Underwriting Best Practices

A Comprehensive Guide by The Housing Assistant

THA
The Housing Assistant
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Purpose

This guide provides best practices for mortgage underwriters to ensure consistent, compliant, and efficient underwriting decisions. Use this as a reference to avoid over conditioning, mitigate risk, and maintain investor confidence throughout the loan lifecycle.

THA Underwriting Best Practices

- Read the Full File First: Don’t condition from the 1003 alone. Cross-check all documentation before issuing findings.

- Condition with Purpose: Only request documents necessary to satisfy guideline requirements. Don’t turn a conditional approval into a scavenger hunt.

- Use AUS as a Tool, Not Gospel: DU and LP findings are a starting point, not an end-all. Layer investor and program overlays responsibly.

- Apply the '3 Cs': Capacity, Credit, and Collateral should always be evaluated holistically. One strong pillar can sometimes carry the others.

- Income Calculations Must Be Repeatable: If someone else can’t re-calculate your income and get the same number, you didn’t document it properly.

- Document Your Thought Process: Leave a paper trail. Include income calc worksheets, explanations for exceptions, and condition logic.

- Avoid Copy-Paste Underwriting: Every borrower’s file tells a different story. Templates help, but they’re not gospel.

- Balance Speed with Accuracy: Turn times matter, but so does quality. A fast denial with no explanation helps no one.

- Spot Red Flags Early: Gaps in employment, sudden deposits, or “new job, same industry” claims? Ask early, document thoroughly.

- Communicate Clearly: If you issue a condition, make it actionable. 'Need updated VOE' is better than 'Need better employment stuff.'

Real-World Example: Avoiding Over conditioning

Let’s say a borrower earns W-2 income and you already have 30 days of paystubs and a YTD earnings match. There’s no need to ask for tax returns unless AUS or program guidelines require them. Over conditioning not only delays the file but creates a poor borrower experience, and that’s how you end up in a 'why is this still in processing?' meeting.