OVERVIEW

WHEDA Way Home is an innovative loan program created for potential homeowners who can demonstrate a strong payment history but don't meet the credit requirements of a traditional mortgage. Instead of evaluating potential homebuyers solely by numbers, the program uses a human-based risk evaluation, reviewing a borrower's complete story and financial history. Supported by a $5 million loan from the Robert Wood Johnson Foundation (RWJF) and a $10 million match from WHEDA, the program provides mortgages to first-time, low-income homebuyers with flexible criteria, down payment assistance, and homeownership counseling.

BACKGROUND

Homeownership is often out of reach for individuals facing systemic barriers or financial hardships such as medical debt, job instability, or domestic violence. This can be partially attributed to low credit scores, downpayment requirements, and discrimination in appraisals and lending. Some homebuyers may be able to borrow a down payment from family or friends, but frequently those with lower incomes often lack access to inherited intergenerational wealth. In addition, government agencies use Automated Underwriting Systems (AUS) to determine loan approvals. The use of AUS means computer algorithms, often based on historically biased data, are in charge of deciding who qualifies for a mortgage.

Many Wisconsin residents, particularly in communities of color, pay their rent on time and have steady incomes, but don't clear AUS credit thresholds. This exclusion leaves homeownership and its wealth-building benefits out of reach. An effort to secure a home mortgage can be further challenged by a rent increase, a life event such as death or divorce, medical debt, or job insecurity. The WHEDA Way Home solution considers reliable income and payment history, factors that traditional scoring tools often overlook.

In 2021, a WHEDA project team commenced research into the specific obstacles to homeownership and found that many Wisconsinites were denied mortgages due to traditional lending criteria and low credit scores resulting from past financial hardship. WHEDA created the Way Home Loan Program to remove these barriers for first-time homebuyers.

HOW IT WORKS

WHEDA understands that not all borrowers fit traditional criteria. The WHEDA Way Home Loan provides flexible eligibility and differs from standard loans in several ways:

- Negative credit history is not the primary focus or evaluation factor in the approval process. The program prioritizes improvement over negative credit history and current financial stability. The Loan Committee assesses financial readiness for homeownership. There is no minimum credit score for these loans.
- A history of timely rent payments indicates readiness for mortgage payments.

- Private Mortgage Insurance (PMI) is not required. While the interest rate is 0.5% higher than a standard First Time Homebuyer Loan, WHEDA assumes 100% of the risk on the loan portfolio.
- WHEDA Way Home borrowers also receive Down Payment Assistance.

What sets WHEDA Way Home apart is its flexible eligibility requirements and human-based risk evaluation. Each application is reviewed in its full context, with value given to current financial stability and a strong payment history. Timely rent payments are recognized as indicators of readiness, and there is no minimum credit score requirement. Underwriters take a holistic approach, making recommendations to the Loan Committee, which makes the final decision. PMI is not required, and WHEDA assumes the portfolio risk, despite a slightly higher interest rate. Down Payment Assistance from the Robert Wood Johnson Foundation further supports buyers.

The pilot launched with three statewide lending partners, Johnson Bank, Landmark Credit Union, and North Shore Bank, who help consumers determine if WHEDA Way Home is a better fit than traditional mortgage options. Lending partners identify strong candidates, connect them to counseling, and advocate for their success before the Loan Committee. They consider each borrower's credit history, current finances, and readiness for homeownership. In addition, every borrower completes homebuyer education to ensure they are prepared for the responsibilities of ownership. As borrowers repay their loans, capital is recycled, expanding the program's reach.

Every million dollars deployed supports approximately 5–10 first-time homebuyers, enabling them to build intergenerational wealth through home equity. The program's early success, demonstrated by strong loan performance, provides a blueprint for future bond-market replication and illustrates how philanthropic capital can catalyze systemic change in the mortgage market. RWJF's investment, as part of their efforts to "create a more equitable community development finance system," enabled WHEDA Way Home to launch in key regions like Milwaukee and Kenosha, targeting individuals with strong payment histories who do not meet traditional credit requirements. The initiative is the first of RWJF's municipal investments and demonstrates how philanthropy can provide early, innovative investments that capital markets can replicate.

"This was one of the first times that we saw innovation within the mortgage lending space at the HFA level," said Zoila Jennings, *lead impact investment officer at The Robert Wood Johnson Foundation (RWJF).*

WHERE THE PROGRAM STANDS TODAY

The first WHEDA Way Home Loan application was submitted in April 2024. Since then, $4.8 million in loans have enabled 23 individuals and families to purchase homes, with an average loan size of $200,000. All loans are performing well, with no late payments or issues. This success demonstrates the effectiveness of homebuyer counseling, thorough review, and underwriting. These steps help ensure borrowers are well-prepared for homeownership. WHEDA aims to help borrowers build positive credit histories, which may allow them to access additional credit, lower interest rates, and eventually Home Equity Loans (HELs).

WHEDA focuses on maintaining a steady stream of qualified applicants. Mortgage repayments fund future loans, expanding homeownership opportunities across Wisconsin. WHEDA is expanding the program into rural and northern Wisconsin and seeking additional investment partners. Since WHEDA is not customer-facing, potential borrowers learn about the program through homebuyer counselors or lending partners.

"WHEDA Way Home is designed to put people first, examining each borrower's complete credit and financial story," says Robert Stafslien, Director of Single Family Housing at WHEDA. "Security, stability, and relief are realized when our borrowers have an affordable place to call home."

CONCLUSION

Homeownership fosters economic stability, health, and well-being. Building equity in a home can enable families to support retirement, pay for education, or launch businesses. A comprehensive, compassionate approach to affordable home loans enables state housing finance agencies like WHEDA to play a key role in expanding access to homeownership.

The success of this program is due to strong collaboration between WHEDA and its partners. In addition to funding from RWJF and WHEDA, support from the Federal Home Loan Bank of Chicago (FHLBank Chicago) enabled WHEDA to fund housing counseling agencies, expanding their reach and helping ensure homebuyers are prepared for success. The WHEDA Way Home Loan Program team worked closely with counseling agencies and partner lenders, who serve as the first point of contact for borrowers. The program's achievements reflect the knowledge and commitment of our team and partner organizations.

WHEDA Way Home demonstrates that character-based mortgage lending can help residents overcome systemic barriers, build wealth, and improve health outcomes. With continued investment, the program aims to originate loans for over 100 families and, if successful, scale through additional funding and capital market tools. Successful loan performance and closing homeownership gaps will create a replicable model statewide and with other Housing Finance Agencies.

VISUAL AIDS

- Press Release from Robert Wood Johnson Foundation (RWJF)
  Housing and Economic Development Agency Removing Barriers to Homeownership in Wisconsin
- Case Study from Robert Wood Johnson Foundation (RWJF)
- Beyond the Credit Score: New Models for Mortgage Lending Article – Impact Investments at RWJF
- WHEDA Way Home Lender Training Presentation Slides (attached below)
- WHEDA Way Home Lender Toolkit
  - WHEDA Way Home Eligibility Matrix
  - WHEDA Way Home Underwriting Guide

- WHEDA Way Home Documentation Checklist
- WHEDA Way Home Flyer (English)
- WHEDA Way Home Flyer (Spanish)

WHEDA WAY HOME

Pilot Program Training

Legal Disclaimer

This information is published and/or provided by WHEDA as a courtesy and is meant for instructional purposes only. None of the information provided is intended to be legal advice in any context. WHEDA makes every effort to provide accurate information. WHEDA does not guarantee, warrant, ensure or promise that is correct; and any effort to blame WHEDA if this information proves to be incorrect will be vigorously defended. Any unauthorized use, dissemination or distribution of these documents or ideas is strictly prohibited.

Please visit our website at www.wheda.com to view full program guidelines. The information contained in this training may not highlight all requirements of these programs and does not reduce or eliminate any requirements set forth in our guidelines. Guidelines are subject to change without notice.

EQUAL HOUSING LENDER

WHEDA

WHEDA is an Equal Housing Opportunity Lender. This is not a commitment to lend. Information is intended for mortgage professionals only and not intended for public use or distribution. Terms and conditions of programs are subject to change at any time. Refer to WHEDA's underwriting and program guidelines for loan specific details and all eligibility requirements.

WHEDA WAY HOME

Why this pilot program is so important.

Wheda is not only committed, but passionate about understanding barriers that affect people and communities across the State as it relates to buying a home. Uncovering root causes has led WHEDA to designing a lending solution that addresses unique circumstances and challenges that many first-time borrowers face while pursuing homeownership through traditional lending products.

WHEDA Way Home is designed to put people first! It is an exciting program that offers flexibility to help overcome some of the barriers that have previously prevented WI residents' access to standard financing options.

Your partnership in this effort is so important to provide access to safe and stable housing in the communities we serve!

WHEDA

PROGRAM DETAILS

GENERAL LOAN INFORMATION

Overview

- Manually underwritten by WHEDA.
- Purchase transaction.
- 30-year fixed rate mortgage.
- Must be owner occupied for life of loan.
- Property must be located in WI.
- Serviced by WHEDA.
- All borrowers must reside in the property.
- Only borrowers or non-applicant spouse can take title or be included on the offer to purchase.
- MI is not required for this loan program.
- Can be used in conjunction with a WHEDA MCC.

General Loan Parameters

- **Credit Score: No minimum credit score**
  - Borrowers without credit scores must utilize non-traditional tradelines to establish credit profile.
- **DTI Max: 45%**
  - A DTI up to 50% may be considered with extenuating circumstances and/or compensating factors.
- **Property types:**
  - Single Family Residences
  - Condominiums
  - Manufactured Double-wide (currently located on owned land)
  - 2-unit properties
- **Delivery Channel:** Mini Correspondent

WHEDA

GENERAL LOAN GUIDANCES *not all inclusive

Income Guidance

Compliance Income

- Compliance Income calculation follows normal protocol of all WHEDA programs.
- Must meet the WHEDA FTHB Income and Purchase Price Limits

Qualifying Income

- 2-year history of stable and reliable stream of income.
- Borrowers having less than one-year history of receiving rental income or documented property management experience, must have a minimum of 6 months housing payment or expense history for rental income to be considered.
- See WHEDA Way Home Underwriting Guide Section 5.00 for additional guidance.

DPA and Asset Guidance

DPA

- WHEDA Easy Close can be utilized up to 105% CLTV.
- Non-WHEDA DPA's allowable up to 105% CLTV (must meet FNMA Community Seconds standard)

Assets/Down Payment

- Recurring non-payroll deposits should be explained and/or sourced.
- Cash on hand may be acceptable.
- No seasoning requirement for recent deposits.
- Gifts from non-family members may be acceptable with appropriate documentation.
- Up to 6% seller credit may be allowable.

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GENERAL LOAN REQUIREMENTS

Required

- Borrower cannot be listed on the State of WI Child Support Lien Docket. Arrears must be paid before closing or be on a payment plan with on time payments for previous 6 months.
- HPML not eligible.
- Explanation of prior derogatory credit history is required.
- Non-applicant spouse's credit history required. Additional debts included in DTI. Judgements must be paid in full.
- Non-occupant co-signers or co-borrowers not allowed.
- Borrowers must possess a valid social security number and prove legal residency.

Additional information:

- Lender compensation noted on the Daily Rate Sheet for this specific program.
- Up to $2000 WHEDA Closing Cost Credit.
  - Closing Credit + Seller Credit cannot exceed allowable closing costs.
- WHEDA Fees:
  - $500 WHEDA Purchase Review Fee
  - $65 Tax Service Fee
  - $35 Wire fee- if applicable. (No fee is funds transferred by ACH)

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EASY CLOSE DPA

CAN BE USED FOR:

- Down Payment
- Closing Costs
- Single Premium MI

Enter as Secondary Financing on 1003

[Easy CloseDPA Product Matrix]

WHEDA

Loan Amount

- Up to 6% of purchase price
- Minimum of $1000

Interest Rate

- Same as the 1st mortgage

Terms and Payment

- 10-year term
- Monthly payment

Income & Purchase Price Limits

- Same as the 1st mortgage

Additional information

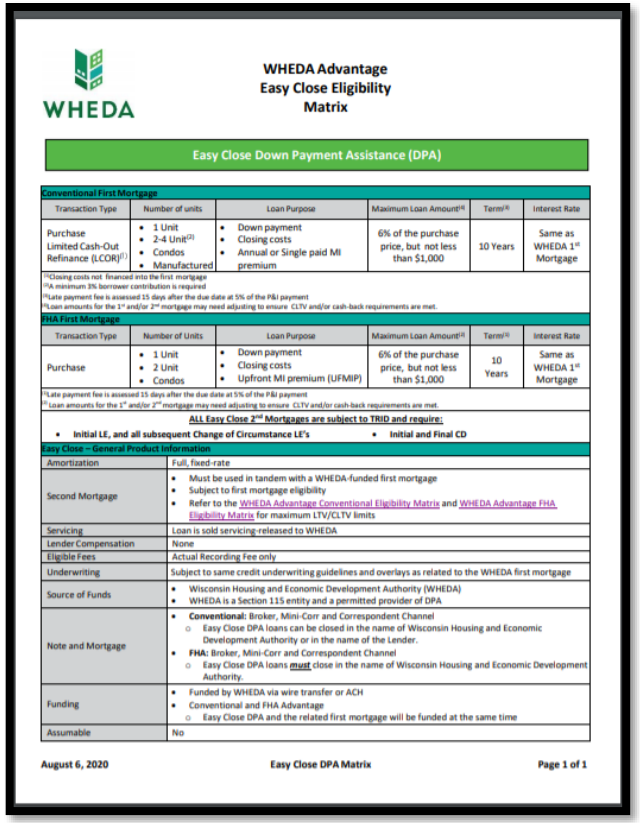
- Can be combined with other FNMA approved community seconds
- Max HCLTV-105%

Disclosures

- Follows TRID
- Separate LE & CD

Required Documents

- LE & CD
- Note & Mortgage



WHEDA

WHEDA Advantage
Easy Close Eligibility
Matrix

Easy Close Down Payment Assistance (DPA)

Conventional First Mortgage					
Transaction Type	Number of units	Loan Purpose	Maximum Loan Amount[4]	Term[3]	Interest Rate
Purchase Limited Cash-Out Refinance (LCOR)[1]	• 1 Unit • 2-4 Unit[2] • Condos • Manufactured	• Down payment • Closing costs • Annual or Single paid MI premium	6% of the purchase price, but not less than $1,000	10 Years	Same as WHEDA 1st Mortgage

[1]Closing costs not financed into the first mortgage
[2]A minimum 3% borrower contribution is required
[3]Late payment fee is assessed 15 days after the due date at 5% of the P&I payment
[4]Loan amounts for the 1st and/or 2nd mortgage may need adjusting to ensure CLTV and/or cash-back requirements are met.

FHA First Mortgage					
Transaction Type	Number of Units	Loan Purpose	Maximum Loan Amount[2]	Term[1]	Interest Rate
Purchase	• 1 Unit • 2 Unit • Condos	• Down payment • Closing costs • Upfront MI premium (UFMIP)	6% of the purchase price, but not less than $1,000	10 Years	Same as WHEDA 1st Mortgage

[1]Late payment fee is assessed 15 days after the due date at 5% of the P&I payment
[2] Loan amounts for the 1st and/or 2nd mortgage may need adjusting to ensure CLTV and/or cash-back requirements are met.

ALL Easy Close 2nd Mortgages are subject to TRID and require:

- **Initial LE, and all subsequent Change of Circumstance LE's**
- **Initial and Final CD**

Easy Close – General Product Information	
Amortization	Full, fixed-rate
Second Mortgage	• Must be used in tandem with a WHEDA-funded first mortgage • Subject to first mortgage eligibility • Refer to the WHEDA Advantage Conventional Eligibility Matrix and WHEDA Advantage FHA Eligibility Matrix for maximum LTV/CLTV limits
Servicing	Loan is sold servicing-released to WHEDA
Lender Compensation	None
Eligible Fees	Actual Recording Fee only
Underwriting	Subject to same credit underwriting guidelines and overlays as related to the WHEDA first mortgage
Source of Funds	• Wisconsin Housing and Economic Development Authority (WHEDA) • WHEDA is a Section 115 entity and a permitted provider of DPA
Note and Mortgage	• **Conventional:** Broker, Mini-Corr and Correspondent Channel ○ Easy Close DPA loans can be closed in the name of Wisconsin Housing and Economic Development Authority or in the name of the Lender. • **FHA:** Broker, Mini-Corr and Correspondent Channel ○ Easy Close DPA loans *must* close in the name of Wisconsin Housing and Economic Development Authority.
Funding	• Funded by WHEDA via wire transfer or ACH • Conventional and FHA Advantage ○ Easy Close DPA and the related first mortgage will be funded at the same time
Assumable	No

August 6, 2020 Easy Close DPA Matrix Page 1 of 1

HOME BUYER EDUCATION REQUIREMENT

Pre-Purchase Home Buyer Education (HBE) is required for:

- First Time Home Buyer(s) (a person who has not had ownership interest in a principal residence in the last 3 years)
  - One borrower when all borrowers are FTHB's
- Borrowers relying solely on non-traditional credit to qualify.
  - All borrowers must complete the education

Landlord Education

- Required when purchasing a 2-unit property.
- Required for all borrowers.

*Any cost associated with any required education must be included in all disclosures.

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TOTAL HOUSING COMPLIANCE INCOME

Borrowers must meet WHEDA FTHB Income and Purchase Price Limits.

Definition: Anticipated income from all household occupants, age 18 or older or minors receiving any unearned income.

- Household occupant-All individuals who intend to occupy the property as their primary residence, regardless of relationship to the borrower(s) or whether they are on the loan or not.

See WHEDA Way Home Pilot Eligibility Matrix for a list of required income documentation.

Resources:

- Compliance Income Training-on demand training
- Compliance Income Worksheet
- Compliance Income Evalutation (Form 29)

WHEDA

LOAN PROCESS

MINI CORRESPONDENT DELIVERY CHANNEL

- WHEDA is the underwriter and issues clear to close.
- Lender funds both the 1^{st} mortgage and DPA. (if applicable)
- Utilize WHEDA Sponsored DO to run findings.
- WHEDA purchases loan post-closing.
- See WHEDA's Policy and Procedures Manual Section 7.00 for additional guidance.
- Lender compensation is based on Mini Correspondent pricing with ability to:
    - Charge up to 2% Origination Fee
    - Max 5% overall fees

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ORIGINATION PROCESS

WHEDA Lender Toolkit

1. Review WHEDA Form 2 (Borrower Affidavit) with the borrower(s) at the time of application to determine # of household occupants and all income.
2. Review the WHEDA Way Home product matrix to ensure that the loan scenario meets all WHEDA requirements and overlays.
3. Calculate compliance income and review WHEDA FTHB Compliance Income and Purchase Price Limits to verify that the household income and purchase price are within the limits.
4. WHEDA Way Home interest rate will be posted on the Mini Correspondent Daily Rate Sheet.

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ORIGINATION PROCESS (CONT.)

WHEDA Lender Toolkit

6. Enter the loan in your AUS utilizing WHEDA Sponsored DO.
   - The findings MUST reflect HFA Preferred.
   - Findings reflecting refer/caution must be outside acceptable manual underwrite guidelines.
   - Findings reflecting approve/ineligible must be outside acceptable manual underwriting guidelines.

7. Utilize the Register and Lock Your Loan Job Aid to get the loan registered and/or locked in WHEDA Connect
   - The "expected AUS response" section must indicate "refer with caution" or "approve ineligible".

8. Issue the appropriate disclosures according to TRID for both 1st mortgage and Easy Close. (if applicable)

9. Begin to structure your file and gather required documentation. Complete all WHEDA required Forms.

10. Utilizing the WHEDA Way Home Checklist . Include any additional documentation that may be applicable to tell the "loan story".

11. Follow your internal loan process for any additional steps or processes set by your organization.

WHEDA

LOAN SUBMISSION PROCESS

WHEDA Lender Toolkit

1. Title, Appraisal and HOI should not be ordered until WHEDA has issued the loan scenario approval.
2. To submit a loan for underwriting, Lender must upload a complete Application Package in WHEDA Connect, using the WHEDA Way Home Checklist WHEDA will underwrite the loan file and render one of the following decisions:
   1. **Approved** – The Approval Certificate will specify any conditions and documentation required for final loan approval.
   2. **Suspended** – Lender will receive a Suspense Notice detailing the items necessary to decision the application.
   3. **Denied** – If the application does not meet underwriting or regulatory compliance requirements, Lender will be notified, and a Notice of Adverse Action will be mailed to the borrower and Lender.
3. Once the loan has received a “approval” from the WHEDA underwriter, you will begin to prepare the remainder of the file. Order appraisal, title and secure HOI.
4. The underwriter will review the title, HOI and appraisal prior to issuing the “clear to close”.

PREPARE THE LOAN FOR CLOSING

WHEDA Lender Toolkit

1. **Cash Back-** borrowers can only receive cash back in the amount they can prove they paid outside of closing (POC).
    1. WHEDA strongly encourages lenders to consider the following alternatives to principal reductions:
        1. Reducing the loan amount of any existing secondary financing, such as the Easy Close, or
        2. Reducing the loan amount of the first mortgage
    2. All principal reductions noted on the final Closing Disclosure will be netted from funding
    3. If purchasing a 2-4 unit, ensure the minimum contribution is met first.

2. **Escrows- escrows are required for all WHEDA loans regardless of LTV.**

    ONE MONTH CUSHION IS REQUIRED FOR:

    1. Property Taxes
    2. Homeowners Insurance- in WHEDA's name
    3. Flood Insurance (if applicable)-transferred to WHEDA

3. For additional guidance on closing a WHEDA loan, see section 9.00 of the WHEDA Policy and Procedures Manual

CLOSING PROCESS

WHEDA Lender Toolkit

1. Close first mortgage and the WHEDA DPA (if applicable) before the rate lock expiration date .

2. Hazard insurance is required on all loans. Please review HOI coverage requirements in Section 9.07 of the Policy and Procedures Manual
   1. Provide receipt for first year premium. Lender must notify the hazard insurer of the WHEDA Loan No. and instruct the insurer to send annual renewal premium notices to WHEDA
3. Execute all closing documents as listed on the WHEDA Way Home Checklist
4. Upload all required documentation (per checklist) through the file in WHEDA-Connect. Follow the Uploading Documents in the Mini Correspondent Channel job aid.

WHEDA Lender Toolkit

FUNDING PROCESS

1. Overnight the original Note.

2. Complete **Funding Request Form 7** and submit within 10 calendar days of closing with the closing package required documents and the checklist.

3. For the loan to be deemed complete, the Final Package must include two separate uploads into WHEDA Connect, including:
   1. **Closing Documents Package** – This package will include all documents listed on the WHEDA Way Home Checklist except the recorded Mortgage, recorded Assignment and Final Title Policy
   2. **Trailing Documents Package** –This includes the recorded Mortgage, recorded Assignment, and Final Title Policy. A recorded Mortgage and recorded Assignment should also be included for the WHEDA DPA loan, if applicable.

4. After the loan has been approved for purchase, WHEDA will send a Purchase Advice Notice to the individuals listed on the **Funding Request Form (Form 7)**. It can also be found within the E-Docs section of WHEDA Connect.
5. For additional post closing guidance please see Section 10.00 of the WHEDA Policy and Procedures Manual

WHEDA

WHEDA-CONNECT

WHEDA CONNECT HELPFUL TIPS

WHEDA Connect

- Import your findings into WHEDA Connect according to the job aid and fill in the remaining items to ensure you get accurate pricing. (We do not recommend manually entering the loan into WC)
- Indicating the “refer with caution” or “approve/ineligible” should trigger the pricing to pull up this product.
- Once a loan is locked, you will be in a “read only” status and cannot change loan details. You will only be able to upload. If you need changes made to the file in WHEDA Connect after lock, email lockdesk@wheda.com with the detailed information and include the WHEDA loan number, name and/or address.
- When uploading documents:
  - We **strongly suggest** making a shipping template that matches the WHEDA Way Home Checklist to ensure only the documents necessary are submitted.
  - **Sending more than the required documents could result in file delay or rejection of upload.**
  - Remember to RESOLVE THE TASK when you upload documents. If you do not, we cannot access the file.
- BE PATIENT! It will take a few mins for the documents to register as uploaded. Please do not hit upload multiple times.
- All uploaded documents and any documents provided by WHEDA will be located in the “E-docs” section of WHEDA Connect.

WHEDA

RATE LOCK INFORMATION

- Rate lock window is 8:30am CST to 5:30pm CST Monday-Friday
- Rate locks are for 45 days. Loan must be closed by 5:30 on lock expiration date.
- Lenders may request a rate lock extension up to 30 days. The cost to extend is 0.02% of the loan amount per day.
- Lender must notify the WHEDA lock desk of any lock cancellations. Locks can be reinstated with no penalty within 48 hours of cancellation, given the rate lock has not expired. After 48 hours, reinstated locks are subject to the rate lock policy.
- All rate lock information can be found in the WHEDA Policies and Procedures manual in sections 3.00-4.05

WHEDA

FINAL THOUGHTS

Know where to find your resources:

- This presentation contains links to all the resources discussed throughout.
- The overall goal is to provide the opportunity of homeownership for those who can prove they are ready to be successful homeowners.
- The most important documents/resources for guidance in all areas of the loan process are:
  - Lender Toolkit
  - WHEDA Way Home Product Matrix
  - WHEDA Way Home Underwriting Guide
  - WHEDA Way Home Documentation Checklist
  - Easy Close DPA Product Matrix
  - Compliance Income and Purchase Price Limits
  - Policy and Procedures Manual
  - WHEDA Way Home Flyer English
  - WHEDA Way Home Flyer Spanish

WHEDA

Questions?