

WAC 208-620-507 What elements of an ability to repay analysis must be part of my underwriting policy of a conventional residential mortgage loan? (1) Your underwriting policy must include:

- A procedure for evaluating and documenting a borrower's ability to repay.
- Standards used to evaluate the borrower's ability to repay by final maturity at the fully indexed rate.
- A policy that provides the assumption of a fully amortizing repayment schedule in determining the borrower's ability to repay.
- An evaluation of any negative amortization on a borrower's ability to repay.
- Standards for verifying the borrower's income, current employment and reasonably expected future income.
- Standards for verifying the borrower's assets, net worth or equity in the subject property.
- Standards for an acceptable range for the borrower's debt to income ratio based on the loan type (conventional, reduced documentation, stated income).
- Demonstration that the debt to income ratio includes all of the borrower's contractual obligations, or that an allowance has been made within the ratio to take into account ancillary borrower contractual obligations (utility, cell phone contracts, etc.).
- Standards for counseling borrowers on the impact of their decision to accept a mortgage with an adjustable rate, balloon payment, or other alternative product or feature.
- Standards on the substitution of a credit score in place of income, assets, or net worth.
- Standards for due diligence of third-party originators including preresult review, verifications of borrower information, responsibility for initial RESPA compliance, responsibility for adverse action notice compliance, and postclosing reviews.
- Procedures for notifying borrowers about prepayment penalties.

(2) You must demonstrate consistent and uniform application of the elements in subsection (1) of this section in your in-house compliance and audit departments.

[Statutory Authority: RCW 43.320.040, 31.04.165, 2009 c 120, and 2009 c 149. WSR 09-24-090, § 208-620-507, filed 12/1/09, effective 1/1/10.]