use the Full 1003.

Omit	Paid By	Account Owner	Creditor Name	Liability Type	Monthly Payment	Balance	Subject Property Lien	Rental Property Lien
<input type="checkbox"/>	<input type="checkbox"/>	Patrick P	ACE MORTGAGE	Mortgage	\$500.00	\$98,514.03	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	Patrick P	BEST MORTGAGE	Mortgage	\$200.00	\$8,000.00	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>						<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>						<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>						<input type="checkbox"/>	<input type="checkbox"/>

[Insert More Mortgage Liabilities](#)

- Scroll down to the Other Liabilities section of the Liabilities screen.

Enter the additional monthly expense, choosing "Taxes" or "Other" as the liability type. In the Balance field, enter the annualized amount. In this example, the balance would be \$3,600 (\$300 x 12 months).

Now that the current combined housing expenses have been accounted for on the Liabilities screen, DU can correctly calculate the total expense ratio.

Other Liabilities

Omit	Paid By	Account Owner	Creditor Name	Liability Type	Monthly Payment	Balance
<input type="checkbox"/>	<input type="checkbox"/>	Patrick P	MERRY CREDIT	Revolving	\$79.00	\$2,663.00
<input type="checkbox"/>	<input type="checkbox"/>	Patrick P	POLITE CREDIT	Revolving	\$10.00	\$253.00
<input type="checkbox"/>	<input type="checkbox"/>	Patrick P	NO NONSENSE CRED	Revolving	\$75.00	\$2,530.00
<input type="checkbox"/>	<input type="checkbox"/>	Patrick P	SANE CREDIT	Revolving	\$25.00	\$81.00
<input type="checkbox"/>	<input type="checkbox"/>	Patrick P	TROUBLING CARDS	Revolving	\$100.00	\$2,000.00
<input type="checkbox"/>	<input type="checkbox"/>	Patrick P	Property Tax	Taxes	\$300.00	\$3,600.00
<input type="checkbox"/>	<input type="checkbox"/>					

[Insert More Liabilities](#)