

Origination Process Guidelines for Single Family Mortgage Revenue Bond (SFMRB) Programs

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TABLE OF CONTENTS

Topic	Page
Table of Contents	1
List of Program Forms	2
So You're Doing a Bond Loan	3
The First Mortgage Process	4
Internet Reservation System	6
The Second Mortgage Process	9
Credit Underwriting	10
Compliance Underwriting	13
Program Forms - Closing and Shipping	17

Forms Provided on our Website www.denihanassoc.com are listed below.

Other forms required for the transaction may be found at:

Issuer second mortgage forms and survey - may be found at www.danda.cc

First mortgage/deed of trust, note, required disclosures, assignment - Use your own standard forms

PROGRAM COMPLIANCE FORMS

COMPLIANCE FILE CHECKLIST	This is the cover sheet for your Compliance File for all loans. Use it as a guide in preparing the separate Compliance File folder. The complete Compliance File is to be sent with the Mortgage File after closing
NOTICES TO BUYERS	BOND FORM - Signed at application by those in title whether or not a Mortgagor. Attach the Recapture Brochure to borrower's copy. Lender's Underwriter verifies that Notices to Buyers has been signed. Send signed Original in Compliance File.
RECAPTURE BROCHURE	Attach to borrower's copy of Notices to Buyers as a more complete disclosure
AFFIDAVIT/CERTIFICATIONS	BOND FORM - Three sections - Mortgagor Affidavit section for Mortgagor and those in title whether or not a Mortgagor to be signed at CLOSING and notarized. Seller/Builder Affidavit section to be signed at CLOSING by all Sellers named on Real Estate Purchase Contract and notarized; Lender Certification section to be signed by authorized representative of Lender. Send signed Original in Compliance File.
TAX EXEMPT RIDER	BOND FORM - Use for all loan types, signed at closing by Mortgagor and all those in title whether or not a Mortgagor, record this document and send to Servicer with final documents.

CLOSING AGENT FORM

LETTER TO CLOSING AGENTS	Bond closing instructions sent to Closing Agent with each file for each closing
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U S BANK SAMPLE CLOSING FORMS

FLOOD DISCLOSURE HAZARD	You may use your own form if approved by Servicer or this form.
FLOOD DISCLOSURE NON HAZARD	You may use your own form if approved by Servicer or this form.

U S BANK MORTGAGE FILE COVER SHEETS

LOAN ACKNOWLEDGMENT FORM	Use for all loans with Delivery Checklists
CONVENTIONAL LOAN DELIVERY CHECKLIST	Use as cover and guide for packaging Conventional loans; pkg. sent after closing
FHA LOAN DELIVERY CHECKLIST	Use as cover and guide for packaging FHA loans; pkg. sent after closing
USDA:RD LOAN DELIVERY CHECKLIST	Use as cover and guide for packaging USDA:RD loans; pkg. sent after closing
VA LOAN DELIVERY CHECKLIST	Use as cover and guide for packaging VA loans; pkg. sent after closing

U S BANK FINAL DOCUMENT COVER SHEET

FINAL DOCUMENT DELIVERY COVER SHEET	Use as cover sheet and guide for final documents.
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Program forms are created in Adobe aka "pdf" format. The format allows everyone with any type software to access the forms. They may be opened and completed online (they are interactive forms) and then printed as a completed document ready for signature OR they may be downloaded and saved on your computer (they will be interactive) OR they may be printed and filled out via any method the lender chooses (printed by hand, typed, etc.). There is also an option to have the forms e-mailed to you in WORD or WORD PERFECT format or in the Adobe/pdf interactive format for those who cannot access the forms online. When receiving the forms in WORD or WORD PERFECT, you may have to align margins and spacing as conversion and different printers change the alignment. To receive the forms via e-mail, just send us an e-mail requesting the forms for the specific program (sue@denihanassoc.com).

SO YOU'RE DOING A BOND LOAN YOU WANT TO KNOW - WHAT IS IT ANYWAY?

In the beginning, it took an act of Congress to create tax exempt bond programs for housing. Officially they're referred to as Mortgage Revenue Bonds (MRB's). Congress created MRB's but bond programs are created by state, area, 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. So bottom line - 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 IRS Code (there may be local regulations and the Board's public policy considerations that may mean additional program rules).

Because the Issuer is paying the bond holder less, they can charge the borrower a lower mortgage interest rate. The Issuer of the bonds, state, county or local agency involved with housing finance, invests the proceeds of the bond sale until the Trustee buys mortgages or certificates of pooled mortgages from the Servicer.

The amount of funds available is limited by federal regulations. State or local laws may divide the funds among several permitted users (in addition to those who provide housing).

Lenders originate loans and then all originating lenders sell their loans to the Servicer who either pools the loans and sells them to Ginnie Mae, Fannie Mae or Freddie Mac or sells them to the Trustee if the Issuer has a whole loan program. The Servicer continues to service the loans on behalf of Ginnie Mae, Fannie Mae, Freddie Mac or the Issuer. Bond Compliance reviews program forms and other documents to determine that the loan qualifies.

THE FIRST MORTGAGE PROCESS

- Lenders determine if an individual qualifies for the program and for credit. Borrowers may be pre-qualified but cannot have funds reserved in their name until they have a real estate contract executed by the seller. **Loans should not be reserved unless they can meet the timelines required for these products**
- It is suggested that Lenders urge buyers to immediately collect their most recent three years tax returns and make arrangements for homebuyer counseling.
- Links to the HUD Website that list counseling agencies are provided on the Guide and Forms page of our Website
- Go to <http://www.hdsoftware.com/usbhm-mrbp/> and click on “Find Census Tract”. Enter the property address and the system will determine the census tract of the property. For new developments or in some unincorporated areas, the system may not be able to determine the tract. We suggest that you contact your local community development department. You will need the number when registering the loan. You will be entering a census tract number for all properties. When you have the census tract number, you may cross-check to see if the property is located in a targeted area.
- Once a borrower has a contract for a specific property, the loan should be reserved in the McWeb system as well as the Lender’s own system.
- The Lender completes and then the borrower signs and dates a one page “Notices to Buyers” form that contains all the bond program disclosures. The Lender attaches the two-page Recapture Brochure to the borrower’s copy of the “Notices to Buyers”. The Recapture Brochure is not signed. The ORIGINAL of the Notices to Buyers will be included in the Bond Compliance File delivered to the Servicer after closing. The Notices to Buyers must be signed upfront.
- The loan is processed as it is normally.
- Following credit approval, the Lender’s underwriter completes the online, one screen Underwriter Certification. This form is self-populating. Once completed online it is submitted online.
- At closing, two forms must be completed for the first mortgage. The **Affidavits/Certifications** form must be signed at closing not before and included in the Compliance File. The **Tax Exempt Rider** must be executed at closing and be recorded.
- After closing, the Mortgage File, Credit Package and Compliance File are delivered to the Servicer. There are checklists for both the Mortgage File and Compliance File.
- The Servicer separates the packages and sends them to the appropriate department for review.

GET CONNECTED!! Information concerning this program may be accessed directly from the following – **To reserve and track loans, check pipeline and for exceptions, view reports and request usernames and passwords:** www.hdsoftware.com/usbhm-mrbp

For detail of current first and second mortgage programs, Mortgagor Survey and HAMI, HAP AND HOME SECOND MORTGAGE PROGRAM forms: www.danda.cc

For program process information -- Origination Guidelines, Delivery and Funding Guidelines, Delivery and Funding Glossary of Terms, Approved Supplemental Financing Programs, Servicer/Partner Contact Directories, HUD Approved Counseling Agencies, Notices to Buyers, Recapture Brochure, Affidavits/Certifications, Tax Exempt Rider and all stacking sheets:
http://www.denihanassoc.com/florida/florida_programs.htm

Bond Compliance

The eHousingPlus office (1) reviews the program forms and other mortgage file documents to assure that the loan qualifies; (2) directs usernames and passwords and (3) maintains the Internet reservation, tracking and reporting system described on the next page.

Internet Reservation, Tracking and Reporting System (McWeb)

General

Each Program has a specific page, which displays a summary of the program parameters (on any open program for that issuer), and has links to log into the system, access the Guidelines, bond program forms, and Waiting Lists where applicable, and other useful information.

There are additional pages such as NEWS which highlight important dates or changes, CONTACTS which contains a directory for the entire Servicer/Administrator/Facilitator team, USERNAMES where you will register for a username and password into the secure system, CENSUS TRACTS where lenders can find any US address and locate the appropriate Census Tract Number (required for all loans), TRAINING which is a link for our training website that can be accessed only during the original system training and EMAIL which is a direct email to Bond Compliance for any general questions.

Additionally there is a link that takes you into the secure system, where users need to Log In. In order to access the 'system', you must obtain a username and password from Bond Compliance, online at www.hdsoftware.com/usbhm-mrbp

The security features will control the information each user can access, such as the lender they can view, what they may change, etc. . **REMINDER** If the borrower doesn't qualify for the program, please cancel the loan

Online Guidelines

The Origination Guidelines , the Servicer's Delivery and Funding Guidelines and Glossary of Terms are available on our Website.

We recommend that you periodically revisit the online forms and guidelines as they are sometimes updated. You are contacted via email when changes occur.

Obtaining a Username and Password

To obtain a username and password go www.hdsoftware.com/usbhm-mrbp and click on Username/Password. Those who currently participate in another program with us click on "Existing User" and others click on "New User", complete the information and SUBMIT. The new password will not be valid until a confirmation is received.

Underwriters have a different security access. Only Underwriters may access the online "Underwriter's Certification" and the "Subsidy Second Mortgage Certification" for HAP and HOME loans. Underwriters must check "Underwriter" on the "New User" screen

Functions/Options of Secure System (McWeb)

View Allocation

Lenders are encouraged to select this option from the Main Menu. This selection provides a quick 'live' view of the allocation(s) available in the selected program. Program funds are tracked by allocation.

New Reservation

A new reservation should be submitted online, once a qualified loan application has been taken as long as the loan process can meet the guidelines. Lenders access this feature and submit the homebuyer/loan information. As an additional feature, the available allocation is always displayed prior to each reservation.

Additional Mortgages

This feature is not used in this program.

Change Loan

During the processing of a loan, a Lender may need to change certain information related to the loan, such as the loan amount, purchase price and other pertinent information. While the loan is in RESERVATION STAGE, a Lender may change this information online. This will ensure that the loan record is as accurate as possible prior to the underwriting process.

Loan Detail Confirmation

At any given time, a Lender may access a Loan Detail Confirmation. This confirmation is a full detail of the loan record plus the status of the loan.

Underwriter Certification

A required step in the loan process is the online 'Underwriter Certification', which can only be accessed by a Lender's underwriter. Underwriters have a special security level. The Underwriter Certification serves as the required COMMITMENT to a loan, if applicable. This process locks the loan and certifies to the lender that it can proceed to closing.

Pipeline

The Pipeline is one of the most important features online, because it allows a lender to view all of their loans and the loan status. It also assists in the management of the program by making it easy for lenders to check the loans they have in any given stage and make sure that all their loans in the system are still active. It also details loans that are deficient, loans purchased and date of same.

File Conditions to Correct

Files are reviewed in two steps. The Compliance Files are reviewed by Bond Compliance and the Mortgage File is reviewed by the Servicer. Any deficiencies are immediately posted online. This area should be checked often. This separate menu item was developed for the post-closing/shipping/corporate departments that cure file deficiencies. It consolidates in one area any files that have problems that may need to be resolved in order to be purchased. This provides a quick and easy means to check these loans.

Cancel Reservation

From time to time a loan may not make it through processing. It is important for lenders to cancel loans as soon as they know the applicant does not qualify. The PIPELINE feature assists in this process, as lenders can easily view the loans in reservation stage and determine if any are inactive. Should that be the case, the canceling of a loan is a very easy step which lenders are encouraged to do as soon as they are so informed. This will release those funds and make them available for the next applicant.

E-reports

e-Reports are a variety of reports, which allow users to see the performance of the program and their loans. The Program Summary, Loan Information Report and Loan Detail Report by Originator summarize these valuable elements for all authorized users.

Download Crystal Viewer

The e-Reports on the Web require a special download file (Crystal Viewer) in order for the user to view them online. This file is downloaded from our secure site and installed on any computer you would like to access the reports. The Crystal Viewer download and installation is very similar to the download and installation of Adobe Reader and has similar functions

Special Services

We also maintain a site available to the public that's linked to search engines. The URL is www.firsthome4u.com. An option from that site is a "pre-application". If a pre-application is submitted, the sender is contacted and then referred to a program lender. Referrals are made on an alphabetical, rotating basis,

GET CONNECTED!! Information concerning this program may be accessed directly from the following –
To reserve and track loans, check pipeline and for exceptions, view reports and request usernames and passwords: www.hdssoftware.com/usbhm-mrbp

For detail of current first and second mortgage programs, Mortgagor Survey, and HAMI, HAP AND HOME SECOND MORTGAGE PROGRAM forms: www.danda.cc

For program process information -- Origination Guidelines, Delivery and Funding Guidelines, Delivery and Funding Glossary of Terms, Approved Supplemental Financing Programs, Servicer/Partner Contact Directories, HUD Approved Counseling Agencies, Notices to Buyers, Recapture Brochure, Affidavits/Certifications, Tax Exempt Rider and all stacking sheets:
http://www.denihanassoc.com/florida/florida_programs.htm

THE SECOND MORTGAGE LOAN PROCESS

Special Feature Code for Community Seconds when used with Conventional Fannie Mae Loans:

The special feature code for community seconds is 118

The Process for Amortizing Second Mortgages

- ? Reservations for amortizing second mortgage loans are made following the first mortgage. Simply use the "Additional Mortgage" feature found on the Main Menu.
- ? Participant closes the loan and funds the amortizing second loan.
- ? **Lenders service the second until purchased by the Servicer.**
- ? The Servicer buys the second loans on an amortized balance.

The Process for Deferred Second Mortgages

- ? Reservations for deferred second mortgage loans are made following reservation for the first mortgage. Simply use the "Additional Mortgages" feature from the Main Menu AFTER reserving the first mortgage.
- ? Loans exceeding the limits will be rejected by the Subsidy Second Mortgage Certification. Qualifying loans completing the Subsidy Second Mortgage 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.
- ? There may be additional forms that must be completed. Refer to the Compliance Checklist.
- ? After the loan is credit approved, underwriters are responsible for completing the Underwriter Certification for the first mortgage, **AND ALSO** the Subsidy Second Mortgage 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 the following documents evidencing closing of the subsidy loans to the Servicer for review. The Transmittal Fax Cover Sheet for Funds Request is available with the rest of the program forms
 1. Copy Second Mortgage Promissory Note
 2. Copy HUD I Settlement Statement
- The Funds Request is an online form. The Servicer, upon performance of the required certifications and receipt of the required form and documents, shall deliver or cause to be delivered the second loan 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 mortgage documents to the certification online. If any of the loan information, including loan amount, purchase price, and the amount of subsidy changes, the lender shall not be eligible to receive funds until the loan 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 I Settlement Statement to the Servicer that reflects the changes to the disbursement date, accrued interest and any other changes related to the closing.
- ? After the closing of the second loan, specific loan 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 loan.

CREDIT UNDERWRITING

The credit underwriting for the program is the responsibility of the participating Lender's staff Underwriters. The Servicer's Underwriting Department only underwrites for approved participating Correspondent Lenders. The Servicer does not re-underwrite the loans, but all loans purchased are subject to audit review and re-verification of documentation.

Therefore, it is vital for the underwriters to make sound credit underwriting decisions, assure data integrity and include the necessary documentation to support the underwriting decision.

The loans are subject to Agency (Fannie Mae, FHA, VA) guidelines for credit underwriting and program guidelines for eligibility. The Underwriters must always follow the Agency guidelines and program guidelines for income and sales price limitation and program requirements. When underwriting a conventional loan, the underwriter must include the Special Feature Code on the 1008.

Please note: There are no credit underwriting exceptions because these are Bond Loans.

Approved Loan Types: FHA, VA, USDA: RD, Fannie Mae, Freddie Mac

Automated Underwriting Systems

Fannie Mae Desk Top Underwriter and Freddie Loan Prospector are the only approved automated underwriting systems. These systems are approved to the extent that the Agencies, insurer and or guarantors permit them. **Fannie Mae DU is the only automated system acceptable for Fannie Mae loan products .and Freddie Mac Loan Prospector is the only automated system acceptable for Freddie Mac loan products** . Either DU or LP may be used for government loans to the extent permitted by FHA or VA. No specialty lender approved DU systems are allowed. BECAUSE THIS IS A BOND PROGRAM LOAN, we require written verification of income that may be two weeks paystubs with YTD.

If using automated underwriting and given the option of reduced MI premium, **DO NOT TAKE** the option.

Regarding Appraisals

Appraisals must be ordered in compliance with insurer/guarantor guidelines. Electronic (EDI) appraisals are acceptable. Appraisals ordered within FIRREA guidelines will be required on all properties. The remaining economic life of a property must be no less than 30 years.

If the appraised value is less than the purchase price of the property, the Borrower(s) must provide written acknowledgment that they have received a copy of the appraisal and are aware that they are paying more than the current established value of the home. Although borrowers provide the acknowledgment, we are only able to accept financing on the appraised value.

NOTE: Always request a full appraisal report regardless of the Automated recommendation. The form 2075 is not allowed in the Bond Program.

Loan Acknowledgment Form

The Underwriters must complete the **Loan Acknowledgment form**. This form is a tool used to identify the loan product, down payment assistance and underwriting application. Please place this form in front of your credit documents. Go to the Forms and Guidelines page of the Website to find the form. Also, **when underwriting a Conventional Fannie Mae loan the underwriter must include the Special Feature Code on the 1008.**

CLTV: The second mortgage obligation must be considered in the monthly housing expense. Follow the Agency (FHA, VA, Fannie Mae) guidelines for maximum CLTV.

FHA - The sum of all financing may not exceed **100% of the cost to acquire** the property plus any prepaid expenses. TAC (Total Acquisition Cost) = Sales price plus 100% of closing costs minus any cash contributions from the seller. **VA** may not exceed a maximum loan amount of 100% of the sales price or value plus the funding fee only. **Conventional** - The second mortgage when combined with the first mortgage **may not exceed 105% of the lesser of the sales price or the appraised value of the property.**

COMMUNITY SECONDS & ASSISTANCE PROGRAMS

Subsidies (grants or loans) that are not part of the bond program itself must be approved by the Servicer annually. Please contact the Servicer's Product Development Manager for requirements. Funds from such approved programs should be shown when the first mortgage loan is reserved under "Second Source"

Special Feature Code for Community Seconds when used with Conventional Fannie Mae Loans:

The special feature code for community seconds is 118

FANNIE Mae Loan Products

The following is a list of the approved Fannie Mae Loan Products and Special Feature Codes:

HFA Home (SFC 359) 97% LTV, borrower's contribution 1% or \$500.00 whichever is less

HFA Community Solutions (SFC 481) 97% LTV, borrower's contribution 1% or \$500.00 whichever is less

Community Home Buyers Program (SFC 061) 95% LTV, borrower's contribution 5.0%

Fannie 3/2 (SFC 074) 95% ltv, BORROWER'S CONTRIBUTION 3.0%, 2.0% from other approved source.

Fannie 97 (SFC 121) 97% LTV, borrower's contribution 3.0%

Section 8 SFC..445

Community Home Choice SFC 222

My Community Mortgage

... **SFC460**, 97% or below LTV , borrower contribution \$500

....**SFC 480**, LTV's above 97%, up to 100%, borrower contribution \$500

....**Community Solutions**...SFC 481, borrower contribution \$500

***ALWAYS USE SFC 088...FOR ALL BOND LOANS**

Only the above referenced Fannie Mae Loan Products are approved for purchase under the program. For credit guidelines on the Fannie Mae Loan products, please refer to the Fannie Mae Seller Servicer Guide

PLEASE NOTE: 100% Fannie Mae Products, Flexible Product and Expanded Approval Products are not allowed in the Bond Program. If this is noted on your DU findings, you must note on the DU findings sheet and Fannie Mae 1008 that this loan was underwritten and approved per the guidelines and list the specific loan product.

For Example, if you are underwriting an HFA Home and the DU findings report a Flexible Loan type, then the Underwriter should write on the DU findings report that the loan is not a Flexible Loan as it is a HFA Home loan product and the Fannie Mae guidelines were followed in underwriting this file. This statement should also appear on the Fannie 1008.

FREDDIE MAC Products

95% LTV & 97% LTV standard Products

Mortgage Insurance Premiums

Follow Fannie Mae or Freddie Mac Guidelines for the particular product. If underwriters have questions, contact the Servicer's Underwriting Manager.

FHA

Please follow HUD published credit guidelines. Includes 203(k) but no additional Origination or discount on Rehab portion. Available products: FHA 203 (b), 203 (b) (2) Veteran Status, FHA 234© Condominium , FHA 203(K) Rehab

For **Assisted Rate Loans** the **FHA DPA Memo** found on the Forms and Guide Website page must be included in the FHA Case Binder with a copy in the Mortgage Loan File delivered to the Servicer.

VA

Please follow VA published credit guidelines

Any questions regarding underwriting criteria should be directed to the Servicer's Underwriting Manager

COMPLIANCE UNDERWRITING

Underwriters should remember that CALCULATION OF PROGRAM (COMPLIANCE) INCOME IS DIFFERENT THAN CALCULATION OF INCOME FOR CREDIT PURPOSES. The following is provided as a Guide for underwriters in calculating the income of members of the household for program purposes.

Underwriter's Program Compliance Income Calculation Guide

Income used for credit qualifying a borrower is different from income used for bond program purposes. Follow the requirements listed below for bond compliance income.

The program requires that the income of all persons residing in the household (related or unrelated) 18 years of age or older must be included in the calculation of income for bond program purposes. Unlike income that is averaged for credit underwriting, the bond program is concerned with actual current income. You should be reviewing the income of the last 4 months and the income shown on previous tax returns for consistency. You should not be averaging income. If there are not inconsistencies in earnings, use the guidelines for each loan type to determine current gross monthly income. Current gross monthly income is multiplied by 12 to determine "total current annualized income". Gross monthly income is the sum of monthly gross pay; any additional income from overtime, part-time employment, bonuses, income from self-employment, dividends, interest, royalties, pensions, VA compensation and net rental income, other income (such as alimony, child support, public assistance, sick pay, social security benefits, unemployment compensation, income received from trusts, and income received from business activities or investments, continuation of which is probable based on foreseeable economic circumstances based upon the Mortgagor's affidavit (to such effect), all as computed at the time of application for a Mortgage Loan and confirmed at the time of Closing. We will check information with respect to gross monthly income obtained from the reservation form, Underwriter's Certification and applicable certificates and affidavits executed the date of the Closing of the Mortgage Loan, provided that any gross monthly income not included for credit underwriting purposes must be included in determining gross monthly income. The limit is the limit and any amount over the limit is not acceptable. Include the income of non-borrower co-habitants who will reside in the property. However, do not include (1) dependents that are claimed on tax returns but who will not permanently reside in the home the majority of the time and (2) co-signers. The Affidavit, executed by the borrower(s), and certified by the lender, must include the total verified annual household income. Borrowers are not required to use all available assets when using the first mortgage bond program. The amount of remaining reserves required are determined by the type of financing used (i.e. FHA, VA.).

If a person had commissions, bonuses paid in the current tax year that were one time payments, include the one time payment amount (do not annualize). If a person worked seasonal overtime or worked overtime for any reason and is no longer working overtime (verified by employer), include the actual amount (do not annualize).

"Alternate Documentation" (Alt Docs) as defined by FHA and other secondary market entities is acceptable Lender verification for compliance purposes, provided that such documentation includes the necessary, acceptable income tax returns. The Servicer requires a credit package as indicated on the various loan delivery checklists. However, the Servicer does not re-underwrite the loans for credit purposes. Because income is a qualifier in this program, we do require written verification of income (may be 2 weeks paystubs with YTD).

Although reference is made to VOE's and VOD's in the guidelines below, they are not required if acceptable alternate documentation is in the file. This documentation includes, but may not be limited to, current pay stubs which delineate "current period", W-2's, for all borrowers and all employers, and bank statements to

verify assets. If W-2's are present in the loan file, lending personnel should verify that the total of W-2's presented equals the total income shown on borrower's tax returns. If a VOE is in the file, the borrower does not have to provide W-2's unless the underwriter deems this necessary for prudent underwriting. Figures shown on all documents should be consistent.

Although reference is made to the last 4 to 6 weeks income, Underwriters should be reviewing the income tax returns submitted to verify that there are no unexplained and/or unacceptable differences current income to past income.

Hourly Employees

1. Using last 4 to 6 weeks' pay stubs, identify hourly rate of pay and average number of regular hours worked per week. Multiply hourly rate times regular weekly hours. Multiply result times 52 for an annualized base salary.
2. If the person has no other sources of income (for example: overtime, bonus, commissions, second jobs, interest, dividends, child support, alimony, public assistance), this will be the Current Total Annual Income.
3. Compare the total annual income in #2 above to:
 - a. the total year to date income on the VOE
 - b. the previous year's income on the VOE
 - c. the previous year's income per W2's and tax returns

You should not find significant differences. In some cases, the Current Total Annual Income will be higher than the previous year's income. Variances should be attributable to increases/decreases in pay or number of hours worked.

Salaried Employees

1. Using last 4 to 6 weeks' pay stubs, identify weekly (or other frequency) rate of pay. Multiply rate times the number of regular pay periods in the year (52 weeks, 12 months, 24 semi-months)
2. If the person has no other sources of income (for example: overtime, bonus, commissions, second jobs, interest, dividends, child support, alimony, public assistance), this will be the Current Total Annual Income.
3. Compare the total annual income in #2 above to:
 - a. the total year to date income on the VOE
 - b. the previous year's income on the VOE
 - c. the previous year's income per W2's and tax returns

You should not find significant differences. In some cases, the Current Total Annual Income will be higher than the previous year's income. Variances should be attributable to increases/decreases in pay or number of hours worked.

Business, Self Employment

1. Use the quarterly tax returns and financial statements to identify the current year to date income.
2. Divide the year to date income by the number of months during which it was earned and multiply times 12 for an annualized total.
3. If the person has no other sources of income (for example: overtime, bonus, commissions, second jobs, interest, dividends, child support, alimony, public assistance), this will be the Current Total Annual Income.
4. Compare the total annual income in #2 above to the previous year's income per W2's and tax returns. You should not find significant differences.

Overtime, Bonus, Commissions

1. Using last 4 to 6 weeks' pay stubs, identify the year to date total earnings of the borrower. Subtract the Current Total Base Income (see above) to arrive at the total year to date extraordinary income.
2. Divide the year to date extraordinary income by the number of pay periods during which it was earned (to obtain an average). Multiply times the appropriate factor (52 weeks, 12 months, 24 semi-months, etc.) for an annualized figure.
3. Add the total annualized extraordinary income to the Current Total Base Income. If the person has no other sources of income (for example: second jobs, interest, dividends, child support, alimony, public assistance), this will be the Current Total Annual Income.
4. Compare the total annual income in #2 above to:
 - a. the total year to date income on the VOE
 - b. the previous year's income on the VOE
 - c. the previous year's income per W2's and tax returns. You should not find significant differences. In most cases, the Current Total Annual Income will be higher than the previous year's income. It will also generally be higher than the annualized year to date income. The variances should be attributable to increases/decreases in pay.

Interest, Dividends

1. Use current earnings statements issued by the bank, investment broker or agent. Identify the year to date interest or dividend earnings. Divide by the investment term year to date (for an average) and multiply times appropriate factor to annualize the earnings.
2. If statements are not available, and the terms of the investment agreement are available, multiply the principal amount of the asset times the annual interest yield factor for a projected interest earnings amount.
3. If neither are available, use the previous year's earnings statements or tax returns to identify total annual interest and dividend income. If the assets are still invested in the same instruments, use the previous year's figure.
4. Add the result of the computation in either #1, #2 or #3 above to the Current Total Annual Income.

Alimony, Child Support

1. Use the monthly amount appearing in the divorce decree, separation agreement or other support document.
2. If the borrower receives more than the amount stipulated in the agreements, use the monthly figure that the borrower declares and can be verified.
3. (If the borrower receives less than the amount stipulated in the agreements and there is a verifiable history of the underpayments for at least 3 years (as evidenced by Court records), then use the past 3 years' historical monthly earnings. If there is no such history that can be verified, use the amount stipulated in #1 above.
4. Multiply the monthly amount of alimony or child support times 12. Add to the Current Total Annual Income (plus any other income sources).

Pensions, Temporary Payments

1. Use the benefits statement issued by the benefits provider (pensions, workers compensation, disability compensation, social security, AFDC, etc.) to identify the amount of the benefit, payment frequency and expected term of the benefit.
2. Multiply the amount of the benefit times the payment frequency for an annualized amount. Add to the Current Total Annual Income (plus any other income sources).

3. If the benefit is absolutely not payable to the recipient beyond a given date (that means a complete and permanent stop of benefits without extensions, exceptions, waivers or other conditions) and such date is within 12 calendar months of the anticipated closing date, then calculate the benefits expected through the end of the benefits term. That will be the total annual income amount from the specific benefits source. Add to the Current Total Annual Income (plus any other income sources).

Verified Termination of Overtime, Commission, Bonus

If verification of termination of overtime, commission or bonus is provided in writing (i.e. a letter from an employer) or such termination is due to a change of employment, use the current YTD overtime, commission or bonus, do not annualize and add as a lump sum to the Current Total Annual Income.

PROGRAM FORMS - CLOSING AND SHIPPING

Program forms may be accessed on our Website <http://www.denihanassoc.com>. The forms are interactive so you may tab from blank to blank (for the Affidavit scroll from page to page and then tab from blank to blank). Enter information in each blank and then print as a completed document ready for signature

The **Affidavits/Certifications** form has three parts. The first section must be completed, signed by the borrower(s) and notarized at closing. There is also a section for the seller/builder called The Seller/Builder Affidavit that must be signed by the sellers and notarized at closing. There is also a section for the Lender called the Lender Certification which must be completed and executed at closing. The **ORIGINAL, signed Affidavits and Certification** is to be included in 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.

There are mortgages and notes required for any and all **secondary financing**. Secondary financing and **special program components** may require additional documentation. Please review the Compliance File Checklist. All necessary forms are provided online as a form or a screen or via online link.

Flood disclosures (hazard and non-hazard) are provided but you may use your own form if generated by your system. Your form must be approved by The Servicer. Fax to the attention of the Operations Department.

Important Information Regarding Signatures on Forms

- 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.
- **The simple rule of who signs bond forms – if the person takes title, they sign the bond forms. If they do not take title, they do not sign the bond forms.**
- Cosigners cannot live in property, do not sign bond documents or take title.
- Under no circumstances may a cosigner's name appear on title or warranty deed.
- Having people sign documents who should not sign is as incorrect as not having all sign who should.
- Only those on credit sign the 1003 and HUD

Other Documents Required for Bond Compliance Review

1. Tax Returns (Tax returns for the preceding year are due April 15 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. **IT IS THE RESPONSIBILITY OF THE BORROWER(S) TO SUPPLY THIS INFORMATION.** If they do not have the required tax returns, they need to request a copy or transcript immediately to be provided prior to

loan commitment. Please remember that the Underwriter is certifying that they have reviewed the appropriate returns. So returns must be provided to your Underwriter prior to Underwriter's Certification.

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 are not acceptable in lieu of tax returns.

Full tax returns (schedules included) are required. All returns must include names, social security number(s) and address and must be signed by all named taxpayers. Original signatures are not required. Other types of returns are not acceptable. If a borrower did not file federal income tax returns for any or all of the three year period and were required by law to do so, they cannot participate in the program until such returns are filed. If a borrower did not file federal income tax returns for any or all of the three year period and were not required by law to do so, use the space provided on the Mortgagor Affidavit and list the name(s) of the party(ies), the tax year(s) and the reason for not filing. A form 4506 is available on the IRS Website: www.irs.ustreas.gov for borrower requests for a line-by-line (aka Tax return transcript). Borrowers may request a Letter 1722 by calling 1-800-829-3676. There are IRS links on the Websites.

2. Real Estate Purchase Contract

The full address of the property, full names of all sellers and buyers, total purchase price of the property must be included. If there is not an address for new construction, a lot number and subdivision name are required. All named persons must sign. Include the name and title whenever a representative is signing for a corporation or for another person.

3. Final Typed Loan Application (1003)

The typed application signed and dated by all parties is required. Loan interviewer must complete and sign page 3 of 4 of the 1003. If this is not possible, then an Officer must sign in place of the interviewer. All persons taking title to the property must execute all bond documents. The income disclosed on the Affidavit must be the same or more than that shown on the 1003. The purchase price, loan amount, and other financial details must be the same as shown on all other documents.

4. HUD-1 Settlement Statement

- Buyer, seller and closing agent must fully execute the HUD-1.
- Borrowers on the HUD-1 must be all persons taking title to the property and match the Affidavit and application. Persons not taking title to the property may not appear or sign the HUD-1.
- Bond Loan Application Fee, tax service fee and on HAMI loans \$150 of the Second Mortgage Loan Application Fee must be shown as being payable to The Servicer.
- Documentary stamp tax and intangible tax may not be charged on the mortgages or notes to buyer or seller. Deeds are not exempt. Only seller may pay this charge.
- Please do not bundle charges. Itemize all charges to the transaction. Payoffs of other debt must appear on Page 1 under Section 100 of the HUD-1 as part of "Settlement Costs".

5. Warranty Deed

A copy of the Warranty Deed is required.

SHIPPING GUIDE

The Servicer's Delivery and Funding Guidelines and Glossary of Terms provide detailed information and are on the disk provided at training and posted on the Website.

There are checklists to assist in sending the Servicer complete files. Doing so avoids costly exceptions. Exceptions prevent the purchase of loans and cost all time and money. The checklists are: **Compliance File Checklist, Mortgage File Delivery Checklists** (one for each loan type – FHA, VA, etc) and a **Final Document Delivery Cover Sheet**. All may be found on the Website.