



# TRAINING WORKBOOK FOR THE ORIGINATION OF LOANS IN THE 2004 HFA of Miami-Dade County Single Family Mortgage Revenue Bond Program

## Introduction

The U. S. Congress created tax exempt bond programs for housing referred to as Mortgage Revenue Bonds (MRB's). Congress created MRB's but bond programs are created by state, regional, county or city government agencies that are governed by volunteer Boards. The way it works, bonds are sold to private investors( aka bond holders). The private investors accept a lower rate of return on their bond investment because the interest they earn is exempt from federal income tax. Because the Issuer is paying the bond holder less, they can charge the borrower a lower mortgage interest rate. So federal involvement is -- Congress authorized the program and because the bonds are tax exempt the rules are written in the IRS Code. The majority of program rules are tied to the \_\_\_\_\_ The Housing Finance Authority of Miami-Dade County issues the bonds to create the pool of funds to buy the mortgages originated by local lenders.

### Fund Types

There are pools of \_\_\_\_\_. 1. There is an ADDI Low Rate pool and 2. An Assisted Rate Pool. and 3. A HOME pool There is also a pool of \_\_\_\_\_ Funds

### General Rules Regarding Fund Types

- Funds are available first-come, first-served
- There are processing timelines associated with loans reserved in the pool.  
Reservation to Underwriter Certification = \_\_\_\_\_  
Reservation to Closed & Delivered to Servicer = \_\_\_\_\_  
Reservation to Exceptions Cleared, Loans Purchased = \_\_\_\_\_  
Loans not meeting the timetable \_\_\_\_\_ automatically.
- Lenders may not automatically replace a canceled loan with another loan as there may be a waiting list

### Program Origination Period

All loans in this program must be purchased by the Servicer on or before \_\_\_\_\_

**Reservation Requirements** Applicants must present a fully-executed sales contract, most recent three years tax returns, and may pay an application fee to cover actual costs of a credit report(s) and appraisal. Bond funds are not secured and cannot be promised to a borrower until a Reservation is accepted in the McWeb system..

### Mortgage Rate, Homebuyer Points, Assistance Amount, Lender Net, Buydown Rates, P&I

All Mortgage Loans will be fully amortized over a 30-year term and have substantially level monthly debt service payments.

Loan Type	Origination	Discount	Assistance	Lender Net
<b>ADDI Low Rate:</b>	0.00%	0.00%	0.00%	1.75%
<b>Assisted Loan</b>	0.00%	0.00%	4.00%	1.75%
<b>HOME Loan (51% First Mortgage)</b>	0.00%	0.00%	4.00%	1.75%

**Use of Assistance** Assistance may be used toward down payment and closing costs including prepaids to the extent permissible by the insurer/guarantor and acceptable to Fannie Mae and Ginnie Mae. While there is no cash back permitted, if a borrower has met their minimum contribution requirement and overpaid for escrow deposit, they may be reimbursed for any overage to the extent permitted by the insurer/guarantor or Fannie Mae. Assistance Is calculated on the \_\_\_\_\_, paid by the Lender at closing and reimbursed by the Servicer at loan purchase. It must be fully utilized in the transaction and may be used for principal reduction. ADDI grant funds are advanced to closing by the \_\_\_\_\_. See ADDI Process in the Origination Guidelines to request funds timely and ensure availability for closing. HOME second funds are advanced to closing by the \_\_\_\_\_. See HOME instructions in the Origination Guidelines.

**Assumptions** First mortgage loans \_\_\_\_\_ by a qualified borrower meeting first-time homebuyer requirements, income and acquisition price restrictions in place at the time of the assumption. Such loans must continue to fully comply and be insured or guaranteed by the *insurer/guarantor* or a mortgage insurer

**Buydowns** 2/1 buydowns \_\_\_\_\_ for government loans. The borrower may not pay and the borrower assistance may not be used to fund the buydown.

**Construction to Perm** \_\_\_\_\_

**Cosigners** \_\_\_\_\_ when meeting the following conditions: (1) a co-signer 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 co-signers do not sign any bond documents. Follow FHA guidelines for credit purposes only.

**Documentary Stamp Tax & Intangible Tax** \_\_\_\_\_ mortgages and notes in this program \_\_\_\_\_ from Doc Stamp and Intangible tax. Deeds are not exempt and such fees may not be paid by the borrower (exception: properties sold by HUD).

**Occupancy** Buyers are required to occupy the property purchased in this program within \_\_\_\_\_ of closing.

**Recapture** Mortgage loans originated under this program are subject to the Recapture Provision in accordance with Section 143(m) of the Internal Revenue Code. The recapture tax is similar to a prepayment penalty but is imposed by the IRS to recapture some of the cost savings realized by the homebuyer through the bond program. Recapture tax \_\_\_\_\_ if the property is sold within 9 years of purchase, and the amount depends upon profit realized from the sale, but in no event will exceed 50% of the homeowner's gain on the sale or 6.25% of the origination loan amount. The amount of the tax also depends upon the level of increase in the homebuyer's income.

**Servicing** All mortgage loans must be sold to \_\_\_\_\_.

**Subordinate Financing** All subordinate financing \_\_\_\_\_ by the Servicer's Program Development Manager.

**Targeted Areas** In targeted areas, a buyer need not be a first-time homebuyer but must reside in the property as their primary residence. Income and sales price limits \_\_\_\_\_ in targeted areas. The following are the targeted area census tracts for this program: 4.03, 4.07, 4.08, 5.02, 5.03, 7.03, 7.04, 7.05, 7.06, 7.07, 7.08, 8.01, 8.03, 8.04, 9.03, 10.04, 10.05, 10.06, 13.01, 13.02, 14.01, 14.02, 15.01, 15.02, 16.01, 17.02, 18.01, 18.02, 18.03, 19.01, 19.03, 19.04, 20.01, 20.03, 20.04, 22.01, 24.01, 24.02, 25, 26, 27.01, 27.02, 28, 30.01, 30.03, 30.04, 31, 34, 36.01, 36.02, 37.01, 37.02, 39.01, 39.05, 39.07, 43, 44.02, 45, 49.01, 50.02, 51, 52.01, 52.02, 53.01, 53.02, 54.01, 54.02, 55.02, 57.03, 57.04, 63.01, 64.01, 64.02, 64.03, 66.01, 66.02, 70.02, 71, 72, 91, 93.06, 93.07, 93.08, 93.10, 99.04, 102.06, 105.00, 106.02, 107.02, 108, 109.00, 110.01 and 113

## COMPLIANCE REVIEW

There are requirements imposed by the IRS and the Issuers that are reviewed for compliance with the program guidelines. It is the responsibility of lenders to review program documents and to originate loans that meet the requirements. The Master Servicer is not obligated to purchase loans that do not comply with program terms. Bond Compliance reviews loans to assure compliance. An important requirement is that program funds are used for the purpose of \_\_\_\_\_, not refinancing, owner-occupied single family homes. Temporary, construction or bridge financing with a term of \_\_\_\_\_ or less may be refinanced.

### 1. Qualify the BORROWER

Borrowers must be first-time homebuyers. A first-time homebuyer (and their spouse, if any) is someone who \_\_\_\_\_ their principal residence in the three year period preceding closing. A qualified buyer must be able to permanently reside in the United States. Work Visas, Temporary Visas or Student Visas DO NOT QUALIFY. All applicants must be considered irrespective of age, race, color, religion, national origin, sex, marital status, military status or physical handicap. Compliance will review federal income tax returns. Ask the buyers for them upfront.

### 2. Qualify the HOUSEHOLD Income

Include the income of \_\_\_\_\_ who are 18 years of age or older and have income. Include \_\_\_\_\_. Income for bond program purposes is current income annualized.

Borrowers \_\_\_\_\_ 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.).

**MAXIMUM ANNUAL HOUSEHOLD INCOME**

<b>Non-Target Areas</b>		<b>Targeted Areas</b>	
<b>1-2 persons</b>	<b>3 or more persons</b>	<b>1-2 persons</b>	<b>3 or more persons</b>
\$52,550	\$60,433	\$63,060	\$73,570

**3. Qualify the PROPERTY**

- MRB Program funds may be used to finance \_\_\_\_\_ single family residences (detached, attached, rowhouse, townhouse, qualified condominium unit [including Spot approvals] and qualified 2, 3 and 4 unit dwellings) that are the primary full-time residence of the borrowers. A primary residence is the legal residence of a person. It is also the place where the person lives on a full-time basis. Mobile, recreational, seasonal or other types of vacation or non-permanent homes are not eligible under the program.
- 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

**MAXIMUM ACQUISITION PRICES**

	<u><b>1-Family</b></u>	<u><b>2-Family</b></u>	<u><b>3-Family</b></u>	<u><b>4-Family</b></u>
<u><b>Non-Target</b></u>				
<b>Existing</b>	_____	\$373,462	\$453,738	\$523,545
<b>New</b>	_____	N/P	N/P	N/P
<u><b>Target</b></u>				
<b>Existing</b>	\$405,263	\$456,453	\$554,569	\$639,888
<b>New</b>	\$405,263	\$456,453	N/P	N/P

N/P = Not Permitted

*Please note that existing 2, 3 and 4 family must be at least 5 years old. The mortgagor must reside in the property. Some products such as Fannie Mae CHBP permit only one unit dwellings.*

**4. Review the Allowable Origination, Discount and Other Fees For the First Mortgage**

- The program determines the origination and discount that may be charged. No additional origination and/or discount may be charged buyer or seller.
- The program includes a Bond Application Fee of \_\_\_\_\_ and Tax Service Fee of \_\_\_\_\_ (paid by buyer or seller as per insurer/guarantor requirements). The fees are payable at closing and netted at loan purchase and must be disclosed on the HUD-1 as being paid to the Servicer. They are not financeable.
- Lenders are permitted normal, reasonable and customary charges that are acceptable to the applicable Agency.

**5. Determine if the borrower’s household income, home sales price and location qualify for the Low Rate first mortgage and ADDI Grant.**

1 person	2 persons	3 persons	4 persons	5 persons	6 persons	7 persons	8 persons
29,500	33,750	37,950	42,150	45,550	48,900	52,300	55,650

**Sales Price Limit:** \_\_\_\_\_

**Eligible Area:** Loans may be made anywhere in Miami-Dade County, \_\_\_\_\_ **municipalities** Hialeah, Homestead, Miami, Miami Beach and North Miami.

## ADDI GRANT PROGRAM

The HFA will provide ADDI funds, on a first-come, first-served basis, in an amount equal to the \_\_\_\_\_ of 6.00% of the Purchase price or \$10,000. The funds may be used for Down Payment and Closing Costs. The following requirements will apply:

- \* The first mortgage must qualify as a Bond loan
- \* No commitment or origination fee will be charged for the ADDI grant; however, the Mortgage Lender may collect and retain a \_\_\_\_\_ application fee for each loan that includes the ADDI grant. The \$75 application fee may be paid from the ADDI proceeds.
- \* In addition, the Lender, on behalf of the Servicer, will also collect a \_\_\_\_\_ review fee on each Low Rate loan with an ADDI grant. The Servicer will net the fee at loan purchase.
- \* No cash back to the borrower.

## THE ADDI PROCESS

- ? Reservations for ADDI funds are made simultaneously with reservations for Bond Loans by using the "Additional Mortgage" feature \_\_\_\_\_ reserving the first mortgage.
- ? Requests exceeding the ADDI guidelines will be rejected by the **Subsidy Grant Certification**. Qualifying loans completing the Subsidy Grant Certification correctly automatically generate an **Authorization Code**. As well as being retained in the system, the code appears in the Loan Detail and Underwriter Certification. Questions should be directed to Bond Compliance.
- ? Complete the **Summary of Income** form. Include copy in Compliance File to Bond Compliance.
- ? If the home was built prior to 1978, also complete the **Lead-Based Paint Acknowledgment** form. An **inspection will be required**. Contact Adela Garcia in the HFA offices.
- ? Borrowers must receive the **pamphlet "Protect Your Family From Lead In Your Home"** available on the HUD Website: with a link from the Denihan and Associates Website. Scroll down to the bottom of the page. The pamphlet is available in English and Spanish.
- ? After the loan is credit approved, underwriters are responsible for completing the **Underwriter Certification** for the first mortgage, AND ALSO the **Subsidy Grant Certification**, online, prior to any request for funds.
- ? No later than 2 business days prior to the loan closing, a **Funds Request (Request for Disbursement)** must be completed online. IN ADDITION, the lender will **fax a copy of the preliminary HUD 1** evidencing closing of the loan involving the subsidy grant to the Servicer for review. The **Transmittal Fax Cover Sheet for Funds Request** is available with the rest of the program forms
- The **Funds Request** is an online form. It includes loan information and wire instructions. The Servicer, upon performance of the required certifications and receipt of the required form and document, shall deliver or cause to be delivered the ADDI proceeds to the lender's closing agent via electronic funds transfer within 24 hours of the scheduled loan closing.
- ? The Servicer shall compare the information on the request and the preliminary HUD-1 to the certification online. If any of the information, including amount, purchase price, and the amount of subsidy changes, the lender shall not be eligible to receive funds until the ADDI changes are reviewed and accepted by the Servicer.
- ? If the lender is unable to close a loan within 48 hours of the receipt of the funds, the lender must instruct the Title Company to return the funds to the Servicer. If the closing is postponed, the lender will be required to make a second request for funds online and resubmit a revised HUD 1 Settlement Statement to the Servicer both of which must reflect the changes to the disbursement date and any other changes related to the closing.
- After the closing, specific ADDI documents must be included in the Compliance File delivered to the Servicer. The Servicer through its established monitoring system, shall monitor and review the Borrower's compliance eligibility with the terms and conditions of the ADDI funds as set forth in this Lender Guide and the program documents.
- Within 10 days of closing, loan files with ADDI grants must be delivered to the Servicer.

### 6. Determine if the borrower's household income, home sales price and location qualify for the HOME 46% Second Mortgage.

**First mortgage rate will be \_\_\_\_\_.** There will also be a 0% 15-20-year deferred/forgivable second mortgage. Repayment of principal on the second mortgage is deferred for the term of the first mortgage except that if any part of the mortgaged property is sold, transferred, rented, gifted, or otherwise conveyed, the HOME second mortgage shall become payable in full. The amount of the second mortgage required to be repaid will depend on the length of time since the financing was originally provided, as detailed herein. The Assistance represents 4% of the combined first and second mortgage. The 4.00% of Assistance on the first mortgage is funded by the lender at closing and the 4.00% of assistance on the second mortgage is funded by the Authority at Closing.

**Income Limits:** Household income must not exceed 65% of median income, adjusted for household size, as determined periodically by HUD. Current income limits are:

**Number of Persons in Household**

	1	2	3	4	5	6	7	8+
Income	\$23,969	\$27,422	\$30,834	\$34,247	\$37,009	\$39,731	\$42,494	\$45,216

**Purchase Price Limits:** \$ \_\_\_\_\_

**Eligible Area:** First mortgage loans with the HOME second may be made anywhere in Miami-Dade County, **except** within the following municipalities: Florida City, Hialeah, Homestead, Miami, Miami Beach and North Miami.

**Underwriting** - DU and LP may not be used with HOME loans. HOME loans must be manually underwritten.

**First Mortgage Options:** The first mortgage must be an Authority Series 2004 bond loan. FHA, VA or conventional first mortgages are available. Mortgage insurance is not required.

**Origination/Discount:** Origination and discount fees on the first mortgage will be consistent with those charged for the bond program. No commitment or origination fee will be charged for the HOME Loan; however, the Mortgage Lender may collect and retain a \$75.00 application fee for each HOME Loan.

**Housing Types:** New and existing homes are permitted. If a home was constructed prior to 1978, federal rules require that a lead based paint inspection be performed by a licensed contractor. A copy of the final report must be sent to the HFA along with the credit file.

**Reservations** for down payment assistance and HOME Loans will be made by the Lender simultaneously with reservations for Bond Loans.

**Funding:** HOME Loans will be funded at closing by the Authority.

**Servicing:** Bond Loans and HOME Loans will be serviced by U S Bank Home Mortgage, Master Servicer for the Authority's 2004 Single Family Mortgage Program

**Repayment:** The HOME Loan is a \_\_\_\_\_ deferred forgivable second mortgage with no regular payment requirements. A portion of the HOME Loan is forgiven pro-rata over the deferral period. See "Recapture" and chart below. If any part of the mortgaged property is sold, transferred, rented, gifted, or otherwise conveyed, the unforgiven portion of the HOME loan shall become payable in full. [The unforgiven portion of the HOME Loan will also become payable if the Bond first mortgage is paid off prior to the corresponding 15 or 20 year period.]

**Combined Mortgage Structure:** To determine the first and second mortgage amounts, the Bond Loan first mortgage shall be 51% of the purchase price and the HOME Loan second mortgage shall be 46% of the purchase price. For example, a \$90,000 combined mortgage would have the following structure, based on current interest rates:

**HFA OF MIAMI-DADE COUNTY 2004 SFMRB PROGRAM WITH HOME SECOND**

	Amount	Rate	Monthly P&I
<b>Bond Loan First Mortgage</b>	\$45,900	5.75%	\$267.86
<b>HOME Loan Second Mortgage</b>	\$41,400	0% deferred	\$0
<b>HOME Down Payment Assistance</b>	\$ 3,492	0%	\$0
<b>Total</b>	\$90,792		\$267.86

  

<b>Maximum Per Unit Subsidy Limits</b>					
Number of Bedrooms	0 BR	1 BR	2 BR	3 BR	4 BR
Max 2 <sup>nd</sup> Mtg	90,011	103,179	125,467	162,310	178,166

Note: The 46% second mortgage amount cannot exceed these limits. No exceptions.

**Recapture:** Federal Recapture applies on first mortgage Bond Loans but not on the second HOME subsidy loan mortgage. **The HOME Loans will be subject to HFA recapture.** The recapture will last for up to 20 years for newly constructed homes or up to 15 years for existing homes. The HOME Loans will be forgiven pro-rata over the 15 or 20 year period except that no forgiveness will occur during the first five years after closing. At the end of 15 years for existing homes and 20 years for new homes the HOME Loans will be completely forgiven. During this period, the percent of the HOME Loan forgiven will be:

Year	1-5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
<b>New Home</b>	0	5	10	15	20	50	55	60	65	70	75	80	85	90	95	100
<b>Existing Home</b>	0	10	20	30	40	50	60	70	80	90	100	na	na	na	na	na

**The HOME Process**

Within **five business days** of reserving a loan, **fax** to the HFA at **305-371-9152** the signed loan application and the sales contract. Loan reservations will be canceled after five days if these documents are not received by the HFA.

**At the same time that a credit file is sent to the underwriter, a complete credit file must be sent to the HFA for review.** The file must contain an appraisal. Send the file to Adela Garcia, Housing Finance Authority of Miami-Dade County, 25 West Flagler Street, Suite 950, Miami, Florida 33130.

**Within \_\_\_\_\_ of loan reservation,** loan must have underwriter credit approval and underwriter certification must be completed and submitted in McWeb..

**Within \_\_\_\_\_ of underwriter certification,** the loans must close. The following documents must be sent to the HFA in order to request funding:

- Lender Commitment Letter
- Hard copy of the Underwriter Certification
- HUD 1
- Title Commitment

**Within \_\_\_\_\_ of closing** a complete file must be delivered to the HFA. This file must contain copies of **all** signed bond and first mortgage documents and all original HOME second mortgage documents with the exception of the mortgage. The original recorded mortgage must be sent to the HFA along with the original Title policy by the closing agent when available.

**Please do not send any HFA documents to the first lender.**

Failure to meet the requirements, will result in the cancellation of the loan without further notice.

7. **If the borrower and property qualify, have the borrower(s) sign and date the \_\_\_\_\_.** The Notice includes all the bond program disclosures. Retain the original of the Notice and include it in the Compliance File sent to the Servicer after closing.
8. **Reserve the loan \_\_\_\_\_.** Contact Bond Compliance with an actual loan. They will train on the system and help perform the action. In the meantime, apply for username and password online. One person may submit all names, positions, email address, phone number to [paloma@hdssoftware.net](mailto:paloma@hdssoftware.net)

**PROCESSING THE LOAN**

Follow your normal procedures adding bond program requirements (i.e. include three years SIGNED tax returns of all buyers in package to underwriter).

**Program Forms At Closing**

We require the originals of bond forms. Borrowers execute the Notices to Buyers prior to closing. Attach \_\_\_\_\_ to their copy. There are two bond forms that must be executed at closing

The **Affidavits and Certification Form** has \_\_\_\_\_ parts. The Mortgagor Affidavit must be completed, signed by the borrower(s) and notarized at closing. The Seller/Builder Affidavit and Lender Certification are also part of this form and must be completed and executed at closing. The original, signed Affidavits and Certification are part of the Compliance file. Lenders must be sure that the Lender Certification is completed by an appropriate officer of their company. This form is available online.

**Tax Exempt Rider** has only a few blanks to complete at the top and must be dated and executed by the borrowers and \_\_\_\_\_.

**Important Information Regarding Forms**

Original, personal signatures of all borrowers \_\_\_\_\_ on all documents associated with the transaction.

Powers of Attorney and/or Personal Representatives for the Borrower Are \_\_\_\_\_ Acceptable. Exception: Active Duty Military Personnel may provide an 'Alive and Well' letter.

Names and signatures of all Buyers and Sellers must \_\_\_\_\_ 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.

**In addition to the Originals of the Bond Forms, Other Documents Required in the Compliance File are**

**1. Federal Income Tax Returns** (Tax returns for the preceding year are due \_\_\_\_\_ of the current year.) Signed copies of the past 3 years' returns and all schedules are required for all borrowers and their spouses, regardless of whether the spouses are taking title to the property. Acceptable Federal Income Tax Returns: Copies of returns filed with the IRS including 1040 REGULAR, 1040-A, 1040-EZ, Letter 1722, an IRS line-by-line transcript and a Telefile return that meets the following conditions: (1) has the preprinted taxpayer name and address - such name and address cannot be altered in any way (2) has the preprinted Code number, (3) has the 6 digit IRS confirmation number and (4) has the signature of the taxpayer(s). Electronic returns and PC returns are not acceptable. Also acceptable are the electronic cover sheet accompanied by copies of returns filed with the IRS and PC (i.e. Turbo Tax) returns. Requests for Extensions \_\_\_\_\_ acceptable in lieu of tax returns.

**2. Real Estate Purchase Contract**

**3. Final Typed Loan Application (1003)**

**4. HUD-1 Settlement Statement**

**5. Warranty Deed**

**Who Signs Bond Documents Chart**

- THE SIMPLE RULE OF WHO SIGNS BOND FORMS – IF THE PERSON'S NAME \_\_\_\_\_, THEY SIGN THE BOND FORMS. IF THEY DO NOT TAKE TITLE, THEY DO NOT SIGN THE BOND FORMS.