

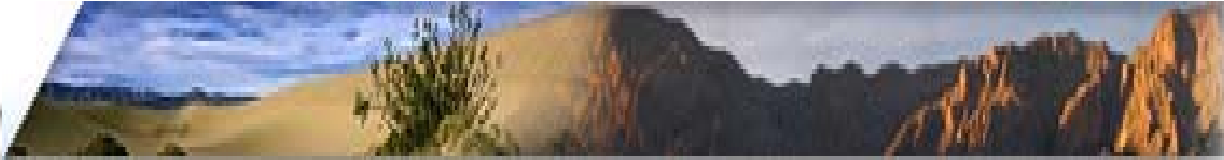
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2005 SINGLE FAMILY MRB PROGRAM

Lender Training

**Workbook answers are bolded in red
in this presentation**

Rev 10-07-05



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What We'll Cover --

The Timetable

The Products

Rates and Points

To Qualify for the First Mortgage

First-Time Buyer, Income, Sales Price

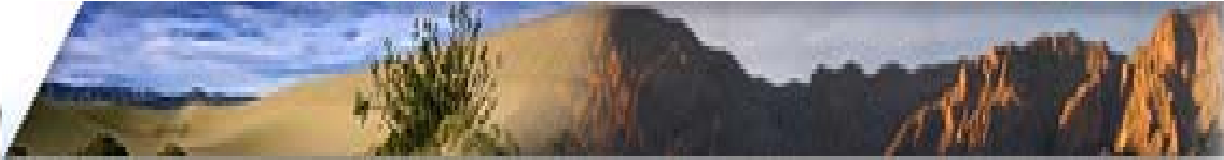
The Process

Fees

Internet Reservation System

Recapture

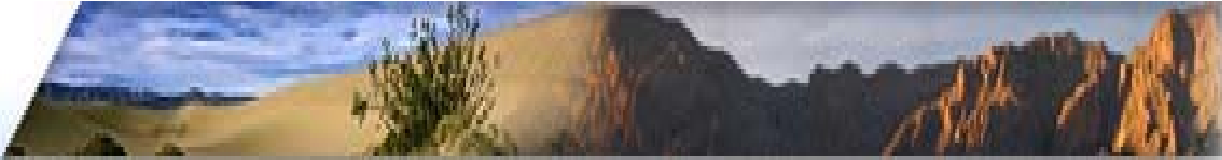
The Website



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THE TIMETABLE

Lenders must follow standard internal lock-in procedures



Timetable:

Reservation to Underwriter Certification

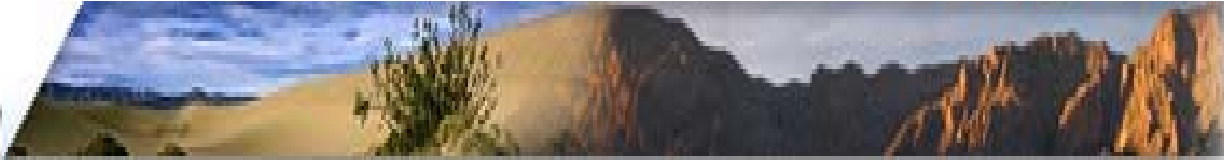
= **45 days**

Loans not meeting the timetable **will be canceled** automatically.

Reservation to Exceptions Cleared, Loans Purchased

= **Commitment Lot Final Purchase Date**

Lenders may not automatically replace a canceled loan with another loan as there may be a waiting list. Lenders are responsible for canceling loans as soon as it's determined a borrower does not qualify.



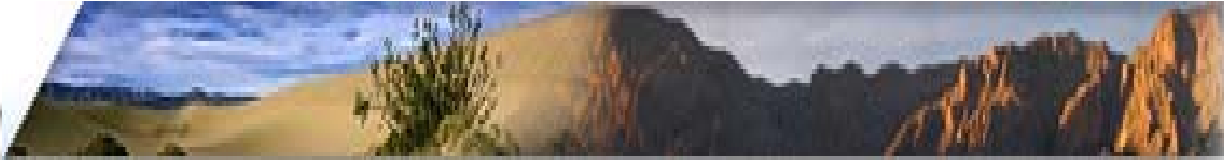
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THE PRODUCT

Reservations are made from a **pool** of funds and are available first-come, first-served. Portions of the program referred to as "Commitment Lots" are periodically priced. Notice of the Commitments Lots indicate rate and final purchase date.

Check online 24/7 for available funds.

Lenders originate loans and sell them into the program through the IDA's designated Servicer U S Bank Home Mortgage.



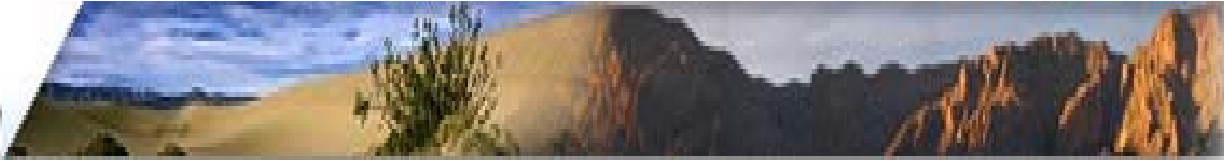
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Rates, Origination and Discount

**First Mortgage Loan Rates = Determined by
Commitment Lot**

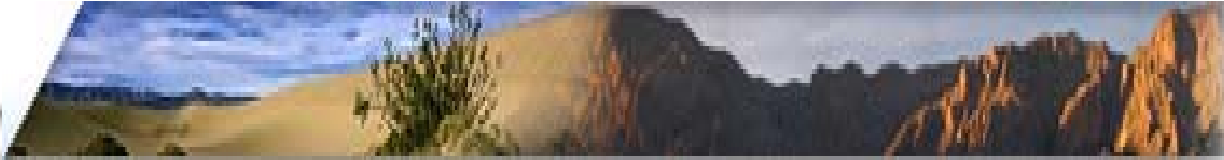
Origination = 1.00%

Discount = 1.00%



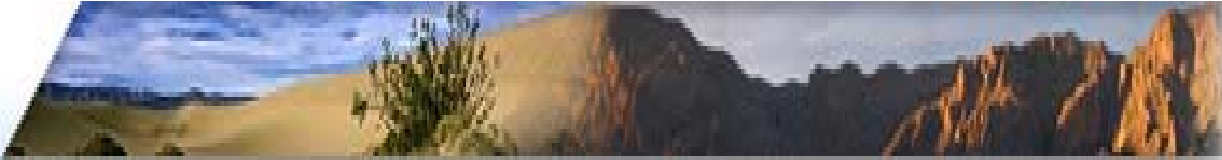
DOWN PAYMENT AND CLOSING COST ASSISTANCE

1. It's an automatic feature of the first mortgage loan
2. It's **5.00%** of the full loan amount (i.e. FHA loan that means the MIP is included in the full loan amount)
3. It's **not** repayable under any circumstances
4. **No** additional paper work
5. Reserve the first mortgage loan in our system and the assistance is automatically reserved



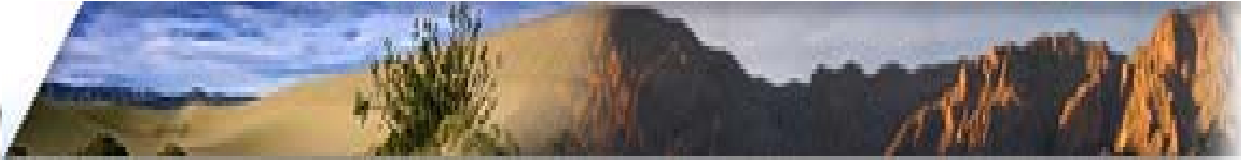
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TO QUALIFY
for the first mortgage --



Federal Law

1. First-time homebuyer
2. Income Limits
3. Sales Price Limits
4. Occupy within 60 days of closing



A first-time homebuyer is someone who hasn't owned their **principal** residence in the three years preceding the closing of the first mortgage loan.

Borrowers and spouses must qualify as first-time buyers.

FAQ

Are cosigners allowed?

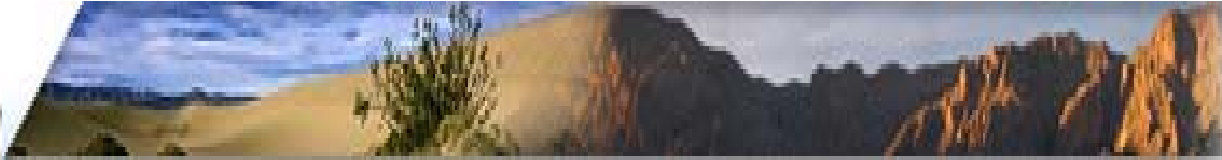
Cosigners **are** allowable in an **FHA** transaction when meeting the following conditions: (1) a cosigner cannot have any ownership interest in the property (they cannot be **on the title**) and (2) the cosigner cannot reside in the property being purchased. A cosigner's income is not considered for bond program purposes, tax returns are not required and cosigners do not sign any bond documents.

Follow FHA guidelines for credit purposes only.

FAQ

Who can be on the Title, Mortgage, Deed?

Only first-time buyers may have an ownership interest (be on the Deed, title, mortgage). No third parties may have an interest.

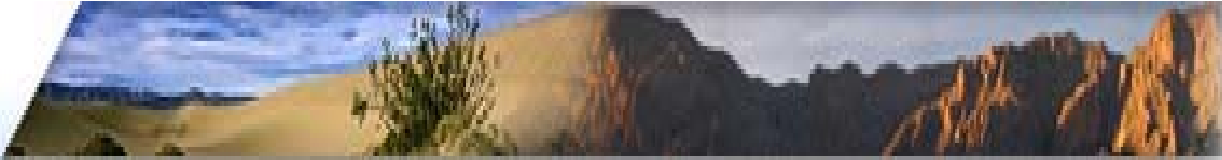


INCOME LIMITS

	1-2 Persons	3+ Persons
Non - Target	\$58,600	\$67,390
Target	\$70,150	\$70,150

FAQ What Income Must Be Included?

Include all income of all in household 18 years of age or older.



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Income for bond program purposes = current income annualized.

Borrowers **are not** required to use all available assets when using the first mortgage bond program. The amount of remaining reserves required is determined by the type of financing used (i.e. FHA, VA.).

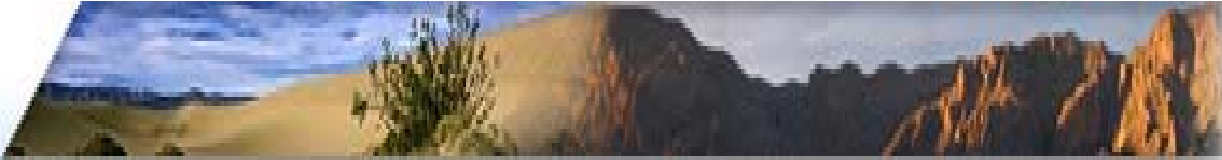
Underwriters use **Compliance Underwriting guidelines.**

FAQ

What are Non-Targeted Areas and Targeted Areas?

Targeted Areas are areas that have experienced very low loan originations. Sometimes they are economically distressed. They are deemed Targeted Areas by HUD specifically for this program and are identified by census tract number. They are very limited. They may not be the same as other city/county/state areas called Targeted for other programs.

The Non-Targeted Areas are all other areas of the county.



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Sales Price Limits

MAXIMUM ACQUISITION LIMITS

	ONE UNIT	TWO UNITS
Non-Targeted Areas		
New/Existing	\$254,250	\$286,342
Targeted Areas		
New/Existing	\$310,750	\$349,973

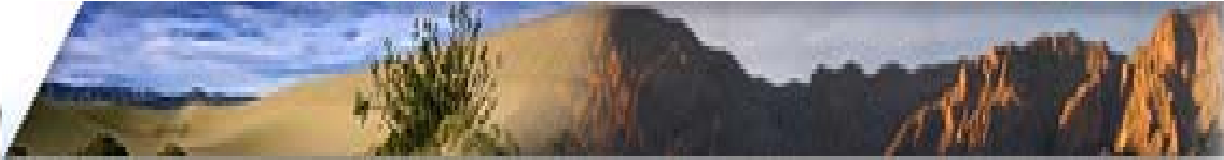
FAQs

Aren't there different limits for New and Existing Housing?

No, limits are **the same** for New and Existing.

Are buydowns permitted in this program?

Yes, temporary 2/1 buydowns of FHA loans are permitted.



Housing Types:

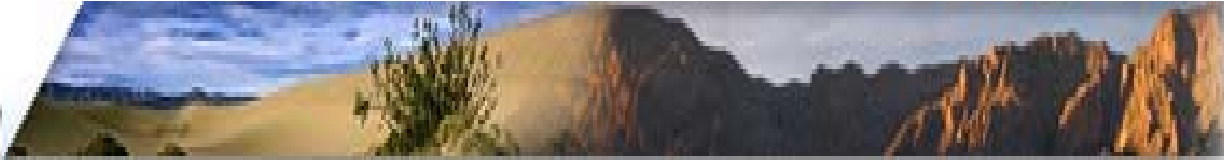
Detached, attached, rowhouse, townhouse, qualified condominium unit [including Spot approvals] that is the primary full-time residence of the borrower.

Mobile, recreational, seasonal or other types of vacation or non-permanent homes **are not** eligible under the program.

FAQ

When is a mobile home not mobile?

When it's permanently attached to real property and may be taxed as real estqte.



Land may not exceed the size required to maintain basic livability.

- The remaining economic life of the property may be no less than **30 years**.
- Newly constructed means that the home has never been previously occupied.
- Properties purchased in the program must be residential units. No more than **15%** of the square footage of the home being purchased may be used in connection with a trade or business including Child Care services (other than incidental rental from eligible multi-unit structures).
- Manufactured and Modular Housing qualify if they meet all applicable **FHA** guidelines

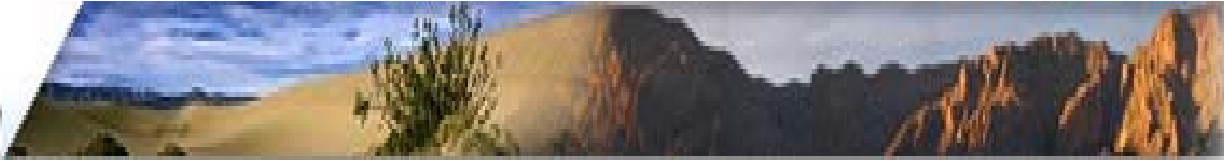
FAQs

Can bond money finance a construction loan?

No, but it may be used to refinance temporary financing such as a bridge or construction loan if the term of the bridge or construction loan is two years or less.

Is construction to perm permitted in this program?

NO



THE FEES

First Mortgage Fees to Servicer - netted at purchase

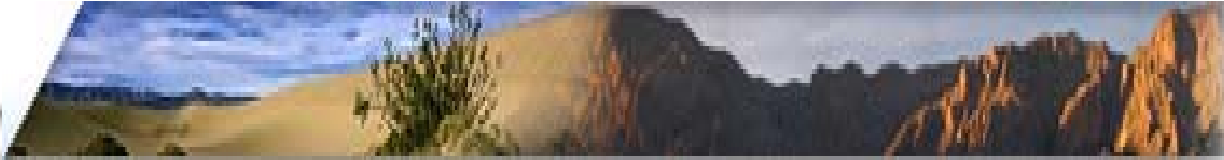
Bond Application Fee = **\$75**

Funding and Review Fee = **\$135**

Tax Service Fee = **\$65**

All may be paid by buyer or seller **AT CLOSING** to the extent permitted by insurer or guarantor. Netted at loan purchase by Servicer.

If Lenders charge more than \$65 for Tax Service, charge whatever is normally charged. USB nets \$65.



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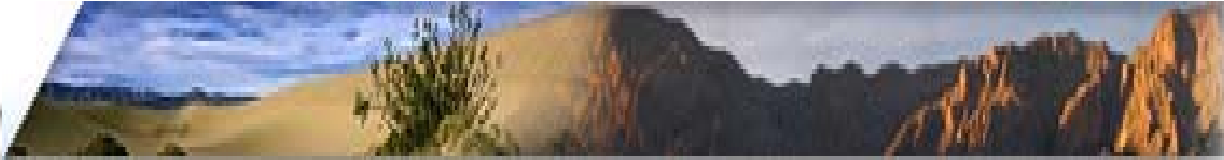
Lender Fees

Lenders may charge usual, reasonable and customary fees but no more to a bond buyer than to other buyers.

FAQ

May first mortgages be assumed?

Yes, first mortgages may be assumed by a qualified buyer that meets first-time buyer, income and sales price restrictions.



THE PROCESS

Loan Officer's Role

Qualify the buyer for the program and credit.

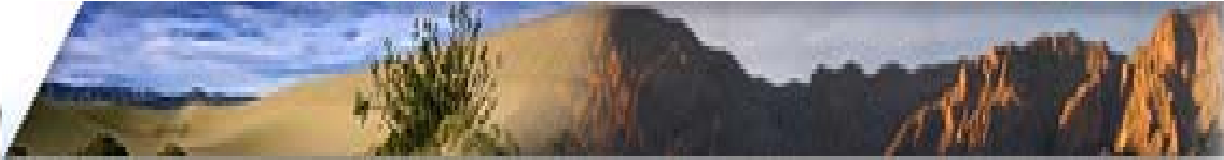
Take loan app and reserve funds in your company's system

Buyers must have a property to have first and second mortgage money reserved in their name

Request immediate past 3 years federal income tax returns

Have borrowers sign **Notices to Buyers** and attach Recapture Brochure. Notice is bond program disclosures

Reserve Funds in Internet System in borrower's name



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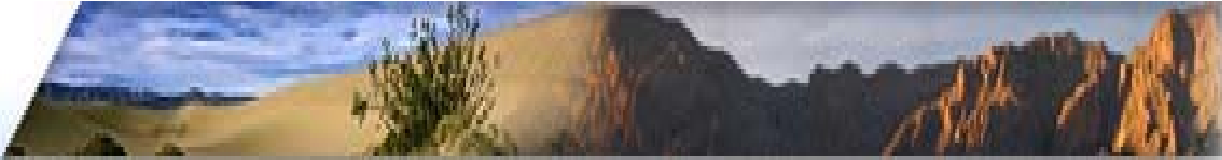
Processor's Role

Process loan normally

Make sure 3 years signed tax returns are received from all borrowers and spouses (complete returns) signed by all named taxpayers.

If loan type requires homebuyer education, make sure everyone with an ownership interest attends.

Include **ORIGINAL** of Notices to Buyers in package to Underwriter

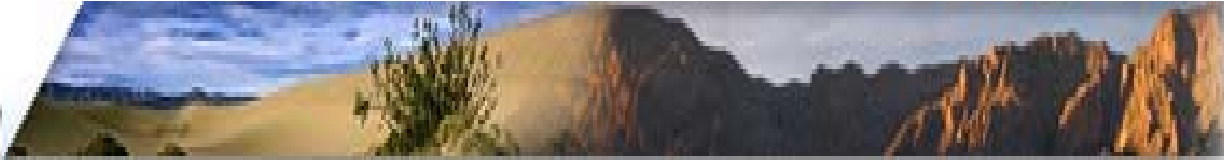


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Underwriter's Role

Underwrite loan to Agency guidelines. Servicer does **not** re-underwrite loans.

Following credit approval, Underwriter completes Underwriter Certification screen in program online system. Screen is self-populating. Check all information for accuracy.

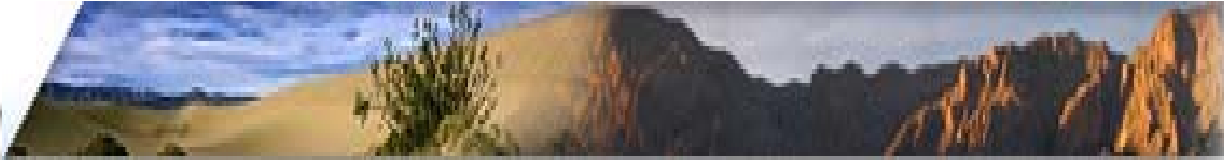


Closer's Role

Prepare two additional forms for bond program that must be executed at closing -- not before

Affidavits/Certifications & Tax Exempt Rider

Proper instructions to closing agent -- tax exempt rider **MUST** be recorded



Post Closer/Shipper's Role

Build **Two** Files - Mortgage File and Compliance File

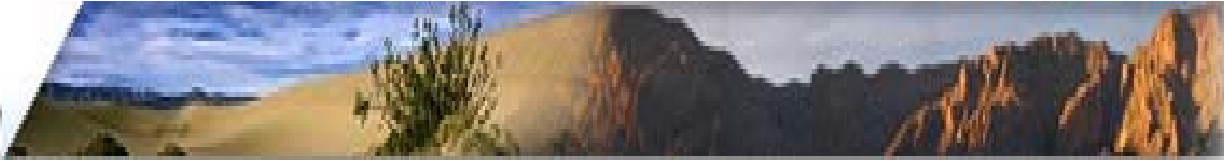
Follow Checklists

For Compliance - Paper file: Include Originals of Bond Forms and copies of other items. See Guidelines for acceptable tax information.

For Electronic File - Scan all items listed on Compliance checklist and email to address shown on Compliance Checklist.

EXCEPTIONS

Check **online** for exceptions. You will also be emailed Compliance exceptions and receive Mortgage File exceptions via email and weekly report.

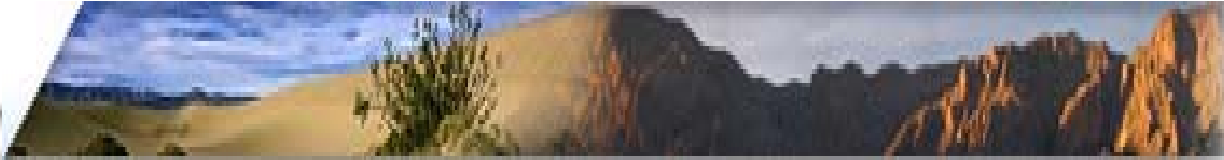


Most Common Exceptions

Notices to Buyers - **not signed** by all named on Title,
Original not in file

Affidavits/Certifications - Mortgagor & Seller section
not executed by all named on Title, mortgagor and
Seller section not notarized, Original not in file

Tax returns - not signed, not received for all
borrowers and spouses, not signed by all named
taxpayers



SIGNATURE TIPS

Original, personal signatures of all borrowers **are required** on all documents associated with the transaction.

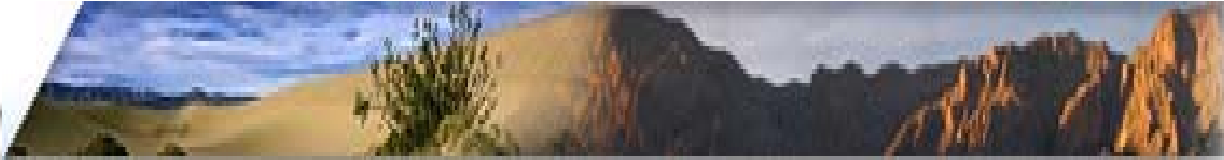
Powers of Attorney and/or Personal Representatives for the Borrower Are **Not** Acceptable. Exception: Active Duty Military Personnel may provide an 'Alive and Well" letter.

Names and signatures of all Buyers and Sellers must **match** throughout all documents. Whenever a party is known in any of the documents by more than a single name, a Name Affidavit Will Be Required.

FAQ

Who signs bond forms?

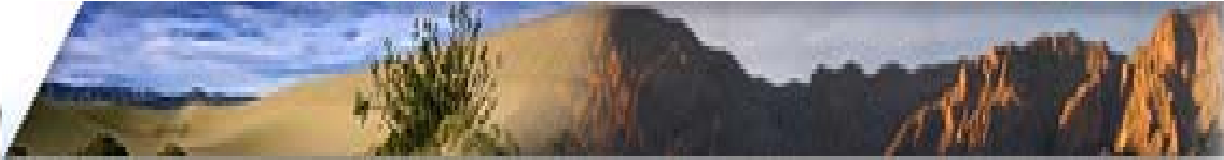
Only those who are on the **title**



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FINAL DOCUMENTS

All final documents must be delivered to
U S Bank Home Mortgage



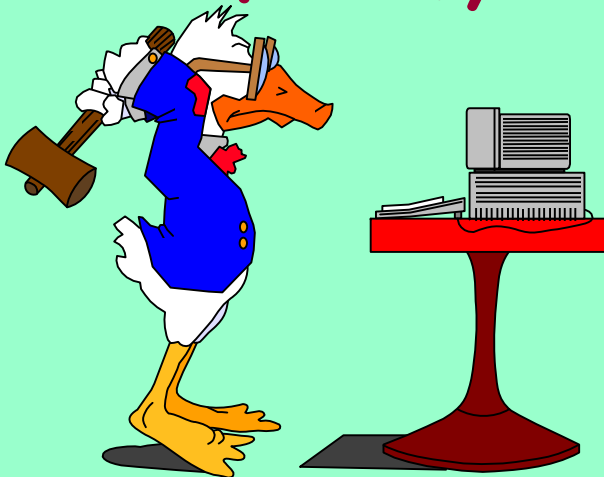
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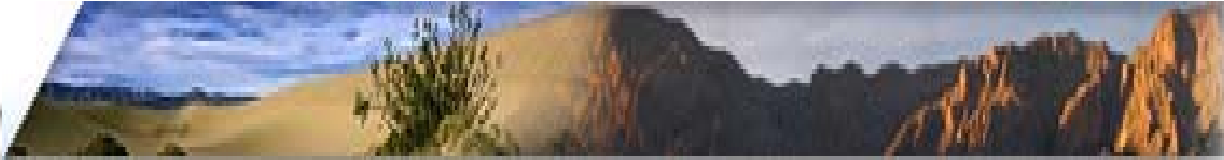
INTERNET RESERVATION SYSTEM:

Apply for username & password online

If in the 2004 program, complete the online form for existing user.

If new, complete online form for new user.

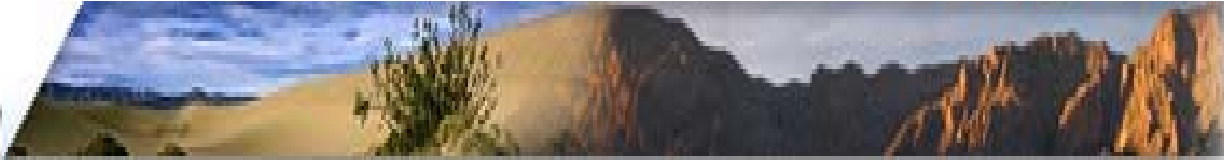




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NO USERNAME OR PASSWORD NECESSARY FOR FORMS AND GUIDELINES

**SYSTEM TRAINING OCCURS 2 TIMES
PER WEEK FROM 1:00 P.M. - 2:00
P.M. EASTERN TIME - See
forms/guide page of Website for more
information**



Federal Requirement on First Mortgage only

Under certain conditions, buyers may have to pay federal Recapture Tax. To pay, buyers must meet **all three** conditions --

1. Sell or dispose of property in first, full **nine** years
2. Make a net **profit**
3. Have income that **exceeds** Recapture income limit

FAQ: Where do I find all this information and how to reserve a loan?

All the information is available online. Use the **Origination Guidelines** for information related to the bond program and process. Use the **Delivery and Funding Guidelines** to assemble the loan, include all necessary paperwork and deliver the loan to U S Bank for Purchase. All the forms are available online. They may be downloaded into your PC or you may print them from the Web page when needed. All forms are interactive. That means you can fill in the blanks online and margins won't change.

THE WEBSITE:

<http://www.hdsoftware.com/usbhm-mrbp/>

This is the main page. Go to MRB Programs button in the left margin so you don't miss any information as it becomes available.

We'll take questions on what's been covered so far, Sue will then review some of the online features with you.