

.01 INTRODUCTION

AHFC believes an underwriting program of high quality is an absolute necessity to accomplish its goal of stimulating the flow of funds to housing through the development and continuation of an effective secondary mortgage market.

AHFC requires that the Lender's qualified underwriter carefully evaluate the overall credit of the borrower and the property offered as security. The Lender's underwriter and the Lender must also be confident the mortgage is acceptable to private institutional investors and government insurers/guarantors.

All information used to evaluate the creditworthiness of the borrower must be obtained before the date of the Note or applicable assumption agreement and must be supported by written documentation maintained by the Lender.

The following guidelines are used by AHFC in underwriting the borrower's ability to repay the mortgage debt. Credit underwriting guidelines must be applied consistently to each borrower regardless of race, color, religion, national origin, age, sex, marital status, familial status or disability. All standards for determining stable monthly income must be applied in the same manner to each borrower.

The subject property must be adequate collateral for securing the debt, and the credit documentation should clearly demonstrate the borrower's ability and willingness to repay the loan.

Items such as adverse property conditions, limited liquidity or adverse credit conditions, such as previous foreclosures, deed-in-lieu of foreclosure, previous judgments, serious delinquencies or other similar conditions may constitute reason for less than maximum financing or possible declination.

A. Lender Requirements

AHFC requires a full-time employee of the Lender to:

1. Ensure the application process is in conformance with Conventional, FHA, HUD, VA and RD requirements, as applicable.
2. Select an appraiser who must perform an inspection of the property.
3. Order and receive the borrower's necessary credit documentation directly from the original sources.
4. Make an underwriting determination of the entire credit and property package prior to recommending the mortgage to AHFC for purchase.

.02 AUTOMATED UNDERWRITING

All loans submitted to AHFC for commitment must have been submitted first to an automated underwriting system (AUS) as outlined below.

The Lender must use the most current version of the AUS, and it is the Lender's responsibility to ensure the data entered into the automated system is accurate and all supporting documentation is maintained in the loan file. The credit score and total debt ratio collected from the AUS feedback/findings must be submitted with the [UND-3](#). The feedback certificate or findings report that contains the results, credit score and loan summary information for the loan must be maintained in the Lender's file.

A. FNMA Desktop Underwriter (DU)

When DU Findings Report reflects:

1. Approve/Eligible – The loan is acceptable to AHFC provided all the conditions of the findings report have been satisfied and the loan file has been documented according to the DU findings report. Lenders must meet all requirements outlined in the DU Underwriting Findings Verification Messages/Approval Conditions.
2. Approve/Ineligible - The loan is acceptable to AHFC provided the Lender determines the criterion that makes the loan ineligible for FNMA does not also apply to AHFC.
3. All Other Findings – If the Lender determines the mortgage is acceptable to AHFC, the loan must be manually underwritten and fully documented according to the criteria as set forth in Part IV of the AHFC Selling Guide.

B. FHLMC Loan Prospector (LP)

When LP Feedback Certificate reflects:

1. Accept/Eligible – The loan is acceptable to AHFC provided all the conditions of the feedback certificate have been satisfied and the loan file has been documented according to the LP Feedback Certificate. Lenders must meet all requirements outlined in the Documentation Guidelines/Loan Processing Remarks of the FHLMC Feedback Certificate.
2. Accept/Ineligible – The loan is acceptable to AHFC provided the Lender determines the criterion that makes the loan ineligible for FHLMC does not also apply to AHFC.

3. All Other Findings – If the Lender determines the mortgage is acceptable to AHFC, the loan must be manually underwritten and fully documented according to the criteria as set forth In Part IV of the AHFC Selling Guide.

C. Rural Development Guaranteed Underwriting System Findings Report (GUS)

When the GUS Underwriting Findings Report reflects:

1. Accept/Eligible – The loan is acceptable to AHFC provided all the conditions of the findings report have been satisfied and the loan file has been documented according to the GUS Underwriting Findings Report. Lenders must meet all requirements outlined in the Lender's Required Conditions of the GUS Underwriting Findings Report.

D. Standard Criteria

The following applies regardless of AUS findings/feedback (includes Conventional, VA, RD, FHA and HUD 184 loans):

1. All loans with credit scores below 620 are ineligible for purchase.
2. All loans with a total debt ratio exceeding 50% are ineligible for purchase.
3. Regardless of loan type, Lenders must use standard documentation to verify employment and income on income-restricted loan programs such as TEP, IRRLIB and RELP and on the Teachers' and Health Care Professionals' Housing Loan Program. (Refer to [Section 4003.01](#))
4. Alaska Statute prohibits AHFC from purchasing any loan when the borrower has a past-due child support obligation. Borrowers must pay child support arrearages prior to loan closing. There are no exceptions. (Refer to [Section 4005.07](#))
5. Automated underwriting may not be used on Rural Non-Owner Occupied loans or Type II Manufactured Home Loans.

.03 MANUAL UNDERWRITING

Manually underwritten loans must meet the criteria as set forth in Part IV of this guide with documentation that supports the underwriting decision. When properly applied, AHFC's underwriting requirements and guidelines will result in an evaluation of the borrower's overall creditworthiness rather than an evaluation that focuses on minor exceptions to specific policies.

AHFC will consider documented compensating factors when granting credit approval to borrowers who, for example, have debt-to-income or total obligation ratios that exceed AHFC guidelines. Valid compensating factors offset (in part) the loan's weakness and should represent particular strengths rather than the satisfaction of program requirements. Compensating factors may not be used to offset unsatisfactory credit.

Examples of compensating factors include but are not limited to:

- excellent credit history
- conservative use of consumer credit
- minimal consumer debt
- long-term employment history
- significant liquid assets after closing
- large down payment/low LTV
- low debt-to-income ratio
- little or no increase in housing expense (no payment shock)
- high residual income
- previous satisfactory homeownership