

**URBAN  
REDEVELOPMENT  
AUTHORITY  
OF  
PITTSBURGH**



**2002**

**Single Family Mortgage Revenue Bond Program  
ORIGINATION GUIDELINES**

**Internet Reservation, Tracking and Reporting System**

Revised 2-04: Separated Origination Guidelines from Delivery and Funding Guidelines. Both Revised. Page 19, added HRP Program and Page 20 replaced Census Tract Chart.

Revised 3-04: Pages 8, 11, 14, 17, 19, all reflect new purchase price limits

Revised 6-1-04 All references to The Leader Mortgage Company changed throughout to U S Bank, U S Bank Home Mortgage or Servicer, as appropriate. "Commitment Term" changed throughout to March 1, 2005.



**Program Facilitator  
Denihan and Associates**

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**THIS MANUAL IS TO BE GIVEN TO YOUR CORPORATE OFFICE AND THE DEPARTMENTS RESPONSIBLE FOR THE ORIGINATION, UNDERWRITING, PROCESSING AND DELIVERY AND PURCHASE OF YOUR MORTGAGE LOANS.**

For complete program instructions, please print the Delivery and Funding Guidelines and Contact Directories that appear on the Website on the "Guide and Forms" page.

Page ii of this Table of Contents describes the forms that are provided on [www.denihanassoc.com](http://www.denihanassoc.com)

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Forms Provided on our Website [www.denihanassoc.com](http://www.denihanassoc.com)

Forms are organized by loan type on the Website. Simply choose a loan type for the forms provided on the Website.

**PROGRAM COMPLIANCE FORMS**

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

**SAMPLE CLOSING FORMS**

<b>FLOOD DISCLOSURE HAZARD</b>	You may use your own form if approved by The Servicer or this form.
<b>FLOOD DISCLOSURE NON HAZARD</b>	You may use your own form if approved by The Servicer or this form.

**MORTGAGE FILE DELIVERY COVER SHEETS**

<b>CONVENTIONAL LOAN DELIVERY CHECKLIST</b>	Use as cover and guide for packaging conventional loans; pkg. sent after closing
<b>FHA LOAN DELIVERY CHECKLIST</b>	Use as cover and guide for packaging FHA loans; pkg. sent after closing

**FINAL DOCUMENT COVER SHEET**

<b>FINAL DOCUMENT DELIVERY COVER SHEET</b>	Use as cover sheet and guide for final documents.
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**URA FORMS**

**URA forms are provided on the Website.**

**OTHER FORMS REQUIRED FOR THE TRANSACTION**

USE YOUR OWN STANDARD FORMS (i.e. first Mortgage/Deed of Trust, Note, required Disclosures, Assignment, etc.)

## BACKGROUND

Federal authority is given to states to issue Mortgage Revenue Bonds (MRB's) for the purpose of providing funds for mortgages. MRB's are usually tax-exempt. That means that the interest earned by the investors is exempt from taxation as income by the Internal Revenue Service. The Internal Revenue Service Code of 1986, as amended, and any regulations promulgated thereunder ("the IRS Code" or "tax law"), govern the issuance of MRB's.

States are permitted to authorize the program and eligible issuers are delegated authority to issue MRB's by the State. In order to provide safe, sanitary and decent housing to residents, the Issuer authorizes the Single Family Mortgage Revenue Bond Program. The Issuer (the state or other governmental entity) issues the bonds and makes the proceeds available to qualified buyers through Lenders. The origination of MRB's relies on standard lending practices and Agency and URA policies. Additionally, the Issuer must insure that all MRB loans meet the requirements of the IRS Code. Basically, those requirements include income and acquisition price restrictions, a requirement that recipients of the loans be first-time home buyers purchasing their principal residence, a *60 days within closing* residency requirement, new financing of first mortgage loans, qualified rehabilitation or other interim financing not exceeding two years and land restricted to the lesser of that required for basic livability or two acres. The MRB benefit is considered a federal subsidy. Mortgagors may be subject to a Recapture of the federal subsidy. State legislation, the Issuer, Community Development Departments and the structure of the bond issue may impose additional requirements. All requirements are contained in this Guide and may supersede traditional lending practices.

### ROLES OF PROGRAM PARTNERS

#### **THE ISSUER**

**THE URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH ("URA")** issues the bonds. (The "Issuer") The **Issuer** and its working group (i.e. Bond Underwriters, Bond Counsel, Financial Advisor, Trustee and others) fashion a bond and program structure. Then lenders are solicited and bonds sold.

#### **THE MASTER SERVICER**

The Issuer has delegated administration of the program to **U S Bank Home Mortgage (the Master Servicer)** whose office is in Cleveland, Ohio.

The **Master Servicer (Servicer)**, purchases, funds and services the program loans and answers questions regarding credit underwriting, delivery and funding.

#### **BOND COMPLIANCE**

The role of **Bond Compliance** includes accepting Mortgage Loan reservations, tracking program allocations, providing continuous updates to lenders, reviewing files for compliance with the IRS Code and tax law, answering compliance and allocation status report questions for lenders and communicating with the **Issuer** and lenders regarding compliance issues. The **Bond Compliance** group handles this responsibility.

#### **PROGRAM FACILITATOR**

**Denihan and Associates** is the **Program Facilitator**. **Denihan and Associates** coordinates communications, arranges lender training, produces Lender Guides and program forms and serves as an additional contact for Lenders. If unable to reach **The Servicer**, **Bond Compliance** or are unsure to whom to direct questions, contact **Denihan and Associates**. **Denihan and Associates** also provides periodic faxed program updates that summarize the status of the program, important dates and changes. **Denihan and Associates** main offices are located in Fort Lauderdale, FL .

#### **PROGRAM LENDERS**

Bid for and receive a program allocation, qualify borrowers, originate loans, credit underwrite, underwrite for compliance with program regulations, fund subsidies, close and deliver the program loans to **The Servicer** for compliance approval and purchase.

## **Definitions, Descriptions, Clarifications**

### **Adjusted Basis**

The adjusted basis, as such term is used in the Internal Revenue Code of 1986, as amended, of the Mortgagor with respect to the Eligible Property (as defined in Section 3.01 hereof) as of the date of completion of the rehabilitation. Generally, the applicable adjusted basis of a residence is the original purchase price plus (a) all capital improvements made to the residence prior to the start of rehabilitation, and (b) the costs of the rehabilitation.

### **Agreement**

The Mortgage Loan Origination, Sale and Servicing Agreement as amended from time to time as permitted hereby.

### **Appraised Value**

The appraised value of any Eligible Property based upon completion of the rehabilitation. The appraisal shall be obtained prior to the Closing Date.

### **Bonds**

The bonds of URA issued pursuant to the Indenture, including the Single Family Mortgage Revenue Bonds, 2002 Series A and B.

### **City**

The City of Pittsburgh, Pennsylvania.

### **Closing Date**

The date on which a Mortgage Loan Closing occurs.

### **Commitment Amount**

The aggregate principal amount of Mortgage Loans to be originated by a Mortgage Lender and purchased by the URA. The Commitment Amount consists of amounts to be originated and may be changed from time to time as agreed upon by URA and each Mortgage Lender.

### **Commitment Term**

The Commitment Term ends March 1, 2005.

### **Commonwealth**

The Commonwealth of Pennsylvania.

### **Compliance File Checklist**

The list of documents required by the Servicer for compliance review and submitted as a file as part of the Mortgage Loan file submission at Settlement.

### **Deferred Payment Loan**

A loan of money by URA to a Mortgagor, funded by URA with CDBG, UDAG, HOME and/or DCED sources, the collateral security for the repayment of which is a lien against the property to be acquired with the proceeds thereof, which lien is immediately subordinate to the lien of a First Mortgage Loan and the Mortgagor's original down payment

### **Down Payment/Closing Cost Assistance Grants**

Funds provided by the URA to eligible Mortgagors as defined in the Agreement. The funds, available to URA from CDBG, UDAG, Indenture Revenues and, HOME and DCED sources, are to be provided as grants to eligible Mortgagors to help them defray a portion of their Total Cash Requirement at their Mortgage Loan Closings.

### **Fannie Mae (FNMA)**

The Federal National Mortgage Association, or any successor thereto.

**Fannie Mae Guides**

The Fannie Mae Selling and Servicing Guides, as amended from time to time, and as modified by the Pool Purchase Contract.

**FHA.**

The Federal Housing Administration of the U.S. Department of Housing and Urban Development, or any successor to its functions.

**FHA Insurance**

FHA mortgage insurance issued under Section 203, 221, 234, 237, and 245 of the National Housing Act, as amended, or other FHA mortgage insurance which provides substantially similar insurance benefits.

**FHA Insured First Mortgages**

First Mortgages insured under FHA insurance.

**First Mortgage Loan**

A loan of money by the Mortgage Lender to a Mortgagor the security for the repayment of which is a first lien on the Eligible Property to be rehabilitated or acquired and rehabilitated with the proceeds thereof. A Mortgage and Mortgage Note evidencing a First Mortgage Loan shall collectively be referred to as a "First Mortgage".

**First-Time Homebuyer**

A first-time homebuyer is someone who has not owned and occupied their principal residence (their legal address) in the three year period preceding closing.

**Funding of Grants and Second Deferred Loans**

Please submit packages for funding at least 2 weeks prior to the closing.

**Loan-to-Value Percentage**

The applicable loan-to-value percentage for the subject Eligible Property.

**Low-Income Borrower**

Eligible low-income borrowers meeting the income limits outlined in this Guide.

**Mortgage**

A pledge of an estate in real property as collateral security for the payment of money as evidenced by an instrument, the form of which has been approved by the URA, Agency and the Servicer (with respect to a First Mortgage Loan) and the URA (with respect to a Second Deferred Loan), as may be effective with respect to the type of Mortgage Loan being financed.

**Mortgage Lender**

Each mortgage lending institution or entity which has agreed to sell and originate Mortgage Loans pursuant to the Agreement, or its wholly-owned subsidiary or affiliate which, as part of its regular business, services mortgage loans.

**Mortgage Loan**

A First Mortgage Loan and a Second Deferred Loan, if any, or either of the foregoing.

**Mortgage Loan Closing**

Any closing or settlement procedure at or by which a Mortgagor receives, or upon certain conditions becomes entitled to receive, the proceeds of a Mortgage Loan originated by a Mortgage Lender pursuant to this Agreement.

**Mortgage Loan File**

The documents identified in the Compliance File Checklist and Delivery Checklist

### **Mortgage Loan Purchases**

The Servicer purchases daily. Loans must be delivered for purchase within 30 days of closing and at least 15 days prior to the Lenders anticipated purchase date.

### **Mortgage Note**

The promissory note, the form of which has been approved by the URA, the Agency and the Servicer (with respect to a First Mortgage Loan) and the URA (with respect to a Second Deferred Loan), as may be effective to evidence the Mortgagor's obligation to repay the type of Mortgage Loan being financed.

### **Mortgagor**

A maker of, or any other party obligated on, a Mortgage Note.

### **Notice of Acceptance**

A notice from URA to each Mortgage Lender specifying, among other things, (i) the Program Commitment Amounts, (ii) the final Mortgage Lender fee, (iii) the annual rate of interest to be specified in the Note as a part of the First Mortgage, (iv) the schedule of delivery of First Mortgages, (v) the final maturity date of the First Mortgages, and (vi) the First Mortgage Commitment Term.

### **Participating Neighborhood-Based Organizations**

Those organizations which are members of the Pittsburgh Community Reinvestment Group or the Working Group on Community Development.

### **Prepayment**

There is no prepayment penalty on first mortgage loans.

**Principal Prepayment.** Any Mortgagor payment or other payment or other recovery of principal on a Mortgage Loan which is received in advance of its scheduled due date and is not accompanied by an amount representing scheduled interest for any month subsequent to the month of prepayment, and the portion of any insurance, liquidation or other payments representing recovery of principal.

**Principal Residence** Principal Residence is an owner-occupied residence which Mortgagor will occupy as his or her principal residence, and which will not be used as an investment property, nor as a recreational home.

**Program Area** All City of Pittsburgh Census Tracts and Block Groups not listed in the chart **on Pages 20 -24**. To determine the Census Tract of a property, go to <http://www.ffiec.gov/geocode/default.htm>.

**Proportionate Loan Percentage** The percentage of the Total Cost (minus the down payment) which is being funded by the First Mortgage Loan and the Second Deferred Loan, if any, as determined in accordance with Section 3.07(a)(i) or Section 3.07(b)(i), as applicable.

#### ***Example (assuming 20% Second Deferred Loan): Maximum Amount \$25,000***

Total Cost: \$80,000

Less Down payment: 2,400 (assuming 3%)

Loan Amount: \$77,600

Second Deferred Loan Amount \$16,000 (\$80,000 x 20%)

First Mortgage Loan Amount 61,600

Total Combined First and Second Mortgage Amount = \$77,600

Proportionate Loan Percentage Calculation:

Second Deferred Loan:  $(\$16,000 / \$77,600) \times 100 = 20.6\%$

First Mortgage Loan:  $(\$61,600 / \$77,600) \times 100 = 79.4\%$

100.0%

**Example (assuming 40% Second Deferred Loan): Maximum Amount \$35,000**

Total Cost: \$80,000

Less Down payment: 2,400 (assuming 3%)

Loan Amount: \$77,600

Second Deferred Loan Amount \$32,000 ( $\$80,000 \times 40\%$ )

First Mortgage Loan Amount 45,600

\$77,600

Proportionate Loan Percentage Calculation:

Second Deferred Loan:  $(\$32,000 / \$77,600) \times 100 = 41.2\%$

First Mortgage Loan:  $(\$45,600 / \$77,600) \times 100 = 58.8\%$

100.0%

**Quality Control**

From time to time the Servicer may request additional documentation from Lenders.

**Recapture Tax**

The conditions of repayment of the federal subsidy of these loans is explained in a separate brochure provided on the Website

**Second Deferred Loan**

A loan of money by URA to Mortgagor from UDAG, CDBG, HOME, DCED or URA funds, the security for the repayment of which is a second lien on the Eligible Property to be rehabilitated with the proceeds thereof, which lien shall be subordinate to the First Mortgage Loan. A Mortgage and Mortgage Note evidencing a Second Deferred Loan shall be collectively referred to as a "Second Mortgage".

**Servicer**

U S Bank Home Mortgage is the MasterServicer (Servicer), its successors and/or assigns.

**Servicer Fees.**

The Servicer program fees for all loans include a Compliance Review Fee of \$190 (paid by buyer or seller but not financeable), Funding Fee of \$25 (paid by party allowable by the insurer/guarantor) and Tax Service Fee of \$65 (paid by seller). 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. These fees ARE NOT financeable.

**Servicing Officer**

Any representative of a Mortgage Lender involved in, or responsible for, the administration and servicing of Mortgage Loans whose name appears on a List of Servicing Officers provided to the URA.

**Settlement**

Any closing or settlement procedure held or conducted pursuant to this Agreement at or by which a First Mortgage and Mortgage Note is sold or delivered by a Mortgage Lender to the Servicer.

**Settlement Date**

The date of any Settlement pursuant to this Agreement.

**Total Cash Requirement**

For PHOP loans, the aggregate amount of cash required of the Mortgagor at a Mortgage Loan Closing, the sum of which consists of the purchase price of the Eligible Property plus closing costs and prepaid expenses and the upfront mortgage insurance premium (Upfront MIP) less the amount of the First Mortgage Loan.

**Example:** Purchase Price: \$ 28,000

Plus Closing Costs: 1,406

Plus Prepays: 721

Plus Upfront MIP 1,061

Total Cost \$31,188

Less First Mortgage

Loan Amount: 28,997

Total Cash Requirement: \$2,191

**Target Area**

**See chart on Pages 20 - 24.** To determine a Census Tract of a property, go to <http://www.ffiec.gov/geocode/default.htm>. To determine if a property is located in a targeted Block Group within a partially targeted Census Tract, call the URA at 412.255.6677. Please allow for a 24 hour turn around time.

**URA**

The Urban Redevelopment Authority of Pittsburgh, or any agency, authority or department which may succeed to its powers and duties.

**URA-Sponsored Developer Commitment**

A commitment by the URA to a developer obligating the URA to purchase and fund a First Mortgage Loan to an eligible Mortgagor for the acquisition of an Eligible Property that is the subject of such commitment.

**PROGRAM SUMMARY  
PHOP - FHA Insured Loans**

**Eligible Area**

The City of Pittsburgh

**Fund Availability**

Lenders have access to a first-come, first-served pool for the origination of first mortgage loans made in their name and sold to the Master Servicer who purchases loans on behalf of the URA. **The Commitment Term ends March 1, 2005.**

**FHA Insured Loans**

<b>Interest Rate</b>	<b>Origination and Discount</b>	<b>P&amp;I Factor Per Thousand</b>	<b>Term</b>
<b>Available to borrowers with incomes at or below the following who are receiving the down payment /closing cost assistance grant.</b>			
<b>4.99%</b>	1.50%*	<b>5.362106</b>	30 years
* May be paid by seller or borrower and seller. In no case may the borrower pay more than .75%.			
1 Person HH = \$30,300		2 Person HH = \$34,600	3 Person HH = \$38,950
4 Person HH = \$43,300		5 Person HH = \$46,750	6 Person HH = \$50,200

<b>Available for borrowers with household incomes above those listed above who are receiving the down payment closing cost assistance grant.</b>			
<b>5.75%</b>	1.50%*	<b>5.835729</b>	30 years
* May be paid by seller of borrower and seller. In no case may the borrower pay more than .75%.			
<b>Available for borrowers with household incomes above those listed above who are NOT receiving the down payment closing cost assistance grant.</b>			
<b>5.25%</b>	1.50%*	<b>5.522037</b>	30 years

**Purchase Price**

The purchase price of each First Mortgage shall be equal to one hundred and five-tenths percent (100.5%) of the original principal amount of the First Mortgage Note, plus accrued interest from the Closing Date to the Settlement Date (but in no case to exceed 45 days).

**Application Fee**

Lenders may collect an application fee not to exceed the actual expense of credit report and appraisal plus \$25.

**Eligible Borrowers**

Borrowers must be at least 18 years of age, occupy the property purchased as their principal residence within 60 days of closing and meet the following income requirements and who not receiving the down payment/closing cost assistance grant:

<b>1-2 Person HH</b>	<b>Program Area: \$54,100</b>	<b>Target Area: \$64,900</b>
<b>3 or more Person HH</b>	<b>Program Area: \$62,200</b>	<b>Target Area: \$75,750</b>

If purchasing in the Program Area, buyers must be first-time homebuyers. This requirement does not apply to borrowers purchasing in Target Areas.

**Targeted Areas**

One-third of the Mortgages in Target Areas for each bond issue may exceed the above-referenced maximum annual gross household income requirement. These mortgages are not eligible for Deferred Mortgage Loans or the down payment/closing cost assistance grant. The Lender must receive URA approval in writing prior to closing a loan qualifying under this variance. **Targeted Areas are described on Pages 20 - 24.**

### Minimum Down Payment Requirement

Of the 3.00% required down payment, all may be in the form of a gift from a close family member or a grant if the borrower qualifies.

### Loan to Value Percentage

Each First Mortgage Loan must have a Loan to Value Percentage which is not in excess of the lesser of FHA requirements or 97% of the appraised value plus closing costs or the sale price plus closing costs, whichever is less, for one or two unit properties for Mortgagors who are eligible for Deferred Payment Loans and/or for Down Payment/Closing Cost Assistance Grants.

### Eligible Properties

**Existing Housing** of 1 to 4 units. For 2-4 units, the property must be a residential unit that is at least 5 years old. FHA approved detached, attached, condos and PUD's that are permanent residential structures are acceptable.

**New Construction** (property must be completed prior to the signing of the sales agreement) that has not been previously occupied and is the subject of a URA Developer Commitment or is less than one year old, has not been previously occupied and contains no more than one unit.

Properties must be at or below the following Acquisition Limits: **Revised - Effective 2-10-04**

	<u>1 Unit</u>	<u>2 Units</u>	<u>3 Units</u>	<u>4 Units</u>
<b>Existing Homes</b>				
Program Area	\$205,306	\$242,801	\$293,476	\$364,728
Target Area	\$250,930	\$296,757	\$358,692	\$445,778
<b>New Construction</b>				
Program Area	\$205,306	N/P	N/P	N/P
Target Area	\$250,930	N/P	N/P	N/P

N/P = Not Permitted

**Program Areas** All City of Pittsburgh Census Tracts and Block Groups not listed in the chart on **Pages 20 - 24**. To determine the Census Tract of a property, go to <http://www.ffiec.gov/geocode/default.htm>.

**Target Area** All Census Tracts including certain Block Groups within partially targeted Census Tracts listed in the chart on **Pages 20 - 24**. To determine a Census Tract of a property, go to <http://www.ffiec.gov/geocode/default.htm>. To determine if a property is located in a targeted Block Group within a partially targeted Census Tract, call the URA at 412.255.6677. Please allow for a 24 hour turn around time.

### Down Payment/Closing Cost Assistance Grants (DP/CCA)

**As of Friday, May 2nd, the URA Board approved a change to the PHOP and HRP guidelines to increase the amount of the down payment closing cost assistance grant for low-income borrowers (borrowers who earn 80% or less of the area median income). All such borrowers will receive a \$3,000 dp/cca grant.**

Funds provided by the URA to eligible Mortgagors are to be provided as grants to help them defray a portion of their Total Cash Requirement at their Mortgage Loan Closings and may be used to help an Eligible Mortgagor finance the acquisition of a URA-Sponsored Development or Existing Housing.

Borrowers who receive the DP/CCA grant may not have liquid assets in excess of \$20,000 after the purchase of the home.

The amount of the grant shall be equal to the lesser of 50% of the borrower's total cash requirement or \$3,000. The total cash requirement is the aggregate amount of cash required at the loan closing, the sum of which consists of the property sales price plus estimated closing costs and prepaid expenses less the amount of the PHOP loan.

All first-time homebuyers must complete a homebuyer education counseling course offered by an approved counseling service provider.

### **Processing DP/CCA**

1. Prior to the commencement of the mortgage interview, the Lender must have the Applicant sign the Acknowledgment of Asset Limitations form if the Applicant is interested in the Down Payment/Closing Cost Assistance Grant.
2. Determine if the Borrower is eligible by completing the Needs Assessment & Borrower Certification Form. Lender and Borrower sign this.
3. If the Borrower is eligible, complete and sign the Down Payment/Closing Cost Assistance Grant Check Request form. Send the check request form along with all required documentation to the URA. Allow the URA at least 10 business days prior to the Closing Date to review the information, order a check and submit it to the Lender or the Lender's Closing agent.
4. At the closing, arrange for the Certification of the Use of Down Payment/Closing Cost Assistance Grant Funds form to be completed, signed and dated by the Borrower/Grantee and the Closing Agent.

### **Second Deferred Loan**

A loan of money by the URA to a Mortgagor from UDAG, CDBG, HOME, DCED or URA funds, secured by a second lien that is subordinate to the first mortgage and evidenced by the second mortgage and second note. **Within forty-five (45) days** after the receipt by the Mortgage Lender of such funds, the Mortgage Lender shall deliver to the URA the **recorded Second Deferred Loan Mortgage**. The Second Deferred Loan **Note** shall be delivered to the URA **no later than three (3) business days** after the Closing Date.

### **Assumption**

Loans are assumable by borrowers meeting both FHA and URA requirements.

### **Settlement Package**

For each Mortgage Loan, the mortgage Lender submits a Settlement Package to the URA and a Settlement Package to the Servicer. For loans utilizing only the first mortgage, the Settlement Package submitted to the **URA** should include **copies** of the following materials unless otherwise noted: **HUD-1 Settlement Statement and the Conflict of Interest form**. Otherwise, submit all items on the checklist.



**Eligible Properties -**

**Existing Housing** of 1 or 2 units. For 2 units, the property must be a residential unit that is at least 5 years old. Fannie Mae approved attached, condos and PUD's that are permanent residential structures are acceptable.

**New Construction** (property must be completed prior to the signing of the sales agreement) that has not been previously occupied and is the subject of a URA Developer Commitment or is less than one year old, has not been previously occupied and contains no more than one unit.

Properties must be at or below the following Acquisition Limits:**Revised - Effective 2-10-04**

	<u><b>1 Unit</b></u>
<b>Existing Homes</b>	
Program Area	\$205,306
Target Area	\$250,930
<b>New Construction</b>	
Program Area	\$205,306
Target Area	\$250,930
<b>N/P = Not Permitted</b>	

**Program Area** All City of Pittsburgh Census Tracts and Block Groups not listed in the chart on **Pages 20 - 24**. To determine the Census Tract of a property, go to <http://www.ffiec.gov/geocode/default.htm>.

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**Down Payment/Closing Cost Assistance Grants (DP/CCA)**

As of Friday, May 2nd, the URA Board approved a change to the PHOP and HRP guidelines to increase the amount of the down payment closing cost assistance grant for low-income borrowers (borrowers who earn 80% or less of the area median income). All such borrowers will receive a \$3,000 DP/CCA grant.

Funds provided by the URA to eligible Mortgagors are to be provided as grants to help them defray a portion of their Total Cash Requirement at their Mortgage Loan Closings and may be used to help an Eligible Mortgagor finance the acquisition of a URA-Sponsored Development or Existing Housing.

Borrowers who receive the DP/CCA grant may not have liquid assets in excess of \$20,000 after the purchase of the home.

**For borrowers who earn more than 80% of the area median income**, the amount of the grant shall be equal to the lesser of 50% of the borrower's total cash requirement or \$3,000. The total cash requirement is the aggregate amount of cash required at the loan closing, the sum of which consists of the property sales price plus estimated closing costs and prepaid expenses less the amount of the PHOP loan.

All homebuyers must complete pre and post purchase homebuyer education classes offered by Neighborhood Housing Services (8 hours) and receive certification.

**Processing DP/CCA**

**Once the borrower is determined to be eligible for the PHOP program and the loan amount is determined PREPARE CHECK REQUEST TO URA--**

1. Complete and sign the two-page form "Check Request: Down Payment/Closing Cost Assistance Grant." Submit to the URA the check request and copies of the Mortgage Application, Sales Agreement, Good Faith Estimate, HUD Credit

Analysis Worksheet (FHA insured loan) or Mortgage Eligibility Worksheet (Lender Recourse or Fannie Mae NTIC loans) and Federal Income Tax Returns for three most recent years.

2. Allow the URA a minimum of two weeks to review the check request, order the check and submit the check to the Lender or the Lender's closing agent.

AT THE LOAN CLOSING, ARRANGE FOR THE APPROPRIATE CERTIFICATION FORM TO BE COMPLETED, SIGNED AND DATED:

3. For the closing, complete the form "Certification of the Use of Down Payment/Closing Cost Assistance Grant Funds."

4. Have both the Borrower/Grantee(s) and the Lender's Closing Agent sign and Date the form where indicated.

### **Special Feature Code**

**When using this product, use special Feature Code 303**

### **Second Deferred Loan**

A loan of money by the URA to a Mortgagor from UDAG, CDBG, HOME, DCED or URA funds, secured by a second lien that is subordinate to the first mortgage and evidenced by the second mortgage and second note. **Within forty-five (45) days** after the receipt by the Mortgage Lender of such funds, the Mortgage Lender shall deliver to the URA the **recorded Second Deferred Loan Mortgage**. The Second Deferred Loan **Note** shall be delivered to the URA **no later than three (3) business days** after the Closing Date.

### **Homebuyer Education**

All Borrowers must attend homebuyer education counseling classes provided by Neighborhood Housing Services, Inc.. (NHS) In addition, for a 2 unit property, landlord counseling is required, which is also provided by NHS.

### **Property Inspection**

A property inspection is required on all 2 unit properties and must include all home component systems such as electric, plumbing, heating and similar systems

### **Assumption**

Assumptions must be approved by Fannie Mae and meet URA requirements.

### **Mortgage Insurance**

Must be secured from Fannie Mae approved provider.

### **Settlement Package**

For each Mortgage Loan, the mortgage Lender submits a Settlement Package to the URA and a Settlement Package to the Servicer. For loans utilizing only the first mortgage, the Settlement Package submitted to the **URA** should include **copies** of the following materials unless otherwise noted: **HUD-1 Settlement Statement and the Conflict of Interest form**.



**Eligible Properties**

**Existing Housing** of 1 unit only.. Fannie Mae approved attached, condos and PUD’s that are permanent residential structures are acceptable.

**New Construction** (property must be completed prior to the signing of the sales agreement) that has not been previously occupied and is the subject of a URA Developer Commitment or is less than one year old, has not been previously occupied and contains no more than one unit.

Properties must be at or below the following Acquisition Limits: **Revised - Effective 2-10-04**

	<u>1 Unit</u>
<b>Existing Homes</b>	
Program Area	\$205,306
Target Area	\$250,930
<b>New Construction</b>	
Program Area	\$205,306
Target Area	\$250,930
N/P = Not Permitted	

**Program Areas Program Area** All City of Pittsburgh Census Tracts and Block Groups not listed in the chart on **Pages 20 - 24**. To determine the Census Tract of a property, go to <http://www.ffiec.gov/geocode/default.htm>.

**Target Area** All Census Tracts including certain Block Groups within partially targeted Census Tracts listed in the chart on **Pages 20 - 24**. To determine a Census Tract of a property, go to <http://www.ffiec.gov/geocode/default.htm>. To determine if a property is located in a targeted Block Group within a partially targeted Census Tract, call the URA at 412.255.6677. Please allow for a 24 hour turn around time.

**Down Payment/Closing Cost Assistance Grants (DP/CCA)**

As of Friday, May 2nd, the URA Board approved a change to the PHOP and HRP guidelines to increase the amount of the down payment closing cost assistance grant for low-income borrowers (borrowers who earn 80% or less of the area median income). All such borrowers will receive a \$3,000 dp/cca grant.

Funds provided by the URA to eligible Mortgagors are to be provided as grants to help them defray a portion of their Total Cash Requirement at their Mortgage Loan Closings and may be used to help an Eligible Mortgagor finance the acquisition of a URA-Sponsored Development or Existing Housing.

Borrowers who receive the DP/CCA grant may not have liquid assets in excess of \$20,000 after the purchase of the home.

**For borrowers who earn more than 80% of the area median income**, the amount of the grant shall be equal to the lesser of 50% of the borrower’s total cash requirement or \$3,000. The total cash requirement is the aggregate amount of cash required at the loan closing, the sum of which consists of the property sales price plus estimated closing costs and prepaid expenses less the amount of the PHOP loan.

All homebuyers must complete pre and post purchase homebuyer education classes offered by Neighborhood Housing Services (8 hours) and receive certification.

**Processing DP/CCA**

**Once the borrower is determined to be eligible for the PHOP program and the loan amount is determined PREPARE CHECK REQUEST TO URA--**

1. Complete and sign the two-page form “Check Request: Down Payment/Closing Cost Assistance Grant.” Submit to the URA the check request and copies of the Mortgage Application, Sales Agreement, Good Faith Estimate, HUD Credit Analysis Worksheet (FHA insured loan) or Mortgage Eligibility Worksheet (Lender Recourse or Fannie Mae NTIC loans) and Federal Income Tax Returns for three most recent years.

2. Allow the URA a minimum of two weeks to review the check request, order the check and submit the check to the Lender or the Lender's closing agent.

AT THE LOAN CLOSING, ARRANGE FOR THE APPROPRIATE CERTIFICATION FORM TO BE COMPLETED, SIGNED AND DATED:

3. For the closing, complete the form "Certification of the Use of Down Payment/Closing Cost Assistance Grant Funds."

4. Have both the Borrower/Grantee(s) and the Lender's Closing Agent sign and Date the form where indicated.

### **Special Feature Code**

**When using this product, use special Feature Code 303**

### **Second Deferred Loan**

A loan of money by the URA to a Mortgagor from UDAG, CDBG, HOME, DCED or URA funds, secured by a second lien that is subordinate to the first mortgage and evidenced by the second mortgage and second note. **Within forty-five (45) days** after the receipt by the Mortgage Lender of such funds, the Mortgage Lender shall deliver to the URA the **recorded Second Deferred Loan Mortgage**. The Second Deferred Loan **Note** shall be delivered to the URA **no later than three (3) business days** after the Closing Date.

### **Homebuyer Education**

All Borrowers must attend homebuyer education counseling classes provided by Neighborhood Housing Services, Inc.. (NHS) In addition, for a 2 unit property, landlord counseling is required, which is also provided by NHS.

### **Property Inspection**

A property inspection is required on all 2 unit properties and must include all home component systems such as electric, plumbing, heating and similar systems

### **Assumption**

Assumptions must be approved by Fannie Mae and meet URA requirements.

### **Mortgage Insurance**

Must be secured from Fannie Mae approved provider.

### **Settlement Package**

For each Mortgage Loan, the mortgage Lender submits a Settlement Package to the URA and a Settlement Package to the Servicer. For loans utilizing only the first mortgage, the Settlement Package submitted to the **URA** should include **copies** of the following materials unless otherwise noted: **HUD-1 Settlement Statement and the Conflict of Interest form.**

**PROGRAM SUMMARY**  
**PHOP - Lender Recourse Program (Conventional)**

**Eligible Area**

The City of Pittsburgh

**Fund Availability**

Lenders receive allocations for the origination of first mortgage loans made in their name and sold to the Master Servicer who purchases loans on behalf of the URA. **The Commitment Term ends March 1, 2006.**

Interest Rate	Origination and Discount	P&I Factor Per Thousand	Term
<b>Available to borrowers with incomes at or below the following who are receiving the down payment /closing cost assistance grant.</b>			
<b>4.99%</b>	1.50%*	<b>5.362106</b>	30 years
* May be paid by seller or borrower and seller. In no case may the borrower pay more than .75%.			
1 Person HH = \$30,300		2 Person HH = \$34,600	3 Person HH = \$38,950
4 Person HH = \$43,300		5 Person HH = \$46,750	6 Person HH = \$50,200

<b>Available for borrowers with household incomes above those listed above who are receiving the down payment closing cost assistance grant.</b>			
<b>5.75%</b>	1.50%*	<b>5.835729</b>	30 years
* May be paid by seller of borrower and seller. In no case may the borrower pay more than .75%.			
<b>Available for borrowers with household incomes above those listed above who are NOT receiving the down payment closing cost assistance grant.</b>			
<b>5.25%</b>	1.50%*	<b>5.522037</b>	30 years

**Purchase Price**

The purchase price of each First Mortgage shall be equal to one hundred and five-tenths percent (100.5%) of the original principal amount of the First Mortgage Note, plus accrued interest from the Closing Date to the Settlement Date (but in no case to exceed 45 days).

**Application Fee**

Lenders may collect an application fee not to exceed the actual expense of credit report and appraisal plus \$25.

**Eligible Borrowers**

Borrowers must be at least 18 years of age, occupy the property purchased as their principal residence within 60 days of closing and meet the following income requirements if not who are not receiving the down payment/closing cost assistance grant. :

<b>1-2 Person HH</b>	<b>Program Area: \$54,100</b>	<b>Target Area: \$64,900</b>
<b>3 or more Person HH</b>	<b>Program Area: \$62,200</b>	<b>Target Area: \$75,750</b>

If purchasing in the Program Area, buyers must be first-time homebuyers. This requirement does not apply to borrowers purchasing in Target Areas.

**Targeted Areas**

One-third of the Mortgagors in Target Areas for each bond issue may exceed the above-referenced maximum annual gross household income requirement. These mortgagors are not eligible for Deferred Mortgage Loans or the down payment/closing cost assistance grant. The Lender must receive URA approval in writing prior to closing a loan qualifying under this variance.

**Minimum Down Payment Requirement**

**For moderate income buyers:** There is a minimum down payment requirement of 5.00% of which 3.00% must be from the borrower's own funds. The other 2.00% may be in the form of a gift or grant. **For low income buyers:** The minimum down payment requirement is 3.00% all of which must be from the borrower's own funds.

**Loan to Value Percentage**

Borrower may finance up to 100% of appraised value.

**Eligible Properties -**

**Existing Housing** of 1 to 4 units. For 2-4 units, the property must be a residential unit that is at least 5 years old. **Fannie Mae** approved detached, attached, condos and PUD's that are permanent residential structures are acceptable.

**New Construction** (property must be completed prior to the signing of the sales agreement) that has not been previously occupied and is the subject of a URA Developer Commitment or is less than one year old, has not been previously occupied and contains no more than one unit.

Properties must be at or below the following Acquisition Limits: **Revised - Effective 2-10-04**

	<b>1 Unit</b>	<b>2 Units</b>	<b>3 Units</b>	<b>4 Units</b>
<b>Existing Homes</b>				
Program Area	\$205,306	\$242,801	\$293,476	\$364,728
Target Area	\$250,930	\$296,757	\$358,692	\$445,778
<b>New Construction</b>				
Program Area	\$205,306	N/P	N/P	N/P
Target Area	\$250,930	N/P	N/P	N/P

**N/P = Not Permitted**

**Program Area** All City of Pittsburgh Census Tracts and Block Groups not listed in the chart on **Pages 20 - 24**. To determine the Census Tract of a property, go to <http://www.ffiec.gov/geocode/default.htm>.

**Target Area** All Census Tracts including certain Block Groups within partially targeted Census Tracts listed in the chart on **Pages 20 - 24**. To determine a Census Tract of a property, go to <http://www.ffiec.gov/geocode/default.htm>. To determine if a property is located in a targeted Block Group within a partially targeted Census Tract, call the URA at 412.255.6677. Please allow for a 24 hour turn around time.

**Down Payment/Closing Cost Assistance Grants (DP/CCA) -**

As of Friday, May 2nd, the URA Board approved a change to the PHOP and HRP guidelines to increase the amount of the down payment closing cost assistance grant for low-income borrowers (borrowers who earn 80% or less of the area median income). All such borrowers will receive a \$3,000 dp/cca grant.

Funds provided by the URA to eligible Mortgagors are to be provided as grants to help them defray a portion of their Total Cash Requirement at their Mortgage Loan Closings and may be used to help an Eligible Mortgagor finance the acquisition of a URA-Sponsored Development or Existing Housing.

Borrowers who receive the DP/CCA grant may not have liquid assets in excess of \$20,000 after the purchase of the home.

The amount of the grant shall be equal to the lesser of 50% of the borrower's total cash requirement or \$3,000. The total cash requirement is the aggregate amount of cash required at the loan closing, the sum of which consists of the property sales price plus estimated closing costs and prepaid expenses less the amount of the PHOP loan.

All first-time homebuyers must complete a homebuyer education counseling course offered by an approved counseling service provider.

### **Processing DP/CCA**

1. Prior to the commencement of the mortgage interview, the Lender must have the Applicant sign the Acknowledgment of Asset Limitations form if the Applicant is interested in the Down Payment/Closing Cost Assistance Grant.
2. Determine if the Borrower is eligible by completing the Needs Assessment & Borrower Certification Form. Lender and Borrower sign this.
3. If the Borrower is eligible, complete and sign the Down Payment/Closing Cost Assistance Grant Check Request form. Send the check request form along with all required documentation to the URA. Allow the URA at least 10 business days prior to the Closing Date to review the information, order a check and submit it to the Lender or the Lender's Closing agent.
4. At the closing, arrange for the Certification of the Use of Down Payment/Closing Cost Assistance Grant Funds form to be completed, signed and dated by the Borrower/Grantee and the Closing Agent.

### **Second Deferred Loan**

A loan of money by the URA to a Mortgagor from UDAG, CDBG, HOME, DCED or URA funds, secured by a second lien that is subordinate to the first mortgage and evidenced by the second mortgage and second note. **Within forty-five (45) days** after the receipt by the Mortgage Lender of such funds, the Mortgage Lender shall deliver to the URA the **recorded Second Deferred Loan Mortgage**. The Second Deferred Loan **Note** shall be delivered to the URA **no later than three (3) business days** after the Closing Date.

### **Assumption**

Loans are assumable by borrowers meeting both FHA and URA requirements.

### **Settlement Package**

For each Mortgage Loan, the mortgage Lender submits a Settlement Package to the URA and a Settlement Package to the Servicer. For loans utilizing only the first mortgage, the Settlement Package submitted to the **URA** should include **copies** of the following materials unless otherwise noted: **HUD-1 Settlement Statement and the Conflict of Interest form**.

**PROGRAM SUMMARY**  
**PHOP - Housing Recovery Program (Conventional)**

This program provides permanent financing for (1) the acquisition and rehabilitation of an Eligible Property as defined below, (2) the refinancing of existing indebtedness of an Eligible Property in conjunction with the rehabilitation of the Eligible Property and (3) the rehabilitation of the Eligible Property provided that there is no other mortgage on the property.

Borrowers are provided a first mortgage loan or if the property is located in a Target Area or a CDBG-eligible area, a first mortgage loan and a deferred second mortgage loan. Soft costs (such as architectural fees) which are permitted to be financed on FHA residential loans may be financed as part of the Mortgage Loan. Closing costs may be financed if the property is located within a CDBG-Eligible area. The URA must approve the proposed uses of proceeds and the rehabilitation plans and specifications prior to the Mortgage Lender's issuing a final commitment to a proposed borrower.

**The Commitment Term ends March 1, 2005.**

**Eligible Properties and Eligible Areas**

- Single Family residence of one to four units located in the City of Pittsburgh that is a completed, permanent structure or will be completed within 150 days following loan closing.
- Properties of more than one unit must be a residential structure of at least 5 years old.
- The property must have been used at least 20 years prior to the start of rehabilitation.
- At least 50% of the existing external walls must be retained in place as external walls.
- At least 75% of the existing internal walls must be retained in place as internal or external walls.
- At least 75% of the existing internal structural framework must be retained in place.
- The expenditures for the rehabilitation must be equal to 25% or more of the Mortgagor's Adjusted Basis in the residence, determined as of the completion date of the rehabilitation.
- The Mortgagor must have an Adjusted Basis in the residence not in excess of the following limits:

**Revised - Effective 2-10-04**

	<u>1 Unit</u>	<u>2 Units</u>	<u>3 Units</u>	<u>4 Units</u>
<b>Existing Homes</b>				
Blue, Green Areas	\$205,306	\$242,801	\$293,476	\$364,728
Yellow Areas	\$250,930	\$296,757	\$358,692	\$445,778
<b>New Construction</b>				
Blue, Green Areas	\$205,306	N/P	N/P	N/P
Yellow Areas	\$250,930	N/P	N/P	N/P

**N/P = Not Permitted**

**Buyers in Non-Target and Non-CDBG Program Areas qualify for the First Mortgage Loan**

**Buyers in Target and CDBG Eligible Areas qualify for the First Mortgage Loan, Deferred Second Mortgage Loan. Property in Target Areas has higher acquisition limits**

**Program Areas** All City of Pittsburgh Census Tracts and Block Groups not listed in the chart on **Pages 20 - 24**. To determine the Census Tract of a property, go to <http://www.ffiec.gov/geocode/default.htm>.

**Target Area** All Census Tracts including certain Block Groups within partially targeted Census Tracts listed in the chart on **Pages 20 - 24**. To determine a Census Tract of a property, go to <http://www.ffiec.gov/geocode/default.htm>. To determine if a property is located in a targeted Block Group within a partially targeted Census Tract, call the URA at 412.255.6677. Please allow for a 24 hour turn around time.

**Down Payment/Closing Cost Assistance Grants (DP/CCA) -**

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**ELIGIBLE AREAS BY CENSUS TRACT**

<b>2000 CENSUS TRACT</b>	<b>CDBG?</b>	<b>2000 MRB TARGET?</b>	<b>BLOCK GROUP(S)</b>	<b>NEIGHBORHOOD</b>	<b>COLOR</b>	<b>COUNCIL DISTRICT</b>
103	YES	YES	ALL	Bluff	Yellow	6
201	YES	PART	1	Central Business District	Green/Yellow	6
203	YES	NO		Strip District	Green	6
305	YES	YES	ALL	Crawford Roberts	Yellow	6
402	YES	PART	2	West Oakland	Green/Yellow	6
403	NO	NO		North Oakland	Blue	
404	YES	NO		North Oakland	Green	
405	YES	YES	ALL	Central Oakland	Yellow	3
406	YES	YES	ALL	Central Oakland	Yellow	3
409	YES	PART	2	South Oakland	Green/Yellow	3
501	YES	YES	ALL	Middle Hill	Yellow	6
506	YES	PART	2	Upper Hill	Green/Yellow	6
507	YES	YES	ALL	North Oakland	Yellow	8
509	YES	YES	ALL	Bedford Dwelling	Yellow	6
510	YES	YES	ALL	Terrace Village	Yellow	6
511	YES	YES	ALL	Terrace Village	Yellow	6
603	YES	NO		Lower Lawrenceville	Green	7
605	YES	NO		Polish Hill	Green	7
703	NO	NO		Shadyside	Blue	8
705	YES	NO		Shadyside	Green	8
706	NO	NO		Shadyside	Blue	8
708	NO	NO		Shadyside	Blue	8
709	PART	NO	2	Shadyside	Blue/Green	8
802	YES	NO		Bloomfield	Green	8
804	YES	PART	3	Bloomfield	Green/Yellow	8
806	YES	NO		Bloomfield	Green	8
807	YES	NO		Friendship	Green	8
809	YES	NO		Bloomfield	Green	8
902	YES	PART	4	Central Lawrenceville	Green/Yellow	7

<b>2000 CENSUS TRACT</b>	<b>CDBG?</b>	<b>2000 MRB TARGET?</b>	<b>BLOCK GROUP(S)</b>	<b>NEIGHBORHOOD</b>	<b>COLOR</b>	<b>COUNCIL DISTRICT</b>
903	YES	NO		Bloomfield	Green	7
1005	NO	NO		Stanton Heights	Blue	7
1011	YES	NO		Upper Lawrenceville	Green	7
1014	NO	NO		Morningside	Blue	7
1016	YES	YES	ALL	Garfield	Yellow	7
1017	YES	PART	2	Garfield	Green/Yellow	7
1018	NO	NO		Stanton Heights	Blue	7
1102	NO	NO		Highland Park	Blue	7
1106	NO	NO		Highland Park	Blue	9
1113	YES	PART	3	East Liberty	Green/Yellow	9
1114	YES	PART	1	Garfield	Green/Yellow	7
1115	YES	YES	ALL	East Liberty	Yellow	9
1201	YES	NO		Lincoln Lemington Belmar	Green	9
1202	YES	NO		Lincoln Lemington Belmar	Green	9
1203	YES	PART	2	Lincoln Lemington Belmar	Green/Yellow	9
1204	YES	YES	ALL	Larimer	Yellow	9
1207	YES	YES	ALL	Homewood West	Yellow	9
1208	YES	YES	ALL	Larimer	Yellow	9
1301	YES	YES	ALL	Homewood North	Yellow	9
1302	YES	NO		Homewood North	Green	9
1303	YES	YES	ALL	Homewood South	Yellow	9
1304	YES	YES	ALL	Homewood South	Yellow	9
1306	YES	YES	ALL	East Hills	Yellow	9
1401	NO	NO		Squirrel Hill North	Blue	8
1402	NO	NO		Squirrel Hill North	Blue	8
1403	NO	NO		Squirrel Hill North	Blue	8
1404	NO	NO		Point Breeze	Blue	8
1405	PART	NO	1,2	Point Breeze North	Blue/Green	9
1406	NO	NO		Point Breeze	Blue	9
1408	NO	NO		Squirrel Hill South	Blue	5

<b>2000 CENSUS TRACT</b>	<b>CDBG?</b>	<b>2000 MRB TARGET?</b>	<b>BLOCK GROUP(S)</b>	<b>NEIGHBORHOOD</b>	<b>COLOR</b>	<b>COUNCIL DISTRICT</b>
1410	NO	NO		Regent Square	Blue	5
1411	NO	NO		Swisshelm Park	Blue	5
1413	NO	NO		Squirrel Hill South	Blue	5
1414	PART	NO		Squirrel Hill South	Blue/Green	5
1501	YES	PART	1	Hazelwood	Green/Yellow	3
1504	YES	YES	ALL	Glen Hazel	Yellow	5
1515	YES	PART	2,4	Hazelwood	Green/Yellow	5
1516	PART	NO	4	Greenfield	Blue/Green	5
1517	NO	NO		Greenfield	Blue	3
1603	YES	PART	3	Arlington	Green/Yellow	3
1604	YES	YES	ALL	Arlington Heights	Yellow	3
1606	YES	YES	ALL	St. Clair	Yellow	3
1607	YES	NO		Mt. Oliver	Green	3
1608	YES	NO		South Side Slopes	Green	3
1609	YES	NO		South Side Flats	Green	3
1702	YES	NO		South Side Flats	Green	3
1706	YES	NO		South Side Slopes	Green	3
1803	YES	PART	3	Allentown	Green/Yellow	3
1806	NO	NO		Bon Air	Blue	4
1807	PART	NO	2	Mt. Washington	Blue/Green	3
1809	YES	NO		Beltzhoover	Green	3
1903	NO	NO		Mt. Washington	Blue	2
1911	NO	NO		Duquesne Heights	Blue	2
1914	YES	NO		Mt. Washington	Green	2
1915	YES	NO		Mt. WAshingotn	Green	2
1916	NO	NO		Beechview	Blue	4
1917	PART	NO	3	Brookline	Blue/Green	4
1918	PART	NO	3, 5	Brookline	Blue/Green	4
1919	NO	NO		Brookline	Blue	4
1920	PART	NO	1, 5	Beechview	Blue/Green	4

<b>2000 CENSUS TRACT</b>	<b>CDBG?</b>	<b>2000 MRB TARGET?</b>	<b>BLOCK GROUP(S)</b>	<b>NEIGHBORHOOD</b>	<b>COLOR</b>	<b>COUNCIL DISTRICT</b>
1921	YES	NO		South Shore	Green	2
2016	NO	NO		Ridgemont	Blue	2
2017	NO	NO		Esplen	Blue	2
2018	NO	NO		Sheraden	Blue	2
2019	YES	NO		West End	Green	2
2020	PART	NO	1	Elliott	Blue/Green	2
2021	YES	NO		Chartiers City	Green	2
2022	PART	NO	1, 2	Sheraden	Blue/Green	2
2023	NO	NO		Banksville	Blue	2
2107	YES	PART	1	Manchester	Green/Yellow	6
2108	YES	YES	ALL	Chateau	Yellow	6
2201	NO	NO		Allegheny West	Blue	6
2204	YES	YES	ALL	Allegheny Center	Yellow	6
2205	NO	NO		North Shore	Blue	6
2206	YES	NO		Central North Side	Green	6
2304	YES	NO		East Allegheny	Green	1
2406	YES	NO		Troy Hill	Green	1
2412	YES	NO		Spring Garden	Green	1
2503	YES	YES	ALL	Central North Side	Yellow	6
2507	YES	YES	ALL	California Kirkbride	Yellow	6
2509	YES	PART	3	Fineview	GreenYellow	6
2602	NO	NO		Perry North	Blue	1
2607	NO	NO		Perry North	Blue	1
2609	YES	YES	ALL	Northview Heights	Yellow	1
2612	NO	NO		Summer Hill	Blue	1
2614	YES	PART	1,3	Perry South	Green/Yellow	1
2615	YES	NO		Perry South	Green	1
2620	YES	PART	2	Spring Hill/City View	Green/Yellow	1
2701	PART	NO	2	Brighton Heights	Blue/Green	1
2703	YES	PART	2	Brighton Heights	Green/Yellow	1

<b>2000 CENSUS TRACT</b>	<b>CDBG?</b>	<b>2000 MRB TARGET?</b>	<b>BLOCK GROUP(S)</b>	<b>NEIGHBORHOOD</b>	<b>COLOR</b>	<b>COUNCIL DISTRICT</b>
2704	YES	NO		Marshall Shadeland	Green	1
2708	NO	NO		Brighton Heights	Blue	1
2715	YES	NO		Marshall Shadeland	Green	1
2808	YES	YES	ALL	Fairywood	Yellow	2
2811	NO	NO		Westwood	Blue	2
2812	NO	NO		Oakwood	Blue	2
2814	YES	NO		Crafton Heights	Green	2
2815	NO	NO		Crafton Heights	Blue	2
2901	PART	NO	1, 3	Carrick	Blue/Green	4
2902	YES	NO		Carrick	Green	4
2904	PART	NO	1, 2	Carrick	Blue/Green	4
3001	YES	PART	2,4	Knoxville	Green/Yellow	3
3101	YES	NO		Hays	Green	5
3102	NO	NO		Lincoln Place	Blue	5
3103	NO	NO		New Homestead	Blue	5
3204	NO	NO		Overbrook	Blue	4
3206	NO	NO		Brookline	Blue	4
3207	NO	NO		Overbrook	Blue	4

**Buyers in Non-Target CDBG Eligible Areas qualify for the First Mortgage Loan and Deferred Second Mortgage Loans**

**Eligible Borrowers**

Borrowers must be at least 18 years of age, occupy the property purchased as their principal residence within 60 days of closing and meet the following income requirements:

**Low Income Limits**

1 Person HH = \$30,300	2 Person HH = \$34,600	3 Person HH = \$38,950
4 Person HH = \$43,300	5 Person HH = \$46,750	6 Person HH = \$50,200

**OR**

<b>HH Size</b>	<b>Blue Area</b>	<b>Yellow Area</b>	<b>Green Area</b>
1	\$54,100	\$53,000	\$54,100
2	\$54,100	\$60,600	\$54,100
3	\$62,200	\$68,150	\$62,200
4	\$62,200	\$75,750	\$62,200
5	\$62,200	\$81,800	\$62,200
6	\$62,200	\$87,850	\$62,200

**Eligibility Criteria for Mortgage Loans**

**Amortizing First Mortgage Loans must meet the following terms and conditions**

The first mortgage loan

**13. Loan to Value**

**In Target and CDBG-Eligible Yellow, Green Areas**

- a. 97% of the lesser of the Appraised Value or Total Cost for one or two unit properties; or
- b. 94% of the lesser of the Appraised Value or Total Cost for three or four unit properties.

**In all other Areas**

- a. 95% of the lesser of the Appraised Value or Total Cost for one or two unit properties; or
- b. 94% of the lesser of the Appraised Value or Total Cost for three or four unit properties.

**14. Form of Note**

Each amortizing first mortgage loan shall be evidenced by the Mortgage Lender's standard form of note and secured by the Mortgage Lender's standard form of mortgage which have been approved for use by the URA, the Servicer and Fannie Mae.

**15. Amortization**

The Mortgage Note for the Amortizing First Mortgage Loan shall begin amortization within 120 days of the date of Mortgage Loan closing and must be fully amortized by substantially equal monthly payments. For example, a Borrower's first payment of an Amortizing First Mortgage Loan with a Closing Date of June 15, 1997 would occur on October 1, 1997.

**4. There is no prepayment penalty.**

**5. Assumption**

The amortizing first mortgage loan shall provide that it is assumable only with the consent of the URA and Servicer and assumption without such consent constitutes an event of default which causes immediate acceleration of the entire unpaid principal balance. The Mortgage Lender will prepare a Rider to the first mortgage to allow the loan to be assumed.

**6. Other Acceleration**

Each Mortgage Note shall provide that any failure by the Mortgagor to comply with the eligibility requirements or procedural requirements of the Mortgage Loan Origination, Sale and Servicing Agreement, or any misrepresentation in any document given to evidence compliance with such requirements, shall constitute an event of default thereunder which causes an immediate acceleration of the entire unpaid balance of the Amortizing First Mortgage Loan.

**Deferred Loans must meet the following terms and conditions  
Each Deferred Second Mortgage Loan**

**Deferred second mortgage loans** (0.00% interest) shall be made in the name of the URA and be repaid the earlier of sale or transfer of the property or 99 years.

- 1. Eligible Property**  
Must be used for the financing of an Eligible Property in a CDBG Eligible Area (Yellow or Green Areas)
- 2. Form of Note and Mortgage**  
Must use the form of Note and Mortgage provided by the URA .
- 3. Original Principal Amount**  
Shall have the amount determined by the URA

**Down Payment Requirements**

The Mortgage shall be required to make not less than the following applicable down payment with respect to the Mortgage Loan:

- 1. CDBG Eligible Areas (Yellow and Green Areas)**
  - a. 3% of the Total Cost for one or two-unit properties, or
  - b. 6% of the Total Cost for three or four-unit properties

Closing costs may only be included in Total Cost in CDBG Eligible Areas.
- 2. All Other Program Areas (Blue Areas)**
  - a. 5% of Total Cost for one or two-unit properties, or
  - b. 6% of Total Cost for three or four-unit properties

**Determination of Amount of Mortgage Loans**

**CDBG Eligible Areas (Yellow or Green Areas)**

- a. Mortgagor shall pay at least the minimum requirement down payment.
- b. The Deferred Second Mortgage Loan shall be equal to 20% of the Total Cost, not to exceed \$25,000, for applicants earning less than 140% but more than 80% of area median income; or
- c. The Deferred Second Mortgage Loan shall be equal to 40% of the Total Cost, not to exceed \$35,000, for applicants earning less than 80% of the area median income; and
- d. The Amortizing First Mortgage Loan shall be equal to the difference between (1) the Total Cost and (2) the sum of "a" and "b" above; provided, however that the amount of the Amortizing First Mortgage Loan shall not exceed the applicable loan-to-value ratio.

**Example**

Number of Units	1 unit
Appraised Value	\$55,000
Maximum First Mortgage Loan (97% of Appraised Value)	\$53,350
Property Acquisition Cost:	\$40,000
Rehabilitation Contract Amount	\$20,000
Financed Closing Costs:	<u>\$ 3,000</u>
Total Cost:	\$63,000
Less Down Payment:	<u>\$ 1,890</u> (assuming 3%)
Amount to be Financed	\$61,110
Deferred Loan Amount	\$25,200 (40% x \$63,000; Borrower earns 80% or less of area median income)
Amortizing Loan Amount	\$35,910 (\$63,000 -\$1,890 -\$25,200)
Total Amount Financed:	\$61,110

**The combined loan (Amortizing First Mortgage Loan plus Deferred Second Mortgage Loan) to value ratio cannot exceed the following:**

**For one unit properties** where the as-completed appraised value is:

- a. \$80,000 but not exceeding \$100,000, the combined loan to value ratio may not exceed 140%;
- b. \$100,000 but not exceeding \$120,000, the combined loan to value ratio may not exceed 125%; and
- c. \$120,000 but not exceeding \$140,000 the combined loan to value ratio may not exceed 110%.

**For two, three, or four unit properties**, a combined loan to value ratio cannot exceed 165%.

**The Mortgage Loans shall be evidenced as follows:**

- a. The Amortizing First Mortgage Loan shall be evidenced by a Note and Mortgage in the principal amount of the Amortizing First Mortgage Loan.
- b. The deferred Second Mortgage Loan shall be evidenced by a Note and Mortgage in the principal amount of the Deferred Second Mortgage Loan. The Note may require that a portion of the loan amount be repaid at the time that the Property is sold or transferred and may require that the balance of the loan be repaid from the net proceeds of the sale as defined in the Deferred Second Mortgage Loan Note.

**All Other Program Areas (Blue Areas):**

The amount of the Mortgage Loan shall be calculated as follows:

- a. Mortgagor shall pay at least the minimum required down payment; and
- b. The amortizing First Mortgage Loan shall be equal to the difference between the Total Cost and a down payment at least equal to the minimum applicable down payment provided; however, that the amount of the Amortizing First Mortgage Loan shall never exceed the applicable loan to value ratio.
- c. No Deferred Second Mortgage Loans shall be made.
- d. Closing Costs may not be financed.

Example:

Number of Units:	1 Unit
Appraised Value:	\$55,000
Maximum Amortizing First Mortgage Loan: (95% of Appraised Value)	\$52,250
Property Acquisition Cost	\$40,000
Rehabilitation Contract Amount:	<u>\$20,000</u>
Total Cost:	\$60,000
Less Maximum Amortizing Loan:	\$52,250
Less Minimum Required Down Payment:	<u>\$ 3,000</u>
Additional Borrower's Funds required:	\$ 4,750

The Amortizing First Mortgage Loan Amount shall be evidenced by a Note and Mortgage in the principal amount of the Amortizing First Mortgage Loans.

### **Basic Origination Steps**

The submission to the URA of various documents during the mortgage origination process enables the URA to approve the purchase of the Amortizing First Mortgage Loans by the Servicer and, in certain cases, to fund Deferred Second Mortgage Loans.

There are three basic packages that must be submitted by the Lender to the URA with respect to a given Mortgage Loan:

If Borrower has NOT selected a contractor, Pre-Approval Package, which is submitted before a final commitment is made to a Mortgagor. This enables the URA to initiate, review, and approve the rehabilitation contract; **OR**

If Borrower has selected a contractor, URA Contract Review Package. The Lender uses this checklist only if an applicant has already selected a contractor and has a proposal from the contractor. This package enables the URA to review and approve the rehabilitation work contract. The result of which is a pre-approval letter from the URA to the Lender.

Pre-closing Package, which is submitted prior to a Mortgage Loan closing. This enables the URA to provide certain Mortgage Loan documents at the Mortgage Loan Closing and, in cases where a Deferred Second Mortgage Loan is involved, to provide Deferred Second Mortgage Loan funds at the Mortgage Loan closing.

Settlement Package, which is submitted after a Mortgage Loan closing and contains all of the key documents related to the transaction. The settlement Package initiates the URA's and the Servicer's purchase of the Amortizing First Mortgage Loan.

### **Pre-Approval Request**

The Mortgage Lender shall accept pre-approval requests directly from prospective Mortgagors acting alone or through a participating neighborhood-based organization. The lender shall evaluate the prospective Mortgagor's ability to borrow and indicate how much the prospective Mortgagor can borrow.

Once the prospective Mortgagor has identified a property, the Mortgage Lender shall also obtain the following items from the prospective Mortgagor:

- a Executed Sales Agreement (if acquisition and rehabilitation) or Deed (if refinancing and rehabilitation or rehabilitation only);
- b A copy of the Mortgagor's federal income tax return for the year immediately preceding the year in which the application is taken;
- c A completed Certificate of Capital Improvements Prior to Rehabilitation executed by the prospective Mortgagor(s), if refinancing and rehabilitation or rehabilitation only; and
- d If the Mortgagor does meet the eligibility requirements and pre-qualifies for a mortgage loan, the Mortgage Lender continues its normal processing procedures and submits a Pre-Approval Package to the URA.

### **Pre-Approval Package**

Prior to any commitment to a prospective Mortgagor, the Mortgage Lender shall submit a Pre-Approval Package to the URA which enables the URA to perform a property inspection and review and approve the rehabilitation contract. The Pre-Approval Package shall consist of the following materials:

- a **Submission Checklist** - completed by Mortgage Lender.
- b **Loan Application** - (if the lender has taken an application at this time) must be fully completed, signed, and dated by the loan applicant(s);
- c **Executed Sales Agreement** - (if acquisition and rehabilitation) or copy of **Deed** and **Evidence of Payoff Amount** (if refinance and rehabilitation);
- d **Certificate of Capital Improvements Prior to Rehabilitation** (if refinance and rehabilitation or rehabilitation only) - completed and executed by applicant(s);
- e **Estimate of Mortgagor's Borrowers Capacity** - completed by the Mortgage Lender;
- f **Pre-Approval Commitment Mortgage Letter** - prepared by the Mortgage Lender;
- g **Evidence of Neighborhood Organization Participation** - completed and executed by the Mortgage Lender;
- h **Conflict of Interest Disclosure** - completed by the applicant; and
- i **Notice to Borrower/loan Processing Fee** - executed by the applicant.
- j **Participation Letter for Lead Grant** - executed by the applicant

### **URA Contract Review Package**

Prior to any commitment to a prospective Mortgagor that has obtained a contractor's proposal, the Mortgage Lender shall submit a URA Contract Review Package to the URA which enables the URA to review and approve the rehabilitation work contract. The Contract Review Package shall consist of the following materials:

- a. **Submission Checklist** - completed by Mortgage Lender.
- b. **Loan Application** - (if the lender has taken an application at this time) must be fully completed, signed, and dated by the loan applicant(s);
- c. **Executed Sales Agreement** - (if acquisition and rehabilitation) or copy of **Deed** and **Evidence of Payoff Amount** (if refinance and rehabilitation);

- d. **Certificate of Capital Improvements Prior to Rehabilitation** (if refinance and rehabilitation or rehabilitation only) - completed and executed by applicant(s);
- e. **Contractor's Proposal**
- f. **Contractor's Application** - completed by the Contractor
- g. **Estimate of Mortgagor's Borrowers Capacity** - completed by the Mortgage Lender;
- h. **Pre-Approval Commitment Mortgage Letter** - prepared by the Mortgage Lender;
- i. **Evidence of Neighborhood Organization Participation** - completed and executed by the Mortgage Lender;
- j. **Conflict of Interest Disclosure** - completed by the applicant; and
- k. **Notice to Borrower/loan Processing Fee** - executed by the applicant.
- l. **Participation Letter for Lead Grant** - executed by the applicant

The URA shall perform a property inspection. The prospective Mortgagor and the prospective Mortgagor's contractor, if the prospective Mortgagor has identified a contractor, should attend the inspection. The URA will inspect the property for code deficiencies and also order an inspection by a Risk Assessor to determine if any lead hazards exist in the home. After the inspections, the URA will submit a code deficiency and risk assessment report to the prospective Mortgagor and contractor. If the prospective Mortgagor has not selected a contractor, the code deficiency and risk assessment reports will be submitted to three contractors identified by the URA who will be asked to contact the prospective mortgagor and prepare a proposal.

The URA will review the contractor's proposal, the costs associated with the proposal, and the selected contractor's qualification to assure the acceptability of the proposed contract, contract price, and contractor.

If the contractor's proposal is disapproved, the URA will send the disapproved Contract Review Worksheet, which will note the disapproval, to the Mortgage Lender for the formal rejection of the loan application.

If the contractor's proposal is approved, the URA will send the Mortgage Lender the following materials:

- a Cover letter specifying the preliminary commitment amount of the Deferred Second Mortgage Loan funds, if any;
- m Approved Contract Review Worksheet; and
- c Approved Contractor's Proposal

The Mortgage Lender shall undertake its normal verification, Property appraisal, and mortgage underwriting procedures, as approved by the URA and Fannie Mae, to determine that the Mortgage Loan meets the underwriting standards applied in the normal course of its business of making mortgage loans.

The Mortgage Lender shall determine the amount of the Mortgage Loan for which the Mortgagor is eligible.

The Mortgage Lender shall determine that the Mortgagor, Mortgage Loan, and property meet all of the eligibility requirements of the Program.

The Mortgage Lender shall use its own form of commitment or rejection to notify the Mortgagor of the outcome of his/her loan application. The commitment will specify the terms, conditions and amount of the Amortizing First Mortgage Loan. If a Deferred Second Mortgage Loan is to be included, the Mortgage Lender's commitment for the Amortizing First Mortgage Loan shall be contingent on the URA's commitment of Deferred Second Mortgage Loan funds.

For each approved Mortgage Loan, the Mortgage Lender submits a Pre-Closing Package to the URA.

**Pre-Closing Package**

The Mortgage Lender submits a Pre-Closing Package to the URA no later than 20 days prior to the scheduled closing date. This enables the URA to provide certain Mortgage Loan documents at the Mortgage Loan closing and, in the case where a Deferred Second Mortgage Loan is involved, and the Down Payment/Closing Cost Assistance Grant, if applicable, to provide Deferred Second Mortgage Loan funds at the Mortgage Loan closing. The Pre-Closing Package shall consist of the following materials:

- a **Submission Checklist** - completed by Mortgage Lender
- b **Funding Transmittal** - completed by the Mortgage Lender to outline the Mortgage Loan amount(s), scheduled date of Mortgage Loan closing and settlement agent;
- c **Mortgage Loan Eligibility Worksheet** - completed by the Mortgage Lender;
- d **Loan Application** - must be typewritten and fully completed, signed, and dated by the Borrower(s);
- e **Credit Report**;
- f **Tax Return** - Federal tax return for the year immediately preceding the year in which the application is taken. If a Borrower did not file a return, an acceptable alternative is a letter from the IRS stating that the IRS has no record of a return being filed. Copies of tax returns can be obtained by sending a written request to the IRS, 11601 Roosevelt Blvd, Philadelphia, PA 19255;
- g **W-2 Form(s)**;
- h **Verification(s) of Employment**;
- i **Copy of URA Approved Contract Review Worksheet** - must be signed by the appropriate URA representative.
- j **Post-Rehabilitation Appraisal** - a complete copy of the appraisal which includes a listing of property conditions to be rectified, if any;
- k **Copy of Mortgage Lender's Commitment Letter to Mortgagor**;
- l **Down Payment/Closing Cost Assistance Grant Check Request** - prepared by Mortgage Lender if the Borrower is eligible to receive a Down Payment/Closing Cost Assistance Grant; and
- m **Good Faith Estimate** - completed by the Mortgage Lender and submitted only if a down payment/Closing Cost Assistance Grant is being requested
- n **Needs Assessment & Borrower Certification Form**
- o **Acknowledgment of Asset Limitations**

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After the URA reviews and approves the Pre-Closing Package, the URA issues a commitment letter to the Mortgagor which includes term(s), conditions, and amount(s) of the Amortizing First Mortgage Loan; Lead Hazard Grant; Deferred Second Mortgage Loan, if any; and Down Payment/Closing Cost Assistance Grant, if any.

Prior to the Closing Date, the URA will provide closing instructions to the Mortgage Lender with respect to terms and conditions of the Deferred Second Mortgage Loan if a Deferred Second Mortgage Loan is to be provided.

On or prior to the Closing Date, the URA shall forward to the Mortgage Lender the following Mortgage Loan documents: Construction Loan Agreement; Deferred Second Mortgage Loan and Note, if any; Truth-in-Lending Disclosure for the Deferred Second Mortgage Loan, if any; Proceed Order; No-Lien Agreement; and Construction Agreement.

On or prior to the Closing Date, the URA will deposit with the Mortgage Lender one-hundred percent (100%) of the principal amount of the Deferred Second Mortgage Loan and the Lead Hazard Grant, if any.

On or before the fifth day prior to the scheduled Closing Date, the Mortgage Lender must register the loan with the Servicer. The Servicer will assign a loan number which must be used on all loan documents and future correspondence with the Servicer.

### **Mortgage Loan Closing Procedures**

The Mortgage Lender shall close the Mortgage Loan following its regular standards and procedures. In addition, the Mortgage Lender must:

- a Close each Amortizing First Mortgage Loan in its own name notifying the Mortgagor, however, that the Amortizing First Mortgage Loan is to be purchased and serviced by the Servicer.
- b Attach riders to the Amortizing First Mortgage Note which have been previously approved by Fannie Mae which list the condition under which a Mortgage may be assumed and require the Borrower to occupy the property as his or her principal residence within 150 days after the loan closing and continue to so occupy the property until the loan has been paid in full.
- c Complete and record an Assignment of the Amortizing First Mortgage Loan to the Servicer.
- d Endorse the Amortizing First Mortgage Loan Note as required by the Servicer.

- e Close each Deferred Second Mortgage Loan, if any, and Hazard Grant ,in the name of the URA. The URA shall receive the Deferred Second Mortgage Loan Note at the closing.
- f Obtain a signed Affidavit.
- g Obtain a fully executed Proceed Order from the Mortgagor and Contractor.
- h Within 48 hours of the Loan Closing, fax a copy of the HUD-1 to the Servicer.
- i Within 10 business days of loan closing, submit copies, unless otherwise noted, of the documents listed on the Compliance Checklist and specific Loan Delivery Checklist to the Servicer:

### **Closing Fees**

**Origination Fee** - Mortgage Lenders may charge one and one-half percent (1.5%) of the principal Amount of the Amortizing First Mortgage Loan. The fee may be paid by the seller, or it may be divided equally between the buyer and seller. The buyer may not be charged more than three-quarters (.75%) provided, however, that in case of a refinancing or a rehabilitation only, the Mortgagor should be responsible for all origination fees.

**Expenses** - Mortgage Lenders may collect reimbursement for all reasonable and customary expenses paid or incurred by the Mortgage Lender, including, but not limited to, notary fees; closing fees; document preparation fees; hazard, mortgage, or life insurance premiums; survey costs; title examination costs; title insurance premiums; appraisal fees; attorneys' fees; recording or registration taxes and charges; credit reporting costs; escrow fees; and similar charges to the extent that reimbursement is permitted by law.

**URA Loan Processing Fee** - At the Mortgage Loan Closing, each Mortgage Lender shall collect on behalf of the URA a loan processing fee of \$300 (which may be financed as a part of the Mortgage Loan).

**Servicer Fees** - At the Mortgage Loan Closing, each Mortgage Lender shall collect on behalf of the Servicer a Compliance Review Fee of \$190 (paid by buyer or seller but not financeable), Funding Fee of \$25 (paid by party allowable by the insurer/guarantor) and Tax Service Fee of \$65 (paid by seller for FHA loans or seller or buyer for Fannie Mae loans). 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. These fees **ARE NOT** financeable.

### **Down Payment/Closing Cost Assistance Grant Procedures**

1. Prior to the commencement of the mortgage interview, the Lender must have the Applicant sign the Acknowledgment of Asset Limitations form if the Applicant is interested in the Down Payment/Closing Cost Assistance Grant.
2. Determine if the Borrower is eligible by completing the Needs Assessment & Borrower Certification Form. Lender and Borrower sign this.
3. If the Borrower is eligible, complete and sign the Down Payment/Closing Cost Assistance Grant Check Request form. Send the check request form along with all required documentation to the URA. Allow the URA at least 10 business days prior to the Closing Date to review the information, order a check and submit it to the Lender or the Lender's Closing agent.
4. At the closing, arrange for the Certification of the Use of Down Payment/Closing Cost Assistance Grant Funds form to be completed, signed and dated by the Borrower/Grantee and the Closing Agent.

### **Settlement Package**

For each Mortgage Loan, the mortgage Lender submits a Settlement Package to the URA and a Settlement Package to the Servicer. The Settlement Package submitted to the **URA** should include **copies** of the following materials unless otherwise noted:

- a. **Settlement Package Submission Checklist (Original)** - completed by the Mortgage Lender, form provided by the URA;
- b. **Certified True Copy of the Deferred Second Mortgage Loan Note** - if any, provided by the URA;
- c. **HOME Program Funds Agreement (Original and Notarized)** - form supplied by the URA if HOME funds are used to fund the Deferred Second Mortgage Loan;

- d. **Deferred Second Mortgage (Original and Recorded)** - Original provided by the URA, if any. If a copy of the recorded original is unavailable at the time of file submission to the URA, a copy is acceptable if certified as original. A copy of the original recorded document must be submitted to the URA within 60 days of loan closing;
- e. **Construction Loan Agreement, (Original and Recorded)** - provided by the URA. If a copy of the recorded original is unavailable at the time of file submission to the URA, a copy is acceptable if certified as original. A copy of the original recorded document must be submitted to the URA within 60 days of loan closing;
- f. **No-lien Agreement (Recorded);**
- g. **Proceed Order** - form provided by URA;
- h. **Construction Agreement (Original);**
- i. **Lead-Based Paint Certification (Addendum A) (Original)** - form provided by the URA;
- j. **Income Computation Worksheet** - form provided by the URA;
- k. **Federal Truth-in-Lending Disclosure for Deferred Second Mortgage Loan (Original)** - if applicable, provided by the URA;
- l. **Final Title Policy (Original)** - only if there is a Deferred Second Mortgage Loan;
- m. **Hazard Insurance Policy** - copy of the Declaration page, only if there is a Deferred Second Mortgage Loan;
- n. **Certification of Use of Down Payment Closing Cost Assistance Grant (Original)** - form provided by the URA, if applicable;
- o. **Change Order Policy (Original)** - form provided by the URA, executed;
- p. **HUD-1 Settlement Statement;** and
- q. **URA Commitment Letter to Borrower for Deferred Second Mortgage (Original)** - provided by the URA.

The Settlement Package submitted to the **Servicer** should include the documents and forms as listed on the Compliance File Checklist and the specific Delivery Checklist.

The Servicer will review the Settlement Package submitted and, after reviewing and approving the Settlement Package will purchase the loan from the Mortgage Lender.

All final original documents not previously submitted to the URA must be submitted within 90 days. For the Servicer, **see the Delivery and Funding section “Final Documents” last page in this Guide for requirements.**

#### **PAYMENT OF PURCHASE PRICE**

The price of each Amortizing First Mortgage to be purchased will be calculated as follows:

**Mortgage Loan originated in connection with Participating Neighborhood-Based Organizations** - One hundred and seventeen-hundredths percent (100.17%) of the original principal amount of the Amortizing First Mortgage Loan Note plus accrued interest from the Closing Date to the Settlement Date, not to exceed 45 days, at the Amortizing First Mortgage Loan interest rate, or

**All other Mortgage Loans** - One hundred and five tenths percent (100.50%) of the original principal amount of the Amortizing First Mortgage Loan note plus accrued interest from the Closing Date to the Settlement Date, not to exceed 45 days, at the Amortizing First Mortgage loan interest rate.

All Mortgagor payments on account of principal, interest, taxes, or insurance collected by the Mortgage Lender with respect to a Mortgage Loan prior to the Settlement for such Mortgage Loan shall be held by the Mortgage Lender. Such amounts are netted by the Servicer at loan purchase.

#### **DISBURSEMENT OF FUNDS**

##### **Escrow of Funds**

On or prior to the Closing Date, the URA will deposit with the Mortgage Lender 100% of the principal amount of the Deferred Second Mortgage Loan and the Lead Grant, if any. Until such funds are disbursed by the Mortgage Lender,

they, together with all undisbursed proceeds of the Amortizing First Mortgage Loan, shall be held and maintained in a separate Rehabilitation Disbursement Account which the Mortgage Lender shall establish in the name of the URA.

These funds shall be invested by the Mortgage Lender in interest-bearing deposits or securities, and the investment earnings thereon shall be paid to the URA as reasonably requested. The Mortgage Lender shall cause such funds to be invested in an insured money fund or money manager savings account with the Mortgage Lender unless otherwise directed, from time to time, by the URA.

#### **Disbursement Priority**

In disbursing the proceeds of a Mortgage Loan, the Mortgage Lender shall disburse such funds in the following order: (i) Funds of the Mortgagor and (ii) thereafter, Amortizing First Mortgage Loan Proceeds and Deferred Second Mortgage Loan Proceeds, if any, shall be released simultaneously in an amount equal to the Proportionate Loan Percentage of the total amount approved for disbursement. Upon written notice, however, the URA may instruct the Mortgage Lender to deviate from the standard order of the disbursement of Mortgage Loan proceeds.

#### **Disbursements at Closing**

At the Mortgage Loan Closing, funds for the purchase or refinancing of the property, if any, or for the payment of closing costs, may be disbursed by the Mortgage Lender, or, on the Mortgage Lender's behalf, by an attorney, title company, or other agent selected by the Mortgage Lender.

#### **Rehabilitation Loan Disbursements**

Disbursements for the costs of rehabilitation work shall be made in accordance with directions provided by the URA to the Mortgage Lender and only after URA approval of the stage payment request. Mortgage Loan funds may not be disbursed if there is a default of any term or condition of the Agreement, the mortgage Note(s), or the Mortgage(s). Disbursements for "soft costs" shall only be authorized by the URA upon receipt of appropriate invoices and other necessary documentation requested by the URA.

Upon completion of the rehabilitation work, the URA will obtain the Borrower's execution of the Completion Certificate and copies of the Completion Certificate will be sent to the Mortgage Lender and the Contractor. Upon completion of the rehabilitation work and after release of the final stage payment, any unused proceeds remaining in the Rehabilitation Disbursement Account will be applied as a principal reduction to the Amortizing First Mortgage Loan unless otherwise directed by the URA.

#### **Change Orders**

All changes to the plans or specifications for the rehabilitation work must be approved in writing by the URA prior to the Commencement of the work. If the proposed changes involve any deletions from the work originally proposed or should in any way negatively affect the appraised value of the property, the URA will contact the Mortgage Lender prior to approving or disapproving the change order. The URA will work with the Mortgage Lender, Mortgagor, and Mortgagor's contractor to obtain a change order that is acceptable to all parties.

## BOND PROGRAM MANAGEMENT FOR LENDERS

Lenders will access McWeb on the website at [www.hdsoftware.com/usbhm-mrbp](http://www.hdsoftware.com/usbhm-mrbp). McWeb is a combination of several integrated web sites that provide information about our Bond Programs and the actual 'System', where lenders will perform all of the necessary functions in a secure, comprehensive platform.

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 Lender Guide, 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 list of 'who does what', 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 to our training web-site, and EMAIL which is a direct email to the Bond Compliance Administration Office 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, on line at: <http://www.hdsoftware.com.usbhm.mrbp> and click on the green button in the left margin "Usernames". Then choose either "Existing" if you already have a username/password for another program or "New" if you do not.

Once you have successfully logged into the system, users will select the Issuer/Program they desire to access. The security features will control the information each user can access, like the lender they can view, what they can change or not, etc.

The functions and options available in the Main Menu are as follows:

### **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, depending on the program parameters.

### **NEW RESERVATION**

A new reservation should be submitted on line, once a qualified loan application has been taken. Lenders access this feature and submit the homebuyer. As an additional feature, the available allocation is always displayed prior to each reservation.

### **ADDITIONAL MORTGAGES**

Certain Programs have a Second Mortgage feature. This can be one or various second mortgage/subsidy loans. If the desired program offers a second mortgage, lenders will select this option AFTER the first mortgage.

### **CHANGE LOAN**

During the process 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 on line. 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 can 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 on-line 'Underwriter Certification', which can only be accessed by a lender's underwriter with a special security level. The Underwriter Certification is the required COMMITMENT to a loan, as specified in the Lender Guide. 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 on line, because it allows a lender to be able to view all of their loans, and the status they are in. It also assists in the management of the program by making it easy for lenders to check what loans they have in any given stage, and make sure that all of their loans in the system are still active. It also further notifies lenders if their loans are deficient or if they have been purchased and when.

## **CONDITIONS TO CORRECT**

Files are reviewed and any deficiencies are immediately posted on line. This separate menu item was developed for the post-closing/shipping/corporate departments that cure file deficiencies. It consolidates in one area any file that has a problem, which may need to be resolved in order to be purchased. This provides a quick and easy means for those individuals 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, Loan Detail Report by Originator and Lot Detail Report by Originator (for Taxable Programs) 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 on line. 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

## **HELP**

The system offers an on-line help that can guide you and answer many of your questions. If you run into any technical difficulties, you are encouraged to call Bond Compliance at (954) 217-0817.

## **Also important to know --**

The Denihan and Associates Website that houses the Guide and forms and when available program documents, targeted area maps, program brochures, training registration, is linked to the McWeb home page. The separate address serves as an alternate way to access this information. Contact Denihan and Associates if you can't access anything housed on their site <http://www.denihanassoc.com>.

- Sale and Purchase of Allocation online forms - Complete these screens when desiring to sell or purchase allocation.
- Mergers/Acquisitions online form - Please complete and submit when appropriate.
- We recommend that you periodically revisit the forms online as they are sometimes update. You are contacted when forms change.
- Each form is specific to this program unless otherwise noted.
- There are links on the various sites to each other and to other pages of interest.

- There is a site available to the public, linked to search engines and maintained by Denihan and Associates. The URL is [www.firsthome4u.com](http://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 a alphabetical, rotating basis.
- Purchase Review Contacts/Wire Instructions Online Screen. This form is required for each program. Please complete it immediately and make sure your corporate office reviews so that the correct contacts are listed. It's submitted at the beginning of each program and only submitted again during the course of a program if there are changes. Remember only one warehouse bank per lender. The Purchase/Review Contacts and Wire Instructions screen is available online under the Forms area. Click on the Purchase/Review Contacts and Wire Instructions Icon, complete the screen and SUBMIT.

## **NOW YOU'RE READY TO BEGIN!**

### **AT TIME OF LOAN APPLICATION**

There are requirements imposed by 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 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 acquiring, not refinancing, owner-occupied single family homes. Temporary, construction or bridge financing with a term of 2 years or less may be refinanced.

**You follow your normal procedures modified to include the following program qualifying requirements:**

#### **1. Qualify the Borrower**

Unless purchasing a home in a federally-designated targeted area, borrowers must be first-time homebuyers. A first-time homebuyer is someone who has not owned and occupied their principal residence (their legal address) 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. **Contact Bond Compliance with questions regarding eligibility.**

#### **2. Qualify the Household Income**

The total annual income from all sources of all persons 18 years of age or older residing in the household cannot exceed the maximum allowable income limit as listed in the Program Summary.

Guidelines for calculating bond program income are detailed in the Underwriter's Program Income Calculation Guide included in this 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 yrs. 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. 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. Information with respect to gross monthly income may be obtained from the applicable certificates and affidavits provided in the Guide executed during the 4-month period ending on 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. Count all persons who will permanently reside in the home being purchased. 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 and (2) co-signers.
- The Affidavit, executed at closing 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, etc.) and URA requirements, if any.

### 3. Qualify the Property

**There are Maximum Bond Program Acquisition Limits.** The Bond Program Acquisition Limit is not to be confused with FHA Acquisition Limits. FHA loans are limited to a maximum mortgage amount. The Total Bond Program Acquisition Limit is the total amount paid in cash or in kind to the seller by the buyer or on behalf of the buyer and does not include financing costs. The IRS Code definition of what is included in Bond Program Acquisition Costs and what is not included is described in the IRS Code definition in this Guide.

- Go to our **Website and click on “Census Tract Searches”**. Enter the property address and the system will determine the census tract of the property. **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 crosscheck to see if the property is located in a targeted area. Targeted area census tracts are listed in the Program Summary.
- **Housing Types:** MRB Program funds may be used to finance single family residences 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. Newly constructed one family dwelling, existing housing that may be of 1-4 units depending on the program (Fannie permits only 1-2 units) (2-4 units at least 5 years old), condos (including Spot Loan approvals), townhomes, rowhouses that meet the requirements set forth below and insurer/guarantor requirements.
- The remaining economic life of the property may be no less than 30 years.
- Mobile, recreational or vacation homes are not eligible under the program.

The IRS Code definition of Acquisition Cost describes items included in the calculation of Bond Acquisition Price and the items not included. The Code definition follows:

*The Acquisition Price of a Single Family Residence may not exceed the Maximum Acquisition Price. The Acquisition Price of a Single Family Residence is the cost of acquiring the Single Family Residence from the seller as a completed residential unit. The Acquisition Price includes the following:*

*(a) All amounts paid, either in cash or in kind, by the purchaser (or a related party or for the benefit of the purchaser) to the seller (or a related party or for the benefit of the seller) as consideration for the Single Family Residence. A single Family Residence includes property that is a fixture under local law, such as light fixtures, or wall-to-wall carpeting. Thus, if the purchaser purports separately to purchase such items, the cost of those items must be included in the cost of acquisition. On the other hand, property which is not considered a fixture under local law, such as appliances, is not considered part of a Single Family Residence and the cost of acquiring such items does not have to be included in the cost of acquiring the residence (unless the acquisition cost of such items exceeds their fair market value, in which case the amount of the excess must be included in the acquisition cost of the residence). Thus, if the purchaser agrees to purchase the refrigerator, washer and dryer from the seller for \$1,000 more than the fair market value of such items, such \$1,000 must be included in the cost of acquisition. Similarly, if as part of the purchase of the Single Family Residence the purchaser agrees to pay or assume liability for a debt of the seller, the amount of such debt must be included as part of the cost of acquiring the Single Family Residence.*

*(b) If a Single Family Residence is incomplete, the reasonable cost of completing the Single Family Residence whether or not the cost of completing construction is to be financed with proceeds of the Mortgage Loan. Where a Mortgagor purchases a building which is so incomplete the occupancy of the building is not permitted under local law, the acquisition cost includes the cost of completing the building so that occupancy of the building is permitted. Thus, if a builder normally sells residences with an uncompleted recreation room but a completed third floor and a garage, but is selling a residence with no garage and an uncompleted recreation room and third floor to a Mortgagor, the cost of completion of the third floor (but not the recreation*

room) and the cost of addition of a garage must be included in the cost of acquisition of the Single Family Residence. On the other hand, if a Mortgagor purchases an existing home and then spends \$3,000 to paint it, refinish the floors and make minor repairs, such \$3,000 is not included in the cost of acquisition of the Single Family Residence.

(c) Where a Single Family Residence is purchased subject to a ground rent, the capitalized value of the ground rent. Such value shall be calculated using a discount rate equal to the yield on the Bonds calculated in accordance with Section 148 of the Code.

The Acquisition Price does not include the following:

(a) The usual and reasonable settlement or financing costs. Settlement costs include titling and transfer costs, title insurance, survey fees or other similar costs. Financing costs include credit reference fees, legal fees, appraisal expenses, "points" which are paid by the buyer (but not points paid by the seller, even though borne by the buyer through a higher Acquisition Price) or other costs of financing the Single Family Residence. However, such amounts will be excluded in determining acquisition cost only to the extent that the amounts do not exceed the usual and reasonable costs which would be paid by the buyer where financing is not provided through a qualified mortgage bond program. For example, if the purchaser agrees to pay to the seller more than a pro rata share of property taxes, such excess shall be treated as part of the Acquisition Price of a Single Family Residence.

(b) The value of services performed by the Mortgagor or member of the Mortgagor's family in completing the Single Family Residence (or a Dwelling Unit constituting part of the Single Family Residence). For purposes of the preceding sentence, the family of an individual shall include only the individual's brothers and sisters (whether by the whole or half blood), spouse, ancestors and lineal descendants. For example, where the Mortgagor builds a home alone or with the help of family members, the Acquisition Price includes the cost of materials provided and work performed by subcontractors (whether or not related to the Mortgagor) but does not include the imputed cost of any labor actually performed by the Mortgagor or a member of the Mortgagor's family in constructing the Single Family Residence. Similarly, where the Mortgagor purchases an incomplete Single Family Residence, the acquisition cost includes the cost of material and labor paid by the Mortgagor to complete the Single Family Residence but does not include the imputed value of the Mortgagor's labor or the labor of the Mortgagor's family in completing the Single Family Residence.

(c) The cost of land which has been owned by the Mortgagor for at least two years prior to the date on which construction of the Single Family Residence (or a Dwelling Unit constituting part of the Single Family Residence) begins.

#### **4. Review the Loan and Mortgage Requirements of this Program**

- All loans in this program will have a loan term of 30 years (360 months, level payments).
- Loan types are described in the Program Summary.
- Minimum borrower contributions are described in the Program Summary.
- There is no minimum loan amount in this program.

#### **5. Review the Allowable Origination, Discount and Other Fees**

- The program determines the origination and discount and application fee that may be charged as listed in the Program Summary. No additional origination and/or discount may be charged buyer or seller. The program also determines to whom such fees may be charged. There are fees payable to the URA that are collected at closing.
- The Servicer program fees include a Compliance Review Fee of \$190 (paid by buyer or seller but not financeable), Funding Fee of \$25 (paid by party allowable by the insurer/guarantor) and Tax Service Fee of \$65 (paid by seller). 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. These fees **ARE NOT** financeable.
- In addition, the Mortgage Lender may collect reimbursement for all reasonable and customary expenses paid or incurred by the Mortgage Lender, including, but not limited to, notary fees, closing fees, document preparation fees, hazard, mortgage or life insurance premiums, survey costs, title examination fees and costs, title insurance premiums, appraisal fees, abstract and attorneys' fees, recording or registration taxes and charges, credit reporting costs, escrow fees and similar charges, to the extent that reimbursement therefor is permitted by law.

**6. If the borrower and property qualify, have the borrower(s) sign and date the Notices to Buyers.** The Notice includes information about "Recapture Tax" and the consequences of selling the home and not paying off the loan if the sale is to a non-qualified buyer. This form and all other program forms are found on our Website. Retain the original. The original will be sent to the Servicer in the Compliance Package that is submitted following closing.

#### **7. Reserve the loan online.**

## 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).

### Note 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. However, for HUD Repos The Servicer does not require an appraisal but does require the HUD Purchase Contract in its place. 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.

### 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.

## CREDIT UNDERWRITING THE LOAN

1. **All Mortgage Loan are underwritten by the Lender's Underwriter** and must be originated in accordance with the Agency guidelines and data integrity must be strictly adhered. Please note although The Servicer does not re-underwrite the loans a represented sample of any Lender's loans may be selected for a comprehensive Quality Control Review. **Underwriters (and only Underwriters)** may contact **The Servicer's Underwriting Department** with credit underwriting questions or Bond Compliance with bond compliance questions.
2. **Desktop Underwriting and Loan Prospector are acceptable credit underwriting methods to the extent acceptable to the insurer/guarantor and URA.** Please note this exception : when underwriting a conventional loan, only use Fannie Mae DU as an automated system or manually underwrite. **CONDITION: WRITTEN VERIFICATION OF INCOME IS REQUIRED. (May be 2 weeks of paystubs with YTD). If given the option of a lower MI premium, DO NOT TAKE THE OPTION. IF YOU DO, YOUR INSTITUTION WILL BE RESPONSIBLE FOR PAYING THE ADDITIONAL PREMIUM DUE FANNIE MAE.**
3. **When reviewing a Conventional loan,** please make sure you take the required " borrower's own funds" first before adding any assistance to the loan transaction.
4. **If you get a Flexible Product** when you run it through DU...please note on your 1008 that it was not a flexible product and identify the loan product and state that the loan was processed per the Fannie Mae guidelines for the loan product.

## 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.

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.).

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.

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.

### 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.

**9. Following loan approval, the underwriter completes the UNDERWRITER CERTIFICATION.** Each Underwriter will be required to have an independent username and password, their logon will be considered their name and signature, on behalf of the lender. This information is stored and protected in our system.

Any changes made by an underwriter to an initial loan reservation are checked for compliance by the system. Should any changes the underwriter makes not be within the allowable income, acquisition, loan type, etc. of the program, McWeb will post an error and will not let the change update the loan file. After a loan has been Underwriter certified, it cannot be changed. A lender will need to contact Bond Compliance to request any other changes and will be given direction for any other necessary steps.

**Once the loan is submitted on McWeb by your underwriter, you are ready to prepare for closing.**

### **NOW IT'S TIME TO PREPARE FOR CLOSING**

**PROGRAM FORMS** may be accessed on our Website. The Notices to Buyers has already been executed by the borrower(s) at time of loan application. 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 and notarization.

- **The 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.
- **The Tax Exempt Rider** has a few blanks at the top that must be completed (date, property address) and then must be dated and signed by the buyers at closing. This form is used for all loan types.

**First Mortgage and Note** Lenders use their standard forms.

**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 Servicer's Operations Department..

**Forms provided by the URA** are also on the Website. These are used in conjunction with special loan types.

### **Important Information Regarding 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 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. Whenever a signature is not recognizable, clarification and/or a Signature Affidavit may be required

## **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.
- A form 4506 is available on the IRS Website: [www.irs.ustreas.gov](http://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. Links to the IRS Website are available on our Websites.
- 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 Documentation:**

? Copies of returns filed with the IRS including 1040 REGULAR, 1040-A, 1040-EZ, or 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). 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. There must be an indication that no mortgage interest was claimed.

? Original signatures are not required.

? 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(s) for not filing.

### **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. Loan Application (1003)**

The typed application signed by the borrower(s) is required. Loan interviewer must complete and sign page 3 of 4 of the 1003. All persons taking title to the property must execute this document, and must be in the section requesting "TITLE TO BE HELD IN MANNER" 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.
- The program fees must be shown as being payable to U S Bank Home Mortgage.
- 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 in the Compliance File.

**Who Signs Bond Documents Chart**

<b>IF</b>	<b>Income Tax Returns Required For</b>	<b>Credit Income (1003)</b>	<b>Compliance Income</b>	<b>Title / Warranty Deed In Name(s) of</b>	<b>Who Signs Bond Documents</b>
<b>Married couples, both on title and mortgage, both work</b>	<b>Both</b>	<b>Both</b>	<b>All in Household</b>	<b>Both</b>	<b>Both</b>
<b>Married couples, both on title, Husband only for credit and mtg, wife does not work</b>	<b>Both</b>	<b>Husband</b>	<b>All in Household</b>	<b>Both</b>	<b>Both</b>
<b>Married Couples, Wife only on title, credit and mtg, husband works</b>	<b>Both</b>	<b>Wife</b>	<b>All in Household</b>	<b>Wife</b>	<b>Wife</b>
<b>Married Couple, Both on title, credit, mtg. and Cosigner</b>	<b>Both</b>	<b>Husband, Wife, Cosigner</b>	<b>Only those in Household</b>	<b>Husband and Wife Only</b>	<b>Husband and Wife Only</b>
<b>Single Woman, sole owner, living with roommate</b>	<b>Single Woman</b>	<b>Single Woman</b>	<b>All in Household</b>	<b>Single Woman</b>	<b>Single Woman</b>
<b>Two Unrelated Person Both on credit, mtg. and title</b>	<b>Both</b>	<b>Both</b>	<b>All in Household</b>	<b>Both</b>	<b>Both</b>

- Cosigners Cannot Live in Property, Do Not Sign Bond Documents or Take Title.
- Having People Sign Documents Who Should Not Sign Is as Incorrect as Not Having All Sign Who Should.
- **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.**
- Under No Circumstances May a Cosigner's Name Appear on Title or Warranty Deed.
- Only Those on Credit Sign the 1003 and HUD-1.