

# Step 1j

## **Step 1j: Helpful Tool**

We created this document to help you Clear Off your [Client Check List](#) as quickly as possible. Remember, your goal is to get this cleared in **1 WEEK OR LESS!** Stay persistent, call your Client everyday, go through each Document to verify that the information is accurate, make sure all pages are in order & received is a must.

### 2 Years Tax Returns:

When you get the Tax Returns, make sure it has all pages in order. Also, remember to collect all Schedules, if any and check to see if the W2's are included. If so, note that the W2's are attached to the Tax Returns.

### 2 Years of W2's & 1099's:

We need all W2's & 1099's for each job the Client worked. Go through their paperwork to make sure they are all there. Remember, each Client has to show a minimum of 2yrs of employment so if for any reason they can't show this, we need a detailed LOX explaining why along with documentation to support their LOX.

[Example](#): A Client broke their leg and was in the hospital for 2 weeks and out of work for a month. The documentation needed would be the hospital paperwork.

### Employer Information:

We need the Client's detailed Employer's information. We need:

- Full Employer's name
- Full address
- Contact number
- Fax number
- Hire date - if the Client doesn't know their exact hire date, we need at least the actual month and year started

### 8 Recent PayStubs:

The PayStubs can't be a print-out. It has to be the actual PayStub as it shows the YTD, hourly comp, deductions, etc. Look at the latest PayStub to see the actual YTD. Divide that by the total months already past in that time frame to see what's their monthly income. Communicate with the [Back Office](#) if the monthly income on the Client's original application is off by providing your calculations.

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## 3 Months of Bank Statement:

All pages of the Bank Statements needs to be in order. Check to see how many pages the statement shows (*page 1 of 8*). If the last page is blank, inform your Client we need it anyway. If the statement shows 8 pages, we need each from [Page 1 of 8](#) to [Page 8 of 8](#) and the pages must be in order. The last bank statement shows if the Client has [Proof of Down Payment](#), [Proof of Earnest Money Deposit \(EMD\)](#) and [Proof of Closing Cost](#).

Look through the last bank statement, check their balance and if you don't see any funds there, inform them that they need to show money in their account. It's possible the Client may have a Savings Account or other Accounts. Inform them they must show at least \$1,000 for the EMD, 3.5% of the Sale's price as a down payment unless they want a property for the \$100 Down program and an additional \$1,500 to \$4,500 for Closing Cost. Not saying that they will need all of this but it is needed to show these funds.

## 12 Months of Canceled Rent Checks:

If your Client is currently renting through a Property Management Company (*PMC*), get the Company's full name and contact number. Call the PMC and ask for their Fax number then e-mail that information to: [Processing@PhoneOpsFunding.com](mailto:Processing@PhoneOpsFunding.com).

If the Client is renting from a Private Landlord, the VOR is not acceptable. The Client now needs to provide 12 months of Canceled Rent Checks. This means when a person writes out a check and it clears their bank account, all checks that was written that month will be provided with each bank statement. We'll need the front & back copy of each check for 12 months. This will show that the Client paid their rent every month for a year. If your Client has [Online Banking](#), he/she can do a [History Search](#) for all debits within the last year and get that print-out to us.

If for any reason, your Client pays their rent in [Cash](#), this will not work. If your Client can't show the rental payment leaving his/her account, it will be a nightmare to prove that rent is being paid every month. Instead of going through the hoops, the Client is better off writing an LOX stating he/she lives rent free with family. If your Client go this route, inform him/her to write the LOX, date & sign it then you'll have to go to [Step 4g](#) of the Training Site to get 3 Tradelines.

## Proof of Closing Cost:

Most people thinks they need a lot of money to buy a home. You can use this example to determine Closing Cost. Based on a \$100,000 home for the \$100 Down Program - If a person wants to rent a house for \$950 a month, they will need 1st &

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Last months rent plus 2 Months Security deposit. This is a total of \$3,800. Inform your Client to at least show this amount in their account. If your Client finds a home that is not apart of the \$100 Down program and its a regular FHA loan, add 3.5% of the Sale's price (*\$3,500*) to the \$3,800.

## Earnest Money Deposit (EMD):

When a client wants to buy a home that is \$49,000 & under, there is a \$500 EMD requirement. Homes that are \$50,000 & higher, a \$1,000 EMD is required. Some Sellers could request more but this is standard. Once the Contract (*AOS*) is signed, the Client has to deposit the EMD to the Title Company to hold in escrow then the Listing Agent will take the property off the market. If for any reason, the borrower can't get the loan, the EMD is refunded. If we close, the money will go towards his/her down payment. Inform your Clients that this is a mandatory step on the Real Estate side. The Down Payment requirements is on the Mortgage Side.

## Down Payment Calculations:

If your Client is looking for a house that is \$150,000, the down payment will be \$5,250. Using a Desktop Computer Calculator, you can always determine what your Client's down payment will be. Open your calculator and type in \$150,000 X 3.5 then the % sign. That amount is there down payment. If your Client wants a \$50,000 house, the down payment would be \$1,750. Big difference!

## Gift Letter:

Now we don't want to wait until the last minute to get your Clients Pre-Approved. If you know up front that your Client doesn't have the Closing Cost, Down Payment and/or the EMD, work with your Client and encourage him/her to find a Family Member that will give him/her a Gift. Gifts are allowed up to 6% of the Sale's Price. If the sale's price is \$100,000, Times that by 6% and the max would be \$6,000. This gift can be used towards the Client's Down Payment and Closing Cost.

If your Client has someone that will give the Gift, we'll need the following:

- A Completed Gift Letter (*found on our Needed Forms page*)
- The Donor (*the person that's giving the gift*) must deposit the money directly to the Title Company and provide us with the receipt
- The Donor must also provide 1 full month bank statement, all pages as proof that the funds left his/her account and deposited to the Title Company

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There are FHA guidelines on to who can be a Donor. View below in detail:

## How does FHA define Family Member?

Family Member is defined as follows, regardless of actual or perceived sexual orientation, gender identity, or legal marital status:

- child, parent, or grandparent
  - a child is defined as a son, stepson, daughter, or stepdaughter
  - a parent or grandparent includes a step-parent/grandparent or foster parent/grandparent
- spouse or domestic partner
- legally adopted son or daughter, including a child who is placed with the borrower by an authorized agency for legal adoption
- foster child
- brother, stepbrother
- sister, stepsister
- uncle
- aunt, or
- a son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, sister-in-law of the borrower.

For additional information see the Handbook 4000.1 Glossary at

[https://www.hud.gov/program\\_offices/administration/hudclips/handbooks/hsgb](https://www.hud.gov/program_offices/administration/hudclips/handbooks/hsgb)

When your Client and Donor completes the Gift Letter, inform him/her to make sure to list the Donor as one of the above in order for the Gifted Funds to be accepted.

## 3 Months Reserves:

When our Back Office run DU on each Client, they are looking for either:

- **Approve/Eligible**
- **Refer/Eligible**

If a Client gets an **Approve/Eligible**, great, they are now Pre-Approved for a loan. If a Client gets **Refer/Eligible**, this is still great as the Client is Pre-Approved for a loan but their loan now has to be Manual Underwritten.

FHA Manual Underwritten guidelines is **3 Months Reserves**. This means if the Client's monthly payments is \$500 a month, the Client will need to show 3 months of this amount (**\$1,500**) in their bank account after the Client pays all their Closing Cost.

If the total Closing Cost needed is say \$2,500, the Client needs to have \$4,000 in their Checking Account. The **3 Months Reserves** will remain in the Client's account and would be used to make their 1st 3 Monthly Mortgage Payments.

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The rest of the required documents is self-explanatory. We hope [Step1jHelpfulTool](#) helped you to be more successful in getting all documents that's on the [Client Check List](#) **Cleared Within 1 Week or Less!**

**This Completes Step 1j**