

MI Decision Tips

4th Quarter 2020

Genworth’s Risk Quality Assurance team creates this report to help underwriters to submit quality originations. Each quarter, you can use this report to discover the most frequently made MI decision errors and learn how to avoid them. You’ll find excerpts from the associated underwriting guidelines along with corrective actions for each – including relevant examples when appropriate. Loans requiring an exception to Genworth published guidelines must be sent in for a Genworth underwrite.

Assets – Analyzing the Borrower’s Assets		
Decision Error	Underwriting Guideline	Corrective Action
<p>Assets Not Documented as Required by Program or AUS Guidelines</p> <p>Source of Funds not Adequately or Properly Documented for Large Deposits</p> <p>Insufficient Assets to Close or for Required Reserves</p>	<p>Genworth Section 6.2.1 DU Underwriting Findings Report and Loan Product Advisor Feedback Certificate (08/05/19)</p> <p>While the minimum level of documentation for the loan is described in the Findings/Feedback report, it may not be adequate for the loan’s particular circumstances. Additional documentation may be warranted to substantiate the loan decision.</p> <p>Genworth Standard Guidelines Section 7.1 Standard Guidelines Documentation Requirements (07/01/19)</p> <p>Our policy for manual underwriting is to follow Fannie if Fannie, Freddie if Freddie, otherwise least restrictive.</p>	<p>Underwriter must ensure Genworth, AUS and Investor documentation requirements have been met for verification and documentation of assets. AUS assumes any assets required will be verified and documented in file.</p> <p>Example 1: Missing documentation to evidence source of a large deposit in the amount of \$6,500.00.</p> <p>Example 2: Missing all pages to bank statements or missing second month statement if required.</p> <p>Example 3: Insufficient verified liquid funds for closing. Cash to close per Closing Disclosure was \$30,866 and verified liquid funds in file are \$23,404; funds are short by \$7,462.</p>

For More Information

Contact us at action.center@genworth.com or 800 444.5664 for questions or to give us feedback.

Income – Analyzing the Borrower’s Income

Decision Error	Underwriting Guideline	Corrective Action/Best Practices
<p>Verbal VOE Missing, Incomplete or Incorrect</p> <p>Income Not Documented as Required by Program and/or AUS Findings Recommendation</p> <p>Borrower not employed at time of closing</p>	<p>Genworth Section 6.2.1 DU Underwriting Findings Report and Loan Product Advisor Feedback Certificate (08/05/19) Follow Verbal VOE requirements by DU and Loan Product Advisor.</p> <p>Genworth Standard Guidelines Documentation Section 7.11.11 Verbal VOE is required to be dated within 30 calendar days prior to the note date for both salaried and self-employed borrowers</p> <p>Genworth Section 6.2.1 DU Underwriting Findings Report and Loan Product Advisor Feedback Certificate (08/05/19) While the minimum level of documentation for the loan is described in the Findings/Feedback report, it may not be adequate for the loan’s particular circumstances. Additional documentation may be warranted to substantiate the loan decision</p> <p>Genworth Standard Guidelines Section 7.1 Standard Guidelines Documentation Requirements (07/01/19) Our policy for manual underwriting is to follow Fannie if Fannie, Freddie if Freddie, otherwise least restrictive.</p>	<p>Underwriter must ensure that AUS, Genworth and Investor documentation requirements have been met.</p> <p>Example 1: Missing current paystub and W-2 from the prior year or a standard VOE as required by DU.</p> <p>Example 2: Expired income documents. Most recent paystub provided for borrower is dated 08/01/16. Loan closed 12/15/16 (over 120 days old).</p> <p>Example 3: Current paystub is missing YTD income.</p> <p>Example 4: Borrower has a 2 year job history per 1003 but started a new job mid-year. A lender is required to obtain documentation from the previous employer. The loan file needs to reflect all YTD income and address any employment gaps. There should be evidence of continuity of income.</p> <p>Example 5: When income trends are declining a lender must use the YTD income and must not include the previous higher level unless there is documentation of a one-time occurrence (e.g. injury) that prevented the Borrower from working or earning full income for a period of time and evidence that the Borrower is back to the income amount that was previously earned. As the COVID-19 pandemic is ongoing, the income interruption/gap is not yet considered a one-time occurrence, such as an isolated injury may be.</p> <p>Best Practices</p> <ul style="list-style-type: none"> • Pull VVOE as close to closing as possible. Some Lenders are pulling day of closing. • Remind Borrower throughout processing to advise Lender of any changes in employment, income or acquisition of new debt.

Credit – Analyzing the Borrower’s Credit

Decision Error	Genworth Underwriting Guideline	Corrective Action
<p>Missing Documentation for Credit Concerns Not Recognized by AUS</p> <p>Missing Documentation as Required by AUS</p> <p>Obligations miscalculated/debt excluded adversely affecting program maximum ratios or AUS</p>	<p>Genworth Section 6.2.1 DU Underwriting Findings Report and Loan Product Advisor Feedback Certificate (08/05/19)</p> <p>While the minimum level of documentation for the loan is described in the Findings/Feedback report, it may not be adequate for the loan’s particular circumstances. Additional documentation may be warranted to substantiate the loan decision.</p> <p>Genworth Standard Guidelines Section 7.1 Standard Guidelines Documentation Requirements (07/01/19)</p> <p>Our policy for manual underwriting is to follow Fannie if Fannie, Freddie if Freddie, otherwise least restrictive.</p>	<p>Underwriter must ensure Genworth, AUS and Investor documentation requirements have been met.</p> <p>Example 1: Missing Closing Disclosure from sale of current property and reflecting mortgage of \$227,387 is paid off. If debt is included, DTI changes from 32% to 46%.</p> <p>Example 2: Missing documentation for the total monthly housing (P&I, taxes, insurance and/or HOA) payment of property listed on REO was not documented</p> <p>Example 3: A mortgage and/or debt was not counted in the Lender’s ratios. Missing documentation to support the omission.</p> <p>Example 4: Missing verification of Borrowers social security number and/or non-permanent/permanent resident documentation as required by AUS.</p>