

Case Study, Gibbs

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 or have any questions, you are encouraged to reference the *VA Lender's Handbook*, Chapter 8 for the current fees or Chapter 4 for underwriting, https://benefits.va.gov/WARMS/pam26_7.asp.

You can begin underwriting based on the data that follows; **however, as we review the case, some additional facts or viewpoints will be given to you i.e., to consider income a certain way. You must use and base your decision in accordance to 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 Anthony Gibbs. You are underwriting the loan on June 5, 2009. The requested closing date is June 15th.

Mr. Gibbs has a Certificate of Eligibility (COE) showing he served full time active duty, not Reserves/National Guard, and has previously used the VA Home Loan Benefit. The Uniform Residential Loan Application (URLA) indicates the Veteran is married to Catherine and has one dependent, a seven year old.

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 applicants are purchasing a property in Massachusetts. The NOV value is \$411,000, and the maximum repayment period for the loan is noted as 30 years. A review of the appraisal indicates the property is a new construction single family home. The real estate taxes are estimated to be \$5,000 a year. The home is fee simple, and there is no indication of a homeowner's association fee. The home is not located in a flood zone. The Gross Living Area (GLA) is 2,782 sq. ft.

The borrower is requesting a base loan amount of \$410,000. The form provided by the originator indicates the VA funding fee is to be paid in cash by the seller. The URLA indicates the following:

- An energy efficient mortgage is not involved.
- The terms of the loan are: fixed rate loan, interest rate of 5.0%, for a term of 30 years.
- The purpose is a purchase with a total sales price of \$410,000.
- The Veteran is 39 years old; the spouse is 42.
- The hazard insurance for the subject property is noted as \$79 monthly.
- The Details of the Transaction indicates the Veteran is placing \$4,000 down, the seller is paying \$12,300, and the lender is giving a \$300 credit. The Veteran will have to bring \$3,461 to closing. The purchase and sales agreement does confirm the seller will be contributing towards the 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 Anthony and Catherine Gibbs, a sales price of \$410,000, and a seller credit of \$12,300 to be paid at closing. Mrs. Gibbs as Power of Attorney (POA) signs the agreement for both applicants.

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 May 4th. The most recently opened account was the American Express account; there have not been many new accounts. The application shows they have been renting for two years. There are no collections, bankruptcies, or public records. There have been no inquiries in the last 90 days. Here is a summary of the accounts appearing:

Creditor	Monthly Payment	Balance	Date Opened	History # of lates		
				#/30	#/60	#/90
USAA, Revolving	\$500	\$27,340	2/00	0/30	0/60	0/90
Navy Federal CU, Auto	534	26,349	10/07	0/30	0/60	0/90
US Bank, Installment	253	10,383	4/01	0/30	0/60	0/90
Chase, Credit Card	None Listed	5,315	2/07	0/30	0/60	0/90
Exxon MBL, Revolving	10	86	3/00	0/30	0/60	0/90
American Express, Open	0	0	7/08	0/30	0/60	0/90
Various Revolving 2 Open & 16 Closed	0	0	Various Dates	0/30	0/60	0/90
Installments 2 Closed Home Equities	0	0	Various Dates	0/30	0/60	0/90
	0	High's 31K 45K	Last Active '03 '05	0/30	0/60	0/90
Previous VA Mortgage Loans	0	High's 122.4K 175K	Last Active '03 '05	0/30	0/60	0/90

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

There are bank statements in the file showing the borrowers have \$2,079.40 in a savings account. There are no large increases. There is also a checking account statement showing a balance of \$955.66 with no overdrafts. The deposits are from Mrs. Gibbs employer and a \$600 ACH Credit from DFAS (Dept. of Defense). There is a second checking account with a balance of \$193.09 showing no large deposits or credits. Finally, the last set of funds, from a different institution, show a savings account with \$7,005 and a checking with \$1,053.37.

For employment data:

- The file contains a Leave & Earnings Statement for Mr. Gibbs. It notes:

- Veterans name, matching last four digits of his social security number, Service USMC, Rank GYSGT, Period Covered 1-30 APR, date prepared 20090423 (4/23/09)
 - Years in Service 9, ETS 20100211 (February 11, 2010)
 - Current Base Pay: \$3,951.30
 - BAS: \$323.87
 - BAH w/deps: \$2,163.00
 - No unusual deductions, just life, dental, thrift, savings, a \$600 allotment, and there is also a deduction that matches the BAH, generally indicating they are renting on base
 - BAH zip code is 92055, there is a note under remarks: Taxable Moving Exp \$15,537 & FITW \$3,884
 - W-2's are also in the file confirming the service person has been active duty military for two years
- There is a letter from Dermatology Practice of Massachusetts in the file to Mrs. Gibbs. It notes she is being hired as a Full Time Medical Assistant, working 36 to 40 hours a week at a rate of \$18.00 per hour. Her begin date is February 23, 2009 and she will be located in an office within good proximity of the subject property. It indicates she will be on probation for the first 90 days. It also states other miscellaneous data such as her direct supervisor and other standard company policies.
 - There is also a verbal Verification of Employment (VOE) dated June 9th, confirming Mrs. Gibbs began her employment. It lists her position, who at your mortgage company made the verification, date and the name, phone number, and position of the person who identified the data.
 - There is a letter from Dermatology Practice of Massachusetts that Mrs. Gibbs has completed her probationary period.
 - There are three paystubs for Mrs. Gibbs. They confirm her name, start date, list her as single with zero dependents, and no unusual deductions. Payments are shown to be bi-weekly, with the lowest hours being 77.55 with overtime, 78.9 with no overtime, and 41.31 for her first pay period with no overtime. The rate being paid is noted as \$18.00 per hour. The latest paystub is through 4/12/09 and YTD is \$4,926.33, including \$141.21 in overtime.
 - There is a verbal VOE from Skin Surgery Medical Practice in CA confirming Mrs. Gibbs was employed there from 7/07 to 1/8/09 as a medical assistant. W-2's in the file support this and also show she earned \$35,525 in 2008 and \$12,649 in 2007.
 - There is also a W-2 in the file from another medical general practice noting Mrs. Gibbs earned an additional \$17,321 in 2007.

Note: The following additional information should be considered when evaluating this case:

- We will base the federal taxes married borrowers with three exemptions. For federal taxes use \$289 for Anthony and \$123 for Catherine.
- The state taxes for MA in this case are \$165 for Anthony and \$109 for Catherine.
- Social Security is 7.65% as both applicants are not self employed; go ahead and calculate that yourself.

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 Gibbs case.