

Exam Case Study, Connery

This information sheet will give you all the data needed to complete the Loan Analysis form, VA Form 26-6393. You will need to analyze the information and make calculations such as the principle and interest (P&I) payment on your own to complete the Loan Analysis form and arrive at the correct final decision. **You must render a decision based on what you have; you cannot develop or suspend, even though some items are missing.** If you need information on VA funding fee percentages, reference the *VA Lender's Handbook*, Chapter 8 for the current fees, http://www.warms.vba.va.gov/pam26_7.html.

If facts are given to you e.g., taxes to use or income to consider a certain way, you must use and base your decision in accordance with the given data. Although we realize underwriting can vary from case to case and underwriters will view the same items in different ways, for the purposes of this training module, please follow the case as it is laid out and consider the data supplied. Take the opportunity to contemplate the logic used in the presentation of the data.

The borrower is Jeremy Connery. You are underwriting the loan on Sept. 16, 2009. The requested closing date is September 30th.

Mr. Connery has a Certificate of Eligibility (COE) showing he served full time active duty, not Reserves/National Guard, and has not previously used the VA Home Loan Benefit. The Uniform Residential Loan Application (URLA) indicates the Veteran is not married and has no dependents.

You may assume the following:

- There is no indication of fraud in the file.
- The applicants' social security numbers match all documents throughout the file.
- There is no white out, different inks, or indications of alterations to the documents.
- The property address is correct and consistent on all documents in the file.
- CAIVRS did clear with no defaults noted.

The NOV value is \$300,000 and the maximum repayment period for the loan is noted as 30 years. A review of the appraisal indicates the property is a single family home in Harwich, MA. The real estate taxes are \$3,267 a year. A homeowner's association fee of \$120 a year is noted. The home is not located in a flood zone. The Gross Living Area (GLA) is 1,286 sq. ft.

The borrower is requesting a base loan amount of \$300,000. The form provided by the originator indicates the VA funding fee is to be paid in cash. The URLA indicates:

- An energy efficient mortgage is not involved.
- The terms of the loan are: fixed rate loan, interest rate of 5.5%, for a term of 30 years.
- The purpose is a purchase with a total sales price of \$300,000.
- The Veteran is 24 years old.

- The hazard insurance for the subject property is noted as \$109 monthly.
- The Details of the Transaction indicates the Veteran will place \$3,000 down as a good faith deposit when signing the contract. The seller is paying \$5,000, and the Veteran will have to bring \$2,300 to closing. The amount paid by the seller will not exceed any concession guidelines and is acceptable. The purchase and sales agreement does confirm the seller will be contributing towards closing costs.
- The Declarations section does not indicate any bankruptcy, alimony, or child support payments.

There is a purchase and sales agreement in the file noting the same property address, the buyers as Jeremy and Renee Connery, a sales price of \$300,000, and a seller credit to be paid at closing of \$5,000. There is a timely, merged credit report for the applicant included with the documentation. The name and social security number matches. The report is dated July 16th. The most recently opened account was four months ago. The application shows the Veteran has been renting for three years. There are no collections, bankruptcies, or public records. The inquiries for the last 90 days are from the credit bureau, your mortgage company, and Verizon Wireless. Here is a summary of the accounts appearing:

Creditor	Monthly Payment	Balance	Date Opened	History # of lates #/30 #/60 #/90
Boston Firefighters Credit Union Auto	\$184	\$7,337	3/09	0/30 0/60 0/90
Boston Firefighters Credit Union Credit Card	56	1,872	5/08	0/30 0/60 0/90
Boston Firefighters Credit Union Credit Card	54	1,939	2/07	0/30 0/60 0/90
THD/CBSD, Revolv	26	934	7/08	0/30 0/60 0/90
BOA, Auto	0	0	1/06 Last Act 3/09	1/30 0/60 0/90 Late 1/09
BOA, Unsecured	0	0	8/03 Last Act 2/06	0/30 0/60 0/90
5 Credit Cards, Open	0	0	Various	0/30 0/60 0/90
Boston Firefighters Credit Union Unsecured	0	0	3/09 Last Act 5/09	0/30 0/60 0/90
Sprint Collection	0	0	6/08 Closed 6/08	Noted Collection Pd, high \$586
USAA, Revolving	0	0	4/08 Last Act 10/08	1/30 0/60 0/90 Late 9/07
Landlord, C. Stephens	\$1,200	n/a	2/07	0/30 0/60 0/90

All accounts on the original application were cleared and up to date on the credit report.

There is an Internet statement and one standard bank statement in the file from Boston Firefighters Credit Union. The Internet is the most recent with an opening balance for a checking account of \$613.09 and a closing balance of \$290.72. It also showed two direct deposits from his employer and a transfer from a stock account, which was documented totaling approximately \$5,000. Finally, there were two withdrawals for real estate deposits to the realtor, which were documented with copies of the checks #593 for \$2,000 and #595 for \$1,000. The hard copy bank statement confirms the standard checking balance. No overdrafts are seen. This one also lists two other minor savings accounts with balances of \$43.26 and \$583. Although we do not have a second statement to support the savings accounts, add them into your asset balance in case you need the extra funds. You could also make a condition for another bank statement, if approved. The bank statement also confirms the loans that were shown on the credit report. Your final asset is a statement from a stock brokerage account supporting a current value of \$4,714.18

For employment data::

- The file contains a Verification of Employment (VOE) form fully completed. It notes:
Applicant Date of Employment 4/24/08 Position: Fire Fighter Probability of Continued Employment: Good
Current Gross Pay: \$1,030.16 weekly OT: likely Bonus: likely
YTD Base \$42,046 OT \$4,937 Commission \$2,180
'08 Base \$37,251 OT \$5,205 Commission \$1,609 Bonus \$700
In comments: Bonus is clothing allowance paid yearly
Commission is Out of Station Detail
Signed by Asst. Prin. Accountant, Sept. 14, 2009
- There are two paystubs from the North Hampton Fire Dept., the relevant data from the most recent is:
 - Veteran's name and address match, but the marital status indicates married
 - Period Ending August 1, 2009
 - Regular Earnings noted: \$1,030.16 weekly and also in the grid showing this pay period
 - YTD Total for Base is \$32,792
 - There various lines for OT at 1.5, Holiday, Out of Station Detail, Injured Pay, Holiday Pay, Sick Pay, Detail Fire Pay and Personal Leave with various entries
 - Total YTD salary with all extras is \$39,334
 - Employer indicates a state tax in MA
 - No unusual deductions appear just health, retirement, and minimal union dues with the remainder noted being transferred to a checking account
 - The two paystubs do not show any variation in base salary or deductions
- There is a Wage and Income Transcript from the IRS for 2007 showing salary from DFAS of \$17,642. For 2008 the IRS Transcript has an entry for Oliver Twist, Inc. for \$1,000 and the Town of North Hampton \$35,798 and DFAS \$1,613. There is also a DD-214 in the file noting Mr. Connery had training and experience in fire fighting during his military service.

- We will base the federal taxes on the borrower with an additional dependent because:
 - the purchase and sales agreement notes a woman, Renee
 - the paystub indicates the Veteran is married
- We will assume the URLA is wrong; but if approved, this is an item you would have to check. Use \$345.
- The state taxes for MA in this case are \$195.
- Social Security is 7.65% as the applicant is not self employed; go ahead and calculate that yourself.

Note: Mr. Connery works for the North Hampton, MA Fire Department, located three hours away from his home. The processor noted this and obtained a letter from the Veteran. This letter is included in the file. The letter states he is purchasing the property in Harwich because it is where he grew up, and he was never able to afford it until the market dropped over the past two years. He will be residing there on all days he does not work at fire house, and his wife will be residing there the other days. He indicates his work schedule is: four days on, three days off. He bunks at the fire house on days he is on duty, so he has a place to stay in North Hampton. He intends to stay with the North Hampton fire department as the pay and work facility are good. He has been with the North Hampton fire department for one year.

There is a Verification of VA Benefits form completed by the Department of Veterans Affairs, VA Form 26-8937, noting the Veteran is exempt from funding fee due to receipt of service-connected disability compensation of \$1,110 monthly. There is no record of any VA benefit related indebtedness either, so you can assume the \$1,110 is being received monthly.

All other required documents and/or disclosures are completed and are in the file as required by the *VA Lender's Handbook*. Now you have all the data to work through the Connery case.