

**LENDER TRAINING
FOR THE ORIGINATION OF LOANS IN THE
Florida Housing 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 majority of program rules are tied to the **IRS Code** and cannot be changed. Florida Housing issues the bonds to create the pool of funds to buy the mortgages originated by local lenders.

THE PROGRAM

Fund Types

There are three pools of Non-Targeted area funds.

1. There is a Low Rate pool with no DPA attached. FHFC second mortgages **may** be used.
2. An Assisted Rate Pool with automatic DPA and FHFC second mortgages **may not** be used.
3. The subsidized pool is available only to **HOME** income qualified buyers.
4. There is also a pool of Targeted Area Funds

General Rules Regarding Fund Types

- Funds are available **first-come, first-served**
- There are processing timelines

Reservation to Underwriter Certification = **45 days**

Reservation to Closed & Delivered to Servicer = **90 days**

Reservation to Exceptions Cleared, Loans Purchased = **120 days**

Loans not meeting the timetable will be canceled automatically. **One ten business day extension** is available at a cost of .25%

- Lenders may not automatically replace a canceled loan with another loan as there may be a waiting list

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 the loan is **reserved** in the McWeb system.

Mortgage Rate, Homebuyer Points, Assistance Amount, Lender Net

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

<u>Loan Type</u>	<u>Origination</u>	<u>Discount</u>	<u>Assistance</u>	<u>Lender Net</u>
Low Rate: 5.55%	1.00%	1.00%	None	1.25%
Assisted Rate 6.25%	0.00%	0.00%	3.00%	1.25%
Subsidized Rate 4.99%	1.00%	0.00%	None	1.50%

Use of Assistance on the Assisted Rate Product

Assistance may be used toward down payment and closing costs to the extent **permitted** 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 full loan amount**, 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.

Second Mortgage Funds

CLTV is that required **by the Agency** for the first mortgage loan product being utilized. The lower the income, the higher the subsidy and more additional documentaiton.

HOME provides up to 25% of the purchase price not to exceed **\$14,999** except in High Cost Areas where the amount increases to **\$25,000**. High cost areas are defined by Florida Housing. Baker, Broward, Clay, Collier, Duval, Lake, Lee, Manatee, Martin, Miami-Dade, Monroe, Nassau, Orange, Osceola, Palm Beach, Sarasota, Seminole, St. Johns, St. Lucie

HAP and HOME funds are advanced to closing **by the Servicer**. See HAP and HOME Process in this Guide to request funds timely and ensure availability for closing.

Borrowers who qualify for HOME funds **MUST** use HOME funds.

HAP provides up to 25% of the purchase price not to exceed **\$10,000**. HAP funds cannot be used for borrowers who qualify for HOME funds.

HAMI funds are available to borrowers who do not qualify for HAP or HOME. This is a **10 year** amortizing loan at a rate of **5.00%**.

HOME, HAP AND HAMI funds are reserved immediately following the reservation of the first mortgage. Go to the “Main Menu” and click on **“Additional Mortgage”**.

Assumptions

First mortgage loans **may be** assumed 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

Buydowns **are not** permitted in this program.

Construction to Perm

Construction to perm **is not** permitted in this program.

Cosigners

Cosigners **are** allowable in an FHA transaction 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. In this program, cosigners are not permitted for loans to students.

Documentary Stamp Tax and Intangible Tax

Mortgages and notes in this program are **exempt** 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 **60 days** 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 may be imposed if the property is sold within the first **full nine (9) years**, 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 original loan amount. The amount of repayment also depends upon the level of increase in the homebuyer's income.

Servicing

All mortgage loans must be sold to **U S Bank Home Mortgage**

Subordinate Financing

All subordinate financing **must be** approved by U S Bank's Product 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 are higher in targeted areas.

There are requirements imposed by the **IRS** and the Issuer 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 after closing to assure compliance. An important requirement is that program funds are used for the purpose of acquiring, not refinancing, owner-occupied single family homes. Temporary, construction or bridge financing with a term of two (2) years or less may be refinanced.

CODE REQUIREMENTS

Qualify the **BORROWER**

Unless purchasing in a targeted area, borrowers must be a first-time homebuyer. A first-time homebuyer (and their spouse, if any) is someone who has not owned **and occupied** the property they own in the three year period preceding closing.

Qualify the **INCOME**

*Include the income of all residents of the household who are **18 years** of age or older and have income.

*Include all income.

*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.).

Qualify the PROPERTY

- To determine Targeted Areas, click on “Census Tract Searches”.
- MRB Program funds may be used to finance new or existing single family residences (detached, attached, rowhouse, townhouse, qualified condominium unit [including Spot approvals] and qualified 2 unit dwellings that are the primary full-time residence of the borrowers. A primary residence is the legal residence of a person 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

For first mortgage loans, limits vary **by county**. There is a limit for Targeted and Non-Targeted areas. The mortgagor **must reside** in the property. Some products may permit only one unit dwellings

PROGRAM REQUIREMENTS

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 Loan Application Fee of \$215** and **Tax Service Fee of \$65** (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 to charge their normal, customary and reasonable fees to the extent permitted by the Agency governing the loan type. Excessive fees **are not** permitted in the program

Reserve the loan online.

First mortgage loan reserved and when completed go back to main menu and reserve second mortgage loan. Assistance on Assisted Loan is automatic and is not reserved separately. New construction is reserved on the **Wait List** until **45 days** before closing when it may be moved to the program funds and second mortgage reserved. It's as easy as ABC

A. Program Detail, Second Mortgage Forms, and Mortgagor Survey - www.danda.cc

B Bond forms, Origination Process, Delivery and Funding Guidelines, Delivery forms - www.denihanassoc.com

C. Reservations, tracking, reporting, exceptions
www.hdsoftware.com/usbhm-mrbp

Program Forms At Closing

Borrowers execute the Notices to Buyers prior to closing. Attach Recapture Brochure to their copy. There are two bond forms that must be executed at closing:

The Affidavits and Certification Form has three 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. Just like the Mortgagor Affidavit section, the Seller/Builder section must also be notarized. The original of the form are part of the Compliance file. This form is available online and cannot be executed prior to closing..

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

Other Online Forms

FHFC Assisted Spot Loan Acknowledgment

Florida Housing **Mortgagor Survey**

Revised Delivery Stacking Sheets

Revised Compliance File Checklist

Important Information Regarding Forms

1. Original, personal signatures of all borrowers are required on all documents associated with the transaction.
2. 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.
3. 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.

1. Federal Income 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. 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 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.

Extensions are not 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

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

Thank you for participating!!