The maximum purchase price/property value for single-family housing assisted with the HOME DPA program is $177,000 for existing housing and $233,000 for new construction. This is to ensure that HOME DPA assisted housing is modest and non-luxury according to program guidelines.

As part of the City of Lakewood’s affordable homeownership program, the City is offering Down Payment Assistance (DPA) using HOME Investment Partnership Act (HOME) funds to potential homebuyers for homes located in the City of Lakewood. The DPA program assists potential homebuyers who can afford a monthly housing payment but need assistance with down payment and closing costs.

HOME funds were made available to the Tacoma and Lakewood HOME Consortium from HUD. The City of Tacoma serves as the lead entity of the HOME Consortium and serves as the fiscal agent for the Consortium. The Tacoma Community Redevelopment Authority (TCRA) serves as the lending agent for Lakewood and Tacoma HOME loans.

**General Program Requirements**
- Loans up to $10,000 are available. A second mortgage lien is recorded on the property.
- This program is for low-income homebuyers with demonstrated need.
- The homebuyer must make a minimum $1,000 investment, which can come from a gift.
- The loan term is 20 years at 0% interest with payments as low as $25 per month, depending on income.
- The borrower does not have to be a first time homebuyer, but must complete a Certified Homebuyer Education Class through instructors certified by the Washington State Housing Finance Commission; or equivalent program pre-approved by City of Lakewood.
- All borrowers must be U.S. citizens or documented Lawful Permanent Resident Aliens.

**Income Requirements**
- Income must not exceed 80% of Pierce County median income for the household. The taxable income of all household members is considered, whether or not they are on the loan or taking title to the property.
- Income to qualify is based on the greater of an analysis of year-to-date income, forecast out for the next 12 months OR current hourly/monthly salary, forecast out for the next 12 months.
- Household income should be evaluated to ensure not only ability to repay the monthly Principal, Interest, Taxes and Insurance but also enough residual income to cover other normal monthly household expenses such as food, utilities and an emergency fund for household repairs.

**Underwriting Requirements**
- Debt-to-income ratios may not exceed 35% mortgage payment to income ratio or 50% mortgage payment plus all other monthly debts to income ratio. An exception may be made if meaningful compensating factors are present. “Good credit” is not a compensating factor.
- No first mortgage loan with “risky features” such as excess upfront points and fees; no interest-only loans; no negative amortization loans; no loans with term over 30 years; no balloon payment loans except under certain circumstances as defined by Consumer Financial Protection Bureau.
- Chapter 7 bankruptcy with 2 years since discharge OK if satisfactory credit has been re-established with no new derogatory credit for a minimum of 12 months.
• Chapter 13 bankruptcy with 2 years since Wage Earner Plan implemented OK if 1 year of payments has been made on time and borrower has written permission from bankruptcy court for new mortgage transaction.
• No foreclosure, deed-in-lieu of foreclosure, or short sale of property that was in default at time of the short sale within the past 2 years.
• The loan is due and payable upon sale, refinance, or transfer of ownership.
• The loan may be subordinated to another lien(s) provided the City is not in a lesser lien position than it was prior to the subordination; the loan(s) the City is being asked to subordinate to meet all City underwriting requirements listed above; the terms of the refinance are “reasonable” (i.e. better interest rate or terms); and the borrower is not taking equity out of the residence being refinanced.

Property Requirements
- The maximum purchase price/property value for single-family housing is $177,000 for existing housing and $233,000 for new construction.
- Property cannot currently be occupied by a renter. Must be vacant or owner-occupied.
- The property must be zoned single family residential, mixed residential, multi-family high density, Neighborhood Business District, Central Business District or Air Corridor.
- The property can be a single family residence or a condominium.
- The property must meet all state and local housing quality standards, including International Residential Code and International Existing Building Code of the ICC. Inspections to be completed no earlier than 90 days before commitment of HOME funds.
- The property must pass a Uniform Physical Conditions Standards (UPCS) inspection conducted by the City of Lakewood, to verify that the home is free from all code deficiencies. No deteriorated paint can be present on the exterior or interior of the home. If the home was built before 1978 and any deteriorated paint is present, then lead-based paint testing, stabilization and clearance testing according to government standards will be required.
- All bedrooms must have a smoke detector in each bedroom, AND a smoke detector in the hallway, to meet HOME guidelines.

For Rehab/DPA combination
- The “after-rehabilitation” value for single family housing is $177,000 if doing rehabilitation work as part of a Down Payment Assistance purchase project.
- Major Systems (structural support, roofing, siding, windows, doors, gutters, plumbing, electrical, heating and HVAC) must have a useful life of at least 5 years.
- Property must comply with State of Washington Disaster Mitigation Standards.
- Property must meet the International Existing Building Code of the ICC.
- Property must meet the International Residential Code and Uniform Physical Conditions Standard (UPCS); subject to UPCS inspection by City of Lakewood.
- Property must meet all applicable state and local codes.

### INCOME GUIDELINES (eff. April, 2014)

<table>
<thead>
<tr>
<th>Family Size</th>
<th>Maximum Annual Gross Income = 80% of Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$37,550</td>
</tr>
<tr>
<td>2</td>
<td>$42,900</td>
</tr>
<tr>
<td>3</td>
<td>$48,250</td>
</tr>
<tr>
<td>4</td>
<td>$53,600</td>
</tr>
<tr>
<td>5</td>
<td>$57,900</td>
</tr>
<tr>
<td>6</td>
<td>$62,200</td>
</tr>
<tr>
<td>7</td>
<td>$66,500</td>
</tr>
<tr>
<td>8</td>
<td>$70,800</td>
</tr>
</tbody>
</table>
No separate application is required. The lender will submit a **complete** copy of their loan package to the City of Lakewood after the purchase loan has been approved, identifying the amount of down payment assistance requested. **Please note that fax submissions will not be accepted.** Upon satisfactory review of this information by the City of Lakewood, loan documents will be sent to escrow for closing. This will take approximately seven to ten (7 to 10) working days. Funds to close will be wired to escrow by the City of Lakewood. If the lender submits a copy of the loan packet to the City of Lakewood as soon as the lender approves the loan, this will help to expedite the process.

For additional information, please call the City of Lakewood Program Coordinator at (253) 983-7754.
HOME Down Payment Assistance Procedures for Lenders

There is no special application prepared by the borrower; however, the lender will need to fill out the Down Payment Assistance Reservation Loan Application (See Attached) for our files. After the applicant has been pre-approved or your underwriter has approved a purchase loan, submit copies of the following documents.

- Evidence of actual loan approval (not just Desktop Underwriter approval) from lender providing first mortgage financing: loan approval to confirm loan type, loan amount, interest rate and term of loan.
- Certificate of completion of Washington State Housing Finance Commission homebuyer education for ALL borrowers (or equivalent education program pre-approved by City).
- Initial 1003 signed by borrower as well as fully completed typed 1003: Uniform Residential Loan Application with government monitoring completed (marital status and vesting as well as ethnicity and race required to be provided).
- Credit Report and any explanation of derogatory credit.
- Verification of employment and income for ALL adults who will occupy the home. Income verification must provide year-to-date or most recent 3 months’ earnings for wage earners. “Award letter” required for Social Security, pension, retirement, disability type of earnings.
- Verification of funds to close, including gift letter, if applicable.
- Good faith estimate of funds needed to close.
- Purchase and Sales Agreement including all addenda.
- Appraisal and pictures of subject property (copy is acceptable).
- Preliminary Title Report.
- Name, address, phone # and email address of escrow closer.
- Wiring instructions from Escrow Company.

The areas specifically reviewed are:

- Is the property a single-family home within Lakewood city limits?
- Is the property zoned single-family residential, mixed residential, multi-family high density, neighborhood business district, central business district or Air Corridor?
- Is the household income within HUD guidelines up to 80% of the median income?
- Has ALL taxable income of ALL household members been considered, even if it is not “seasoned” for 2 years? Under HOME program guidelines we consider income as a snapshot in time and forecast it out for the next 12 months.
- Has the borrower met the minimum participation requirement of $1,000.00 (gift funds OK).
- Have all borrowers taken a WSHFC certified homebuyer education class?
- Verify that a renter does not occupy the home. The buyer must be able to occupy the home at the time of closing.
- Does the home meet Uniform Physical Conditions Standards? There must be no code deficiencies and no deteriorated paint on the interior or exterior of the home and all bedrooms must have a smoke detector and a smoke detector in the hallway outside the bedrooms.

Upon approval, a letter of commitment is forwarded to you. This commitment letter is usually prepared within five to seven (5 - 7) business days of receipt of your complete application. After all conditions are met, the closing date is confirmed, the loan documents are prepared and forwarded to escrow for simultaneous closing with the first mortgage.
Administrative Body:

Although the City of Tacoma is the lead entity and the City of Lakewood is the administrative body for the loans, the City of Tacoma’s Tacoma Community Redevelopment Agency (TCRA) HOME Consortium acts as the lending agent.

Program Intent:

The intent of the program is to assist individuals who would not otherwise be able to become homeowners. Although it is not expected that all savings of the borrower be depleted, the City’s assistance must be kept at the minimum amount necessary to aid with the purchase. Additionally the borrower should not own other residential property.

Property Types:

- Single Family Residence
- Condominium
- Townhouse

Income Documentation for Down Payment Assistance:

- VOE, or 1 month current paystub(s) showing year-to-date income and 2 years’ W-2s; previous 2 years’ tax returns showing no homeownership.
- Alimony or spousal support, etc.: complete copy of divorce decree including Petition, Findings of Fact, and Final Decree;
- All income received by the borrower including; SSI, SSD, retirement income: copy of a current "award letter".
- Note that the income of all members of the household will be counted. Even if a married person is taking title “as his/her separate estate”, if the spouse will be residing in the home, we have to verify and count their income.
- If any adult (over age 18) residing in the home claims to have no income, they must complete a Certification of Zero Income. Please request this form if needed.
Program Contribution:

The borrower contribution $1,000.00 refers to down payment only. The City can provide up to 100% of the closing costs (not prepaids), provided the maximum down Payment Assistance of $10,000 is not exceeded and the borrower truly needs the funds. Gift funds are acceptable to meet the required borrower contribution.

Closing Documents:

The borrowers will sign a Promissory Note and a “Second” Deed of Trust at closing. The Second Deed of Trust states it is subordinate to the simultaneously recorded First Deed of Trust. In addition, there is a due on sale or transfer clause, which includes refinance, sale or lease of the property.

Homebuyer Classes:

The City does not offer homebuyers’ classes but can provide information on classes available in the community. The class must be a certified class approved by FHA and Washington State Housing Finance Commission or equivalent program pre-approved by the City of Lakewood. Certified Homebuyer classes are offered by realtors, lenders, public agencies and non-profit organizations. See www.wshfc.org for class schedules.

Other Items of Note:

The City understands there may be a difference in the amount of funds requested and those actually required based upon a change in closing date and estimation of costs. The City is able to make the necessary adjustments up to the $10,000 available. Please advise the City of any changes in closing date and funds needed. Cash back to the borrower is not permitted. Should there be a reduction; escrow may submit any overage to be applied as a principal reduction or submit a refund to the City of Lakewood.
City Of Lakewood (HOME Program)
Down Payment Assistance Reservation Loan Application

Date: _______________________

City of Lakewood
Community Development Dept. / CDBG-HOME
6000 Main Street SW
Lakewood, WA. 98499-5027

_________________________________  __________________________________________
Borrower Name                                      Co-Borrower Name

Property Address

Loan Amount Including MI if applicable  $____________________________

Loan Terms:
*0 Interest Rate ___________ Term of Loan _______
*1 Fixed Rate ___________    ARM ___________
*2 Other ___________

First Time Homebuyer: ___Yes (Not owned a home in last two years) ____No

Funds needed from the Down Payment Assistance Program (Maximum is $10,000)

*Down Payment $________ (Sales price minus base loan amount)
*Closing Costs $+________
*Discount Points $+________
*Less Seller Contributions $-________
*Less Buyer Contribution $-________ ($1,000 minimum)
*Down Payment $=________ (Maximum $10,000 DPA allowed)

Assistance Requested

The above figures are computed based on an anticipated closing date of _________.
Should an adjustment need to be made, we will forward this information to you. Escrow agency for this transaction will be: ____________________________________.

*Borrower must contribute at least $1,000.00 (can come from gift).

Signature: _________________________________________
Name: ____________________________________________
Title: ____________________________________________

Note: This letter is to be prepared on your letterhead. Please make sure your address, telephone and fax numbers are included and that the letter is signed.
SPECIAL NOTICE
REALTORS, SELLERS, LENDERS AND BORROWERS

When an existing rental is being purchased for owner occupancy using Down Payment Assistance funds, it is imperative that the tenant vacates the home prior to closing. This means the seller must legally evict the tenant, giving proper notice and helping to facilitate the relocation.

*Down Payments funds will not be loaned on any home occupied by a renter at the time of closing. A requirement of the Down Payment Assistance program is that the borrower be able to occupy the home immediately after closing.*
Dear SELLER:

I am interested in acquiring property you own at SUBJECTPROPERTYADDRESS for a proposed project which may receive funding assistance from the U.S. Department of Housing and Urban Development (HUD).

I do not have the authority to acquire your property by eminent domain. In the event that I cannot reach an amicable agreement for the purchase of your property, I will not pursue this proposed acquisition.

I am prepared to offer you OFFERAMOUNT to purchase your property. I believe this amount represents the current market value of your property. Please contact me or the selling Realtor at your convenience if you are interested in selling your property.

In accordance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA), owner-occupants who move as a result of a voluntary acquisition are not eligible for relocation assistance. Tenant-occupants displaced as a result of a voluntary acquisition may be entitled to URA relocation assistance and must be so informed.

If you have questions about this notice or the proposed project, please contact me at PHONE or the selling Realtor at PHONE.

Sincerely,

BORROWERNAME
LENDERS: If a borrower will be applying for a Down Payment Assistance Loan from the City of Lakewood through the Tacoma Community Redevelopment Authority (TCRA) to help pay their down payment and closing cost, please complete this form and fax to the housing specialist immediately. Providing this information early in the process will expedite the request for Down Payment Assistance money when it comes time to close the transaction.

ATTENTION: Program Coordinator

The borrower is requesting a home purchase loan to buy a house that is currently occupied by the:

Owner ________ Tenant ________ Vacant ________ Please Specify

Current Owner: _______________________________________________________

Address: ____________________________ City/State/Zip_____________________

Home Telephone ______________________ Work Telephone: ________________

If the house is occupied or been occupied in the last 90 days by a tenant, please provide the following:

Tenant(s) Name: _________________________________________________________

Address: _____________________________ City/State/Zip_______________________

Home Telephone: ________________ Work Telephone: ___________________

Have the tenants been notified of the pending sale: _____ Yes _____ No

Date of Notification: ___________________________

Tenants expected move date: ______________________

From: _____________________________ Phone: ___________________________
City of Lakewood
Income Determination Policy

The City of Lakewood receives Community Development Block Grant (CDBG) and HOME Investment Partnership (HOME) funds that are utilized for furthering business, economic and housing opportunities for low-moderate income residents. This policy defines how income will be determined for each person or family upon application for assistance. Additional information may be found in the regulations for CDBG and HOME.

The purpose of this policy is to ensure that applicants are treated equitably in determining whether or not applicants for CDBG and/or HOME funds meet the definition of low income.

Annual household income is defined for all programs as the gross amount of income anticipated by all adults (age 18 and over) in a household during the 12 months following the effective date of the determination of eligibility.

The U.S. Department of Housing and Urban Development (HUD) annually publishes median income based on household size. A person, family or household is considered to be low income if they fall at or below 80% of the published median income for their household size.

Household Income Documentation

For Housing Rehabilitation, Major Repair and Minor Repair programs, obtain income documents from the applicant; for Down Payment Assistance, obtain income documents from mortgage lender submitting the loan. Households must qualify as low income at the time of occupancy or at the time Federal funds are invested, whichever is later. Documents which will verify income eligibility for these programs include:

- **Social Security/Disability/Pension/Retirement Income:** current “award letter” showing amount of monthly income; or current bank statements showing identified automatic deposits; or most recent 1099/W-2P showing yearly income; or all pages of most recent 2 years’ income tax returns, including all schedules and attachments.

- **Wage Income:** last 2 years’ W-2s and most recent 3 paycheck stubs; or Verification of Employment completed by employer.

- **Self-employment/Rental Income:** all pages of most recent 2 years’ income tax returns, including all schedules and attachments.

Past income shown on tax returns is no guarantee of anticipated future income, nor is past income on paystubs and W-2s a guarantee of anticipated future income. However, analysis of previous years’ tax returns, or paystubs and W-2s, can show whether a stable and reliable flow of income exists for the household. Review of tax returns is the only method of determining income for self-employed applicants. If tax returns are used as the source of documentation of income, IRS Form 4506 “Request for Copy of Tax Form” must be completed and signed by the applicants.

Unless otherwise noted above, staff may verify and document income eligibility by:
(1) Obtaining evidence that the household/person assisted qualified under another program having income qualification criteria at least as restrictive as that used in the City’s definitions; or

(2) Obtaining evidence that the assisted person or household is homeless; or

(3) Obtaining a verifiable certification from the assisted person that his/her family income does not exceed the applicable income limit. A copy of the prior year’s federal tax return will not be considered sufficient evidence, as it documents prior income, not anticipated income; or

(4) Obtain a referral from a state, county or local employment agency or other entity that agrees to refer individuals it determines to be low-moderate income persons based on HUD’s criteria, and agrees to maintain documentation supporting these determinations; or

(5) Obtain evidence from third-party contacts (e.g., employer, social security administration, public assistance agency or banks) through written or oral requests. A memorandum to file that notes the contact person, information conveyed and the date of call must document all oral conversations.

Prior to conducting third-party verification, the City will obtain a written release from the household that authorizes the third party to release required information. If the third party charges a fee to provide the information, that fee is considered an eligible expense under Federal programs. However, the costs must be incurred by the City, and **not** passed through to the low-income beneficiary.

(6) Obtain documents provided by the applicant (e.g., pay stubs, tax returns, bank statements, etc.). Note that if a copy of a tax return is needed, IRS Form 4506 “Request for Copy of Tax Form” must be completed and signed.

(7) For recertification of tenant incomes, any one of the following methods may be utilized:

a) Review of income documents;
b) Statement and certification from the family indicating family size and annual income;
c) Statement from another government program

At a minimum, the City requires its borrowers to recertify their tenants through a review of their income documents every sixth year of the loan.

**Date of Documents**

Verification of income or assets dated no earlier than six months prior to determination of eligibility are acceptable. A drive-by or full appraisal that is not more than six months old as of the date of determination of eligibility is acceptable.
**Household Income Determination**

For Housing Rehabilitation, Major Repair, Minor Repair, Down Payment Assistance and business and economic development programs, annual household income will be calculated based on adjusted gross income as defined for purposes of reporting under Internal Revenue Service (IRS) Form 1040 for individual Federal annual income tax purposes. **However, the household may not have any other means of financing proposed repairs or a home purchase, or have any other assets, including non-taxable income, that could be used for proposed repairs or for a home purchase.**

<table>
<thead>
<tr>
<th>Included in Income</th>
<th>Excluded from Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Wages, salaries, tips, etc.</td>
<td>1. Child support received</td>
</tr>
<tr>
<td>2. Taxable interest or dividends</td>
<td>2. Money or property that was inherited, willed or given as a gift</td>
</tr>
<tr>
<td>3. Taxable refunds, credits or offsets of State and local income taxes (refer to Form 1040 for exceptions)</td>
<td>3. Life insurance proceeds received as a result of someone’s death</td>
</tr>
<tr>
<td>4. Alimony or separate maintenance payments received</td>
<td>4. Housing allowance for member of clergy, that is less than or equal to monthly housing expense</td>
</tr>
<tr>
<td>5. Amount of housing allowance for member of clergy, that exceeds amount of monthly housing expense</td>
<td>5. Worker’s compensation for an occupational sickness or injury</td>
</tr>
<tr>
<td>7. Capital gain or loss</td>
<td>7. Moving expense reimbursement</td>
</tr>
<tr>
<td>8. Other gains or losses (i.e. assets used in a trade or business that were sold or exchanged)</td>
<td>8. Certain foster care payments or difficulty-of-care-payments for qualified foster individuals (see IRS guidelines)</td>
</tr>
<tr>
<td>9. Taxable amount of individual retirement account (IRA) distributions</td>
<td>9. All or part of gain from sale or exchange of personal residence (see IRS Publ. 523)</td>
</tr>
<tr>
<td>10. Taxable amount of pension and annuity payments</td>
<td>10. Qualified scholarship or fellowship funds used for tuition, fees, books, supplies and required equipment</td>
</tr>
<tr>
<td>11. Income or loss from rental real estate, royalties, partnerships, S Corporations, trusts, etc.</td>
<td></td>
</tr>
<tr>
<td>12. Farm income or loss</td>
<td></td>
</tr>
<tr>
<td>13. Unemployment compensation benefits</td>
<td></td>
</tr>
<tr>
<td>14. Taxable amount of Social Security benefits</td>
<td></td>
</tr>
<tr>
<td>15. Other income, including prizes and awards, lottery or raffle winnings, jury duty fees, Alaska Permanent Fund dividends, reimbursement for amounts deducted in previous years; income from an activity not engaged in for profit (i.e., hobby income)</td>
<td></td>
</tr>
</tbody>
</table>
Analysis of Income

Social Security/Disability/Pension/Retirement Income: Only a portion of Social Security or Disability income may be taxable, depending on individual circumstances. It is recommended to obtain tax returns to verify the taxable portion. Refer to IRS Publication 525 Taxable and Nontaxable Income, or IRS Publication 17, for instructions on calculating the taxable portion of such income.

Pension and Retirement Income: Generally, this income is fully taxable.

Wage Income: A Verification of Employment form is most useful, and will provide current rate of pay, method of payment (monthly, bi-weekly, semi-monthly, weekly, etc.), whether overtime and/or bonus pay will continue, as well as the number of hours worked per week if paid on an hourly basis. If the VOE form indicates that overtime and/or bonus pay will continue, that pay must be counted in determining household income.

If provided with pay stubs and W-2s to verify income, average the income based on all W-2s and year-to-date income on most recent pay stub. Then average the income based on most recent W-2 and year-to-date income on most recent pay stub. Finally, average the income based on year-to-date income on most recent pay stub. Whichever average yields the highest monthly pay is the amount that should be used to compute gross annual income for that applicant.

It may be necessary to verbally verify information with the third party (employer) in order to accurately project annual income.

Self-Employment/Rental Income: For a self-employed applicant, the adjusted gross income shown on IRS Form 1040s is the starting point to determine gross annual income for our programs. To that amount must be added any depreciation shown on Schedule C or E, as this is not a “hard” expense of self-employment (such as costs of supplies, business mileage, auto expenses, etc.).

For rental income, the net amount shown on the bottom line of Schedule E is the starting point to determine gross annual income for our programs. To that amount must be added any depreciation claimed, as again, this is not a “hard” expense of rental properties (such as taxes, insurance, maintenance, etc.).
**Income Ratio Guidelines for Down Payment Assistance**

The City of Lakewood will generally approve an application for Down Payment Assistance if:

1) the applicant has been approved by a lender for the first mortgage;
2) the applicant meets federal and local requirements of the down payment assistance requested; and
3) program funds are available.

The City of Lakewood reserves the right to deny funding for any application that does not meet specific requirements of the down payment assistance requested.

Additionally, the City of Lakewood will review the application to verify acceptable monthly mortgage payment to income ratios and total monthly debt to income ratios. For purposes of down payment assistance, the City of Lakewood will use the following formulae:

**Mortgage Payment-to-Income Ratio:** The monthly mortgage payment-to-income ratio shall not exceed 35% as determined by dividing the mortgage payment (principal, interest, taxes, and insurance) by the household’s gross monthly income as defined in this policy.

\[
\text{PITI} \leq 35% \\
\text{Household's Gross Monthly Income} \leq 35% \\
\]

**Total Debt-to-Income-Ratio:** The total debt-to-income ratio shall not exceed 50% as determined by dividing the total monthly debts (credit card payments, car payments, etc.) plus monthly mortgage payment (principal, interest, taxes and insurance) by the household’s gross monthly income as defined in this policy.

\[
\text{Total Monthly Debts Plus PITI} \leq 50% \\
\text{Household's Gross Monthly Income} \leq 50% \\
\]

Exceptions may be considered on a case-by-case basis. Meaningful compensating factors must be present to consider an exception. Such compensating factors could include: low loan-to-value; or a documented history of the borrower having satisfactorily paid a similar portion of household income towards housing and other debts for at least 12 months (little or no “payment shock”). “Good credit” is not a compensating factor.