

**U.S. BANK  
HOME MORTGAGE,  
MRBP DIVISION**

**CREDIT UNDERWRITING  
INFORMATION  
Florida Housing Finance Corporation  
Mortgage Revenue Bond Program**

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Information in this Guide is subject to change per updates and changes to agency guidelines, Bond Program Guidelines, or Master Servicer requirements

## CREDIT UNDERWRITING INFORMATION

Credit Underwriting is the responsibility of the participating lender's Staff Underwriters. The Master Servicer does not re-underwrite the loans. But, please note: 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 Master Servicer's Underwriting Department only underwrites for approved participating Correspondent Lenders.

All loans are subject to Agency (Fannie Mae, FHA, VA, USDA/RD, Freddie Mac) guidelines for credit underwriting and Bond Program guidelines for eligibility. The Underwriters must always follow the Agency guidelines and program guidelines for income and sales price limitation and program requirements. **Please note:** There are no credit underwriting exceptions because these are Bond Loans.

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

### Underwriting Reference

\* Fannie Mae Selling Guide – Chapter X, Section 304, Community Lending

? Fannie Mae Guide to Desktop Underwriting

? Fannie Mae announcements and updates

[www.efanniemae.com](http://www.efanniemae.com)

FHA – 4155 1 rev 5

? HUD Mortgagee Letters and Updates

[www.hud.gov](http://www.hud.gov)

[www.allregs.com](http://www.allregs.com)

VA

[www.homeloan.va.gov](http://www.homeloan.va.gov)

USDA/RD

[www.rurdev.usda.gov](http://www.rurdev.usda.gov)

Freddie Mac

[www.freddiemac.com](http://www.freddiemac.com)

## 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 LP 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 Lender specialty named and/or designed automated underwriting systems are allowed

**PLEASE REMEMBER: BOND PROGRAM LOANS require written verification of income, may be two weeks paystubs with YTD.**

## Mortgage Insurance

- ? Make sure you get the appropriate coverage per the Fannie Mae Community Lending Product.

**DO NOT TAKE the lower MI option. (If you get a message in DU to use a lower MI option, you have entered the loan incorrectly).**

## Appraisal

Appraisals must be ordered in compliance with agency 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:** A full appraisal report is recommended. The forms 2075 or 2055 may be used as long as the appraiser completes an exterior and interior inspection report, and it is acceptable by the agencies.

## 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.

## Verification of Employment

**Written verification of employment is required on all borrowers getting a mortgage loan with Bond Funds. (Two weeks pay stubs with year-to-date income is acceptable)**

**Please remember:** Income calculations for the Bond Program Requirements and Income Calculations for the Loan Approval **are not the same.** Please refer to the Bond program guidelines for calculating "Household Income".

- ? Tax return information is always required for borrowers considered first time homebuyers and purchasing in a non-targeted area.

## Community Seconds/ Secondary Financing/ Downpayment Assistance Programs

### Secondary Financing

Any financing that creates a lien against the property is considered secondary financing and **not a gift**, even if it is a “soft” or “silent” second (i.e., has no monthly repayment) or has other features forgiving the debt.

All Subsidies (grants or loans) programs **must be approved by the Servicer annually**. Always verify that the downpayment assistance program is on the Master Servicer’s Approved Program List.

The following documents should be forwarded to the Product Development Manager for review:

- 1.Copy of the Second Mortgage (DPA) Program Description
- 2.Copy of any applicable Notes, Deeds, Riders or other documents
- 3.Fannie Mae loan, complete the Fannie Mae checklists...please note: **the program must have a catastrophic language clause.**
- 4.If non-profit, provide copy of the Letter of designation from IRS
5. Non-profit, provide their Federal Tax ID number
6. Must have a document that give the loan amount, and describe the terms of repayment (this must be given to the borrower at application a signed copy put in the loan file)

**Lender’s please note: Originating lenders are also responsible for reviewing the documentation to ensure it meets the Agency requirements, prior to closing the loan (Fannie Mae, FHA, etc.)**

**Make sure you list the funding entity in the “Source of Funds” section on the front of the loan application (1003).**

### DownPayment Assistance Program Acknowledgment Form

**(Each Downpayment Assistance Program has a separate form)**

**The form may be signed at closing by the borrower. Please make sure the form discloses the correct amount of assistance given the borrower and the correct terms. It is very important that this form is in the **loan file** and the **FHA file for Insurance.****

Fannie Mae approved Community Second Mortgages must be coded with the Special Feature Code - 118.

### COMBINED LOAN TO VALUE (CLTV):

The second mortgage obligation must be considered in the monthly housing expense. **Always follow the Agency’s (FHA, VA, Fannie Mae, Freddie Mac, Rural Housing) guidelines for maximum CLTV.**

**Fannie Mae:** 105% Maximum CLTV with an approved Community Second, **Please reference Fannie Mae Selling Guide, Section VIII, Chapter 2**

**FHA:** The sum of all financing may not exceed 100% of the cost to acquire the property. **Please reference HUD 4155.1 rev 5, Section 5, 1-13**

**VA:** may not exceed a maximum loan amount of 100% of the sales price or value plus the funding fee only. **Please reference VA Handbook chapter 9,4 c for guidelines for use of secondary financing with VA loans.**

# FANNIE MAE LOAN PRODUCTS

(COMMUNITY LENDING PRODUCTS ONLY)

Only the following Fannie Mae loan products may be originated in the Bond Program:

**Community Home Buyers Program:** 95% LTV, require 5% from borrower's own funds

**Fannie 3/2:** 95% LTV, require 3% from the borrowers own funds and 2% may come from other Fannie Mae approved sources.

**Fannie 97:** 97% LTV, require 3.0% from the borrower's own funds.

**HFA Home:** 97% LTV, require 1% or \$500 whichever is less from the borrower's own funds (manual underwrite only)

**MCM 97:** 97% LTV, \$500 from the borrower's own funds

**MCM 100:** 100 LTV, \$500 from the borrower's own funds

**MCM Community Solutions 97:** 97% LTV, \$500 from the borrower's own funds

**MCM Community Solutions 100:** 100% LTV, \$500 from the borrower's own funds

**MCM HomeChoice:** 100% LTV, \$500 from the borrowers' own funds.

## SPECIAL FEATURE CODES

Enter the Special Feature Code on the **1008-Loan Transmittal** and on the **Loan Acknowledgement Form**, and the **Loan Delivery Checklist**.

Please indicate the appropriate Special Feature Codes (see chart below)

<b>Fannie Mae Special Feature Codes</b>	
<b>Community HomeBuyer</b>	<b>061</b>
<b>Fannie 3/2</b>	<b>074</b>
<b>Fannie 97</b>	<b>121</b>
<b>MCM 97</b>	<b>460</b>
<b>MCM 100</b>	<b>480</b>
<b>MCM Community Solution 97</b>	<b>481</b>
<b>MCM Community Solution 100</b>	<b>481</b>
<b>MCM HomeChoice (DU approved)</b>	<b>325</b>
<b>MCM HomeChoice (Manual Underwrite)</b>	<b>222</b>
<b>Section 8</b>	
<b>Community Second Mortgage</b>	<b>118</b>
<b>Bond Mortgage</b>	<b>088</b>

If you have underwriting questions, please contact US Bank Home Mortgage, MRBP Division's Underwriting Manager.

**Fannie Mae's MyCommunityMortgage (MCM)** of Products may be used with the Bond Program. Lenders are required to have MCM training prior to originating the MCM loans in the Bond Program. Please contact the Master's Servicer's Product Development Manager for the training schedule. Loans originated under the Bond Program must follow the terms and guidelines of the Master Servicer's Fannie Mae Master Contract.

### **MyCommunityMortgage (MCM) Highlights**

- ? Lenders must attend the MCM training provided by the Master Servicer, contact the Product Development Manager for the training schedule.
- ? Borrowers must contribute a minimum of \$500 from their own funds
- ? 30% of qualifying income from an occupying co-borrower with no credit history (MCM loans only)
- ? Boarder income permitted per the Fannie Mae guidelines (MCM loans only)
- ? EA I and EA II approve/eligible (MCM loans only)
- ? One unit owner occupied property only
- ? Loans entered into DU through Community Lending – Free Submission (1<sup>st</sup> entry)

### **Fannie Mae Loans Product Highlights and Reminders**

100% loans outside of MCM, Flexible loan Products and Expanded Approval Products outside of the MCM are not allowed in the Bond Program

Please provide the Mortgage Insurance coverage designated by the loan type, but do not take the reduced MI premium.

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### **FREDDIE MAC Products**

95% LTV & 97% LTV standard Affordable Products, Contact the Master Servicer's Product Development Manager if you have any questions.

### **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**

### **Helpful Hints:**

•Make sure the name of the funding source for the Down Payment Assistance program is stated in the "source of funds" section of the 1003. Example: FHFC HAP, FHFC HOME

**Helpful Hints:**

- ? Make sure the Down Payment Assistance program is approved with the Master Servicer.
- ? Write the name of the Down Payment Assistance source and amount on the 1008 (loan transmittal and/ or Mortgage Credit Analysis worksheet)
  
- ? Make sure you follow the HUD guidelines for allowable closing costs
- ? Follow the HUD guidelines for Sales Concessions and comply as applicable  
(please read HUD ML 2005-02)

**Frequently Asked Questions:**

**Q -Can we use the down payment assistance for the entire amount of the borrower's down payment?**

A - Fannie Mae will allow the entire down payment to come from an approved down payment source as long as the borrower makes their minimum contribution as designated by the loan product.

FHA will only allow the funding to cover all of the down payment when the funds come from a Federal, State and local agencies or non-profits considered instrumentalities of the government and the lien must be in the name of the governmental entity.

These non-profits will be listed on HUD's approved list – check regional HUD Homeownership Center (HOC)

**Q – If the second is provided by a non-profit that is not a governmental entity and the borrower is getting an FHA loan is the borrower required to make a cash investment from their own funds?**

A - Yes, FHA requires the borrower to make a cash investment of at least 3 % of the acquisition cost.

**Q – May we use other financing if it creates a third and or fourth lien?**

A – the Housing Agency and Master Servicer must approve the use of multiple liens. The other funding entities must also give approval to move into 3<sup>rd</sup> or 4<sup>th</sup> positions. Also, all financing must comply with agency guidelines (FHA, Fannie Mae, VA, Rural Housing)

**Q -Is a gift letter required if the funds have been gifted by a non-profit or instrumentality of government?**

A - Yes, when gifts are provided by a nonprofit or municipality through a down payment assistance program (DAP), the same basic rules regarding documentation of gifts apply. The lender must obtain evidence from the donor (agency) of the amount of funds being provided, as well as evidence that no repayment by the borrower is required. Evidence of the actual transfer of funds can be shown as a transaction on the HUD-1.

**If you have any question please contact:**

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