

## **Underwriting Case Study**

## Underwriting Case Study #1:

**James Madison – age 44**

**Dolly Madison – age 42**

**Property Address:** 9963 Allegiance Way  
Philadelphia, PA 19003

**House (Sq. Ft.):** 2,200 sq. ft.

**Purchase Price:** \$249,000

**Appraised Value:** \$256,000 (NOV issued 6/1/10)

**Interest Rate/Term:** 6.50% / 30 years

**Payment Amount:** \$1,517.58 P&I

**Annual Taxes:** \$2,250

**Annual Insurance:** \$650

**Liquid Assets:** \$5,500 + down payment

**Current Monthly Housing Expense:** \$1,235 PITI

**Remaining Economic Life:** 30 years

**Scenario:** The veteran, James Madison, and his wife, Dolly are looking to purchase a Home in the Philadelphia area. They had just moved into the area after James Served 15 years in the Army. Mr. Madison was a computer specialist in the Army and started working for the Tank Corporation as a computer programmer at an annual salary of \$72,000. Dolly Madison just started a job at Target Dept. Stores as a part time cashier. She makes \$10.25 an hour and has averaged 25 hours per week.

The Madison's have three children, ages 9, 11 and 13. They will be putting a 5% down payment. James Madison has no known VA disabilities.

### Documentation

**Attached:** Pay stub for James Madison  
Pay stub for Dolly Madison  
Tri-merged credit report for both individuals  
Certificate of Eligibility for James Madison

### Case Study

**Requirements:** Completely fill out VA Form 26-6393, determining VA loan amount, maintenance and utility costs, debt ratio, residual income and make a determination to approve or deny.

**Paystubs: James Madison**

James Madison		The Tank Corporation 121 N. Main Street Philadelphia, PA 19104		465-72-9862
Pay Period:				
Gross Pay:	\$2,769.24		Medicare:	\$37.66
Federal Withholding:	\$180.02		Philadelphia Local:	\$55.39
State Tax:	\$96.92		Axis Healthcare:	\$92.00
FICA:	\$163.66			
Family Life	\$25.49			
		Net Pay:	\$2,118.81	

James Madison		The Tank Corporation 121 N. Main Street Philadelphia, PA 19104		465-72-9862
Pay Period:				
Gross Pay:	\$2,769.24		Medicare:	\$43.55
Overtime: 8.5 hours	\$457.13		Philadelphia Local:	\$64.53
Federal Withholding:	\$209.71		Axis Healthcare:	\$92.00
State Tax:	\$112.92			
FICA:	\$190.68			
Family Life	\$25.49	Net Pay:	\$2,487.49	

**Paystubs: Dolly Madison**

Dolly Madison		Target, Inc. 22555 Irrelevant Place Philadelphia, PA 19104	125-44-8796
Pay Period:			
Gross Pay: 16 hrs. @ \$10.25	\$164.00		Medicare: \$2.21
Federal Withholding:	\$10.66		Philadelphia Local: \$3.28
State Tax:	\$5.74		
FICA:	\$9.69		
			Net Pay: \$132.42

Dolly Madison		Target, Inc. 22555 Irrelevant Place Philadelphia, PA 19104	125-44-8796
Pay Period:			
Gross Pay: 14 hrs. @ \$10.25	\$143.50		Medicare: \$1.94
Federal Withholding:	\$9.33		Philadelphia Local: \$2.87
State Tax:	\$5.02		
FICA:	\$8.48		
			Net Pay: \$115.86

**Requirements:** Completely fill out VA Form 26-6393, determining VA loan amount, maintenance and utility costs, debt ratio, residual income and make a determination to approve or deny. The veteran's mid-credit score is 621.

## Tri-Merged Credit Report: James Madison / Dolly Madison

Assume credit report was pulled recently and all trade lines reflect delinquencies noted within the previous 24 months.

Subscriber	Date Opened	Balance	Payment	Manner of Payment
Centennial/VISA	2/13/02	\$4,535	\$136	XX21XX1XXXXX 12XXXXXX1XXXX
Ford Motor	6/15/08	\$18,455	\$325	XXXXXXXXXX21XX XXXXX1XXXXXX
Capital Mortgage	07/01/99	\$0	\$1,235	XXXXXXXXXXXXX1X XXXX2111XXXXX
Capital 1/VISA	05/12/99	\$3,256	\$98	XXXXXXXXXXXXXX XXXXXXXX1111
GMAC	11/06/08	\$32,628	\$642	XXXXXX21XXXX
Verizon	12/02/05	\$359	\$359	Placed for collection 03/10/10
First Interstate	12/05/07	\$2,000	0	Medical - Placed for collection - 05/15/11
Chase/Mastercard	10/18/01	\$2,879	\$78	XXXXXX1XXXXX 12XXXXXXXXXX1X
USAA/VISA	02/08/08	\$3,902	\$105	XXXXXXXXXXXXXX XXXXXX1XXXXX

### Public Records

Chapter 7 Bankruptcy discharged 05/15/09
Judgment satisfied \$2,560, date: 01/06

**Key (24 months – recent 12 months on top):**

- X = paid as agreed
- 1 = 30 days late
- 2 = 60 days late
- 3 = 90 days late
- 4 = 120+ days late



Department of Veterans Affairs

**CERTIFICATE OF ELIGIBILITY**

REFERENCE NUMBER

FOR LOAN GUARANTY BENEFITS

NAME OF VETERAN **JAMES R MADISON**

SERVICE NUMBER  
SOCIAL SECURITY NUMBER **XXX-XX-9862**

ENTITLEMENT CODE **10**

BRANCH OF SERVICE **Army**

DATE OF BIRTH **09/15/1964**

Prior Loans charged to entitlement					
VA Loan Number	State	Loan Amount	Date of Loan	Entitlement Charged	Status

**THIS VETERAN'S BASIC ENTITLEMENT IS \$36,000\***  
**TOTAL ENTITLEMENT CHARGED TO PREVIOUS VA LOANS IS \$0\***

\*Veteran is eligible for the benefits of Chapter 37, Title 38, U.S. Code, subject to any condition(s) cited below. Basic entitlement for veterans who have not previously used home loan benefits is \$36,000. For home purchase, construction, and condominium loans that are in excess of \$144,000, the entitlement amount shown is increased to an amount equal to 25% of the Freddie Mac conforming loan limit for a single family residence. The guaranty will not exceed 25 percent. Available entitlement represents the portion of a loan which may be guaranteed or insured by VA to a lender. For more information about maximum loan amounts, contact the nearest VA Regional Loan Center for further information.

Issued By: Mark Jamison	Date: July 17, 2008
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**CONDITIONS**



Department of Veterans Affairs

**LOAN ANALYSIS**

LOAN NUMBER

**PRIVACY ACT INFORMATION:** The VA will not disclose information collected on this form to any source other than what has been authorized under the Privacy Act of 1974 or Title 5, Code of Federal Regulations 1.526 for routine uses as (i.e., the record of an individual who is covered by this system may be disclosed to a member of Congress or staff person acting for the member when the request is made on behalf of the individual) identified in the VA system of records, 55VA26, Loan Guaranty Home, Condominium and Manufactured Home Loan Applicant Records, Specially Adapted Housing Applicant Records, and Vendee Loan Applicant Records - VA, published in the Federal Register. Your obligation to respond is required in order to determine the veteran's qualifications for the loan.

**RESPONDENT BURDEN:** This information is needed to help determine a veteran's qualifications for a VA guaranteed loan. Title 38, USC, section 3710 authorizes collection of this information. We estimate that you will need an average of 30 minutes to review the instructions, find the information, and complete this form. VA cannot conduct or sponsor a collection of information unless a valid OMB control number is displayed. You are not required to respond to a collection of information if this number is not displayed. Valid OMB control numbers can be located on the OMB Internet Page at: [www.whitehouse.gov/omb/mb/OMBIN/VA/EPA.html#VA](http://www.whitehouse.gov/omb/mb/OMBIN/VA/EPA.html#VA). If desired, you can call 1-800-837-1000 to get information on where to send comments or suggestions about this form.

**SECTION A - LOAN DATA**

1. NAME OF BORROWER	2. AMOUNT OF LOAN \$	3. CASH DOWN PAYMENT ON PURCHASE PRICE \$
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**SECTION B - BORROWER'S PERSONAL AND FINANCIAL STATUS**

4. APPLICANT'S AGE	5. OCCUPATION OF APPLICANT	6. NUMBER OF YEARS AT PRESENT EMPLOYMENT	7. LIQUID ASSETS (Cash, savings, bonds, etc.) \$	8. CURRENT MONTHLY HOUSING EXPENSE \$
9. UTILITIES INCLUDED <input type="checkbox"/> YES <input type="checkbox"/> NO	10. SPOUSE'S AGE	11. OCCUPATION OF SPOUSE	12. NUMBER OF YEARS AT PRESENT EMPLOYMENT	13. AGE OF DEPENDENTS

**NOTE: ROUND ALL DOLLAR AMOUNTS BELOW TO NEAREST WHOLE DOLLAR**

**SECTION C - ESTIMATED MONTHLY SHELTER EXPENSES**  
(This Property)

**SECTION D - DEBTS AND OBLIGATIONS**  
(Itemize and indicate by (✓) which debts considered in Section E, Line 40)  
(If additional space is needed please use reverse or attach a separate sheet)

ITEMS		AMOUNT	ITEMS		(✓)	MO. PAYMENT	UNPAID BAL.
14.	TERM OF LOAN: YRS.		22.			\$	\$
15.	MORTGAGE PAYMENT (Principal and Interest) @ _____ %	\$	23.				
			24.				
16.	REALTY TAXES		25.				
17.	HAZARD INSURANCE		26.				
18.	SPECIAL ASSESSMENTS		27.				
19.	MAINTENANCE & UTILITIES		28.				
20.	OTHER (HOA, Condo fees, etc.)		29.	JOB RELATED EXPENSE (e.g., child care)			
21.	TOTAL	\$	30.	TOTAL		\$	\$

**SECTION E - MONTHLY INCOME AND DEDUCTIONS**

ITEMS		SPOUSE	BORROWER	TOTAL
31.	GROSS SALARY OR EARNINGS FROM EMPLOYMENT	\$	\$	\$
32.	FEDERAL INCOME TAX			
33.	STATE INCOME TAX			
34.	DEDUCTIONS RETIREMENT OR SOCIAL SECURITY			
35.	OTHER (Specify)			
36.	TOTAL DEDUCTIONS	\$	\$	\$
37.	NET TAKE-HOME PAY			
38.	PENSION, COMPENSATION OR OTHER NET INCOME (Specify)			
39.	TOTAL (Sum of lines 37 and 38)	\$	\$	\$
40.	LESS THOSE OBLIGATIONS LISTED IN SECTION D WHICH SHOULD BE DEDUCTED FROM INCOME			
41.	TOTAL NET EFFECTIVE INCOME			\$
42.	LESS ESTIMATED MONTHLY SHELTER EXPENSE (Line 21)			
43.	BALANCE AVAILABLE FOR FAMILY SUPPORT		GUIDELINE	\$
44.	RATIO (Sum of Items 15, 16, 17, 18, 20 and 40 _____ sum of Items 31 and 38)			%

45. PAST CREDIT RECORD <input type="checkbox"/> SATISFACTORY <input type="checkbox"/> UNSATISFACTORY	46. DOES LOAN MEET VA CREDIT STANDARDS? (Give reasons for decision under "Remarks," if necessary, e.g., borderline case) <input type="checkbox"/> YES <input type="checkbox"/> NO
47. REMARKS (Use reverse or attach a separate sheet, if necessary)	

**CRV DATA (VA USE)**

46A. VALUE	46B. EXPIRATION DATE	46C. ECONOMIC LIFE YRS.
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**SECTION F - DISPOSITION OF APPLICATION AND UNDERWRITER CERTIFICATION**

Recommend that the application be approved since it meets all requirements of Chapter 37, Title 38, U.S. Code and applicable VA Regulations and directives.  
 Recommend that the application be disapproved for the reasons stated under "Remarks" above.  
 The undersigned underwriter certifies that he/she personally reviewed and approved this loan. (Loan was closed on the automatic basis.)

49. DATE	50. SIGNATURE OF EXAMINER/UNDERWRITER
51. FINAL ACTION <input type="checkbox"/> APPROVE APPLICATION <input type="checkbox"/> REJECT APPLICATION	52. DATE
	53. SIGNATURE AND TITLE OF APPROVING OFFICIAL

<b>Table of Residual Incomes by Region For loan amounts of \$80,000 and above</b>				
<b>Family Size</b>	<b>Northeast</b>	<b>Midwest</b>	<b>South</b>	<b>West</b>
1	\$450	\$441	\$441	\$491
2	\$755	\$738	\$738	\$823
3	\$909	\$889	\$889	\$990
4	\$1,025	\$1,003	\$1,003	\$1,117
5	\$1062	\$1,039	\$1,039	\$1,158
over 5	Add \$80 for each additional member up to a family of 7.			

<b>Key to Geographic Regions Used in the Preceding Tables</b>			
<b>Northeast</b>	Connecticut	New Hampshire	Pennsylvania
	Maine	New Jersey	Rhode Island
	Massachusetts	New York	Vermont
<b>Midwest</b>	Illinois	Michigan	North Dakota
	Indiana	Minnesota	Ohio
	Iowa	Missouri	South Dakota
	Kansas	Nebraska	Wisconsin
<b>South</b>	Alabama	Kentucky	Puerto Rico
	Arkansas	Louisiana	South Carolina
	Delaware	Maryland	Tennessee
	District of Columbia	Mississippi	Texas
	Florida	North Carolina	Virginia
	Georgia	Oklahoma	West Virginia
<b>West</b>	Alaska	Hawaii	New Mexico
	Arizona	Idaho	Oregon
	California	Montana	Utah
	Colorado	Nevada	Washington
			Wyoming

**Underwriting Case Study  
(Answer Template)**

<b>Department of Veterans Affairs</b>	<b>LOAN ANALYSIS</b>	LOAN NUMBER
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SECTION A - LOAN DATA		
1. NAME OF BORROWER JAMES MADISON	2. AMOUNT OF LOAN \$ 240,098.00	3. CASH DOWN PAYMENT ON PURCHASE PRICE \$ 12,450.00

SECTION B - BORROWER'S PERSONAL AND FINANCIAL STATUS					
4. APPLICANT'S AGE 44	5. OCCUPATION OF APPLICANT COMPUTER PROGRAMMER	6. NUMBER OF YEARS AT PRESENT EMPLOYMENT 1 MONTH	7. LIQUID ASSETS (Cash, savings, bonds, etc.) \$ 17,950.00	8. CURRENT MONTHLY HOUSING EXPENSE \$ 1,235.00	
9. UTILITIES INCLUDED <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO		10. SPOUSE'S AGE 42	11. OCCUPATION OF SPOUSE CASHIER	12. NUMBER OF YEARS AT PRESENT EMPLOYMENT 1 MONTH	13. AGE OF DEPENDENTS 9, 11, 13

**NOTE: ROUND ALL DOLLAR AMOUNTS BELOW TO NEAREST WHOLE DOLLAR**

SECTION C - ESTIMATED MONTHLY SHELTER EXPENSES <i>(This Property)</i>			SECTION D - DEBTS AND OBLIGATIONS <i>(Itemize and indicate by (-) which debts considered in Section E, Line 40) (If additional space is needed please use reverse or attach a separate sheet)</i>			
ITEMS	AMOUNT	ITEMS	(✓)	MO. PAYMENT	UNPAID BAL.	
14. TERM OF LOAN: 30 YRS.		22. CENTENNIAL/VISA	✓	\$ 136.00	\$ 4,535.00	
15. MORTGAGE PAYMENT (Principal and Interest) @ 6.50 %	\$ 1,518.00	23. FORD MOTOR	✓	325.00	18,455.00	
16. REALTY TAXES	188.00	24. CAPITAL 1/VISA	✓	98.00	3,256.00	
17. HAZARD INSURANCE	54.00	25. GMAC	✓	642.00	32,628.00	
18. SPECIAL ASSESSMENTS		26. CHASE/MASTERCARD	✓	78.00	2,879.00	
19. MAINTENANCE & UTILITIES	308.00	27. USAA/VISA	✓	105.00	3,902.00	
20. OTHER (HOA, Condo fees, etc.)		28.				
21. TOTAL	\$ 2,068.00	29. JOB RELATED EXPENSE (e.g., child care)				
		30. TOTAL		\$ 1,384.00	\$ 65,655.00	

SECTION E - MONTHLY INCOME AND DEDUCTIONS				
ITEMS	SPOUSE	BORROWER	TOTAL	
31. GROSS SALARY OR EARNINGS FROM EMPLOYMENT		6,000.00	\$ 6,000.00	
32. FEDERAL INCOME TAX	\$	\$ 390.00		
33. STATE INCOME TAX		210.00		
34. DEDUCTIONS RETIREMENT OR SOCIAL SECURITY		355.00		
35. OTHER (Specify)				
36. TOTAL DEDUCTIONS	\$	\$ 955.00	\$ 955.00	
37. NET TAKE-HOME PAY		5,045.00	5,045.00	
38. PENSION, COMPENSATION OR OTHER NET INCOME (Specify)				
39. TOTAL (Sum of lines 37 and 38)	\$	\$ 5,045.00	\$ 5,045.00	
40. LESS THOSE OBLIGATIONS LISTED IN SECTION D WHICH SHOULD BE DEDUCTED FROM INCOME			1,384.00	
41. TOTAL NET EFFECTIVE INCOME			\$ 3,661.00	
42. LESS ESTIMATED MONTHLY SHELTER EXPENSE (Line 21)			2,068.00	
43. BALANCE AVAILABLE FOR FAMILY SUPPORT		GUIDELINE \$ 1,062.00	\$ 1,593.00	
44. RATIO (Sum of Items 15, 16, 17, 18, 20 and 40 ÷ sum of Items 31 and 38)			0.52 %	

45. PAST CREDIT RECORD <input type="checkbox"/> SATISFACTORY <input checked="" type="checkbox"/> UNSATISFACTORY	46. DOES LOAN MEET VA CREDIT STANDARDS? (Give reasons for decision under "Remarks," if necessary, e.g., borderline case) <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO
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47. REMARKS (Use reverse or attach a separate sheet, if necessary)  
HIGH DEBT RATIO, RECENT DEROGATORY ITEMS, COLLECTION ACCOUNTS, CH. 7 IN 2006, PRIOR JUDGMENT. VETERAN HAD PRIOR MORTGAGE DELINQUENCIES. JUST STARTED NEW JOB. EVEN THOUGH SPOUSE'S INCOME LEFT OUT, VETERAN NEEDS TO ESTABLISH CREDIT AND JOB STABILITY.

CRV DATA (VA USE)		
48A. VALUE 256,000.00	48B. EXPIRATION DATE 12/01/2010	48C. ECONOMIC LIFE 35 YRS.

SECTION F - DISPOSITION OF APPLICATION AND UNDERWRITER CERTIFICATION		
<input type="checkbox"/> Recommend that the application be approved since it meets all requirements of Chapter 37, Title 38, U.S. Code and applicable VA Regulations and directives. <input checked="" type="checkbox"/> Recommend that the application be disapproved for the reasons stated under "Remarks" above. The undersigned underwriter certifies that he/she personally reviewed and approved this loan. (Loan was closed on the automatic basis.)		
49. DATE	50. SIGNATURE OF EXAMINER/UNDERWRITER	
51. FINAL ACTION <input type="checkbox"/> APPROVE APPLICATION <input checked="" type="checkbox"/> REJECT APPLICATION	52. DATE	53. SIGNATURE AND TITLE OF APPROVING OFFICIAL