

KANSAS STATE DEPARTMENT OF CREDIT UNIONS

Documents Required to Support Real Estate Loans

Real estate loans require the following documents to conform to the requirements of the Kansas State Department of Credit Unions, the National Credit Union Administration and other regulatory agencies. The credit union's policies can be more rigorous than these guidelines. These guidelines may not have basis in statute or regulations, but are found to meet sound business practices.

Purchase Money, First Mortgage Real Estate Loans

1. Fully completed, approved long form real estate application.
2. Copy of purchase contract or builders contract. **
3. Real estate disclosure statement.
4. Real estate promissory note
5. Real estate mortgage filed in the county where the real estate is located.
6. Flood insurance, or proof that the property is not in a recognized flood zone using standard flood hazard form.
7. Full coverage home owners insurance with loss payable clause showing the credit union as mortgage holder.
8. Good faith estimate of closing costs.
9. Required Regulation Z disclosures.
10. If the mortgage is to be an adjustable rate mortgage loan (ARM), then the ARM disclosure booklet must be used and issued at time of application, and all documentation listed must be specific to ARM's as appropriate.
11. The file must contain a copy of a fully completed HUD-1 final settlement statement.
12. Survey. **
13. Termite inspection. **
14. Qualified appraisal. (standards will vary depending on type of residence, location of residence, and percentage of value being borrowed where transaction involves \$100,000. or more).
15. Credit bureau report for real estate transactions (written). **
16. Private mortgage insurance if loan exceeds normal standards (normally 80% of appraisal). **
17. Title insurance policy showing the credit union as first mortgage holder. In some areas an updated abstract will be all that is available. If so, it should be updated to show the credit union mortgage and a title opinion rendered by an attorney should be in file. **
18. Verification of income (copy of pay stubs if not self employed). **
19. HUD compliance booklet must be provided.

(**) Not required by regulation, but should be in file of prudent lender, or to meet secondary market requirements

The following documents may be required by secondary market vendors. Your vendor will determine which of the documents are necessary should you decide to sell the mortgage.

1. Copy of earnest money, canceled check or teller printout of draft clearing if truncated.
2. Signed gift letter, plus verification that the donor has sufficient funds to make the gift. (in addition, verification of the transfer of funds may be required using a copy of the canceled check or a copy of the gift check and a copy of the deposit slip showing the money going into the borrowers account).
3. Two years of signed federal income tax returns with all schedules (normally used if member is self employed). Copy of pay stubs, if not self employed.
4. Year to date profit and loss statement prepared by an independent accountant (if self employed).
5. Copy of current lease agreement (if living in leased quarters).
6. Copy of divorce decree or legal separation agreement, if appropriate.
7. Copy of diploma or school transcripts, if appropriate.
8. Receipts for paying any judgments listed on credit bureau reports, and written explanation.
9. Copy of any bankruptcy schedules with the discharge document. A written explanation should be included.
10. Written explanation of any foreclosure or deed in lieu transaction.
11. Copy of existing deed (for property being purchased).
12. Copy of existing title insurance policy.
13. Copy of loan documents if down payment is borrowed from another source. (The first 5% MUST be from your own existing funds).

The following documents may be required once the loan has been approved, but prior to closing:

1. Public Health Department approval for any private well or septic tank.
 2. Copy of HUD-1 settlement statement to verify the sale of the previous home, the payment of any liens on the home, and to show the net proceeds.
-
-

Non purchase money real estate loans

All required documents are the same except:

1. Notice of rescission right and certification of non rescission must be in file for all borrowers. Legal counsel should be consulted if the credit union elects not to use certification of non-rescission.
2. Verification of mortgage balance due from current mortgage holder.

When following documentation requirements be sure to note whether fixed or variable rate.

Second mortgage loans

Required documents are generally the same except:

1. If possible, the credit union should obtain a statement from the first mortgage holder not to advance additional funds.
2. An appraisal is appropriate if the second mortgage loan will bring the overall debt on the property over 80%. An indication of value could be the tax valuation, a drive by inspection with pictures, or a listing of similar sales in the area with values.
3. Notice of rescission right and certification of non rescission.
4. Proof of insurance.

If the credit union already holds the first mortgage, a re-verification of the value of the property and an updated credit report should be sufficient.

When making the following types of loans, be sure to note whether fixed or variable rate.

Home equity loans

Generally treated as second mortgage loans. Documentation requirements are essentially the same. Be sure to note whether fixed or variable rate. Most vendors loan smaller thresholds for home equity loans than for standard second mortgages because the proceeds can be used for anything the borrower desires, not necessarily for repair or improvement of the collateral real estate.

1. There should be a fixed draw period, normally for not more than 5 years.
 2. There should be a final repayment time, normally not more than 10 years after the close of the draw period. This results in a 15 year exposure.
 3. Notice of Rescission Right and Certification of Non Rescission.
 4. For open end loans member should receive the booklet *When Your Home Is On The Line*.
-
-

United Guaranty Loans

There are basically two types of United guaranty loans -- loans for property improvement and loans secured by property that can be used for any purpose. The loans are generally treated the same as a second mortgage or home equity loan.

When making loans backed by United Guaranty, or any other vendor, be sure to follow their guidelines completely.

Specifically, United Guaranty requires the following documents to obtain a decision concerning insuring the loan.

1. New loan report form/Application for insurance (UGI Form).
2. Current loan application.
3. Credit bureau report for each borrower.
4. A copy of whatever document was used to determine value of the property (tax assessment, appraisal, etc.).
5. Verification of income (pay stubs, W-2, two years of tax returns for self-employed or commissioned borrowers).
6. If a debt consolidation, a list of debts to be repaid.

7. Title search if loan is greater than \$25,000.
8. The loan cannot exceed twenty years.
9. The loan must be closed end only.

Normal loan underwriting guidelines should be used by the credit union. A copy of their commitment document or number must be conspicuously kept in their loan file.

Other vendors make similar loans, and have similar requirements. The key to success is to fully follow their instructions for obtaining insurance for the loan.