

MSHDA POLICIES & PROCEDURES

Homeownership's Help for Hardest Hit (H4HH) Loan Rescue

Effective Date: 9-15-10	Replaces Issue of: 8-9-10	Product Name: Rescue Funds
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SUMMARY: This is one of MSHDA's federally-funded programs developed to provide assistance to Michigan residents hit hardest by the housing crisis. As one of five states, Michigan was allocated \$154.5 million to implement and oversee this innovative program to help prevent foreclosures, retain homeownership and stabilize property values.

The Michigan Homeowner Assistance Nonprofit Housing Corporation (MHA) acting through MSHDA, is partnering with Servicers to directly provide funds to be applied towards an eligible borrower's delinquent mortgage payments, delinquent property taxes and any accrued escrow shortages. Second liens are eligible with documentation first lien is current and borrower's housing obligation is sustainable.

PRODUCTS: Loan Rescue

LOAN PURPOSE: One time assistance to include delinquent PITI payments, escrow shortage and delinquent property taxes (if they are being escrowed by the servicer). MHA funds may not be used to pay accrued Lender servicing fees, i.e. late charges; late charges must be waived. Valid, third-party vendor fees, i.e. inspection fees, appraisal fees and legal fees may be charged to the borrower or added to the loan as forbearance. Vendor fees will not be paid with MHA funds.
Note: Rescue funds cannot be used to make HAMP or any other temporary modification payments.

LOAN TERMS: Prior to Servicer applying the assistance homeowner's will execute a secured subordinate lien mortgage and note. Loan will be a 0% non-amortizing loan, forgivable over a 5 year term at 20% per year. Loan will be due on sale or transfer of the property, or when the property ceases to be the principal residence of the homeowner, or if the mortgagor repays in full any mortgage loan encumbering the property.

FUND AMOUNT LIMITS: Up to \$5,000 per household.

REQUIREMENTS: The borrower must occupy the property as his/her primary residence, located within the state of Michigan, and be obligated on the original mortgage note. Borrower must submit loan intake application to their Servicer to determine eligibility for the program. Eligible Servicer's must have a valid Help for Hardest Hit Lender Agreement on file with MSHDA to participate in this program.

INCOME LIMITS: None

EXISTING MORTGAGE LIMITS: Mortgage loans with unpaid principal balances equal to or less than \$729,750.
Note: H4HH is only for one family, single unit homes.

**ELIGIBLE
PROPERTIES:**

Located in state of Michigan.

Existing one family, single unit homes or condominiums (attached or detached).

Existing manufactured homes on foundations permanently affixed to real estate (single and doublewide).

Owner-occupied, primary residence. If property is currently listed for sale, approval will be subject to a cancelled listing agreement; evidence to be returned with trailing documents.

No second homes or investment properties.

**QUALIFYING
RATIOS:**

Servicer to determine borrower's qualifying ratios for eligibility. A sustainable PITI ratio generally should be 25 to 43% after assistance is applied using all income disclosed within intake application/loss mitigation packet. Housing ratios below 25% may not be eligible for assistance.

**BORROWER
ELIGIBILITY:**

For Servicers who participate in HAMP, HAMP must be the first loss mitigation option for borrowers who seek assistance (as required by their HAMP participation agreement). If Servicer approved HAMP or other loan modification provide evidence of accepted loan modification terms. Rescue assistance cannot be used to make HAMP or any other temporary modification payments.

Borrowers must document the one time crisis, and complete Hardship Affidavit.

Borrowers must document a "recovery" from the one time crisis and the ability to sustain the mortgage payment.

Homeowners may not have cash reserves exceeding 3 months total PITI using a 60 day average. Borrower must supply documentation on any large withdrawals. Large withdrawals will be counted in their total cash reserves unless the borrower can document funds were used to pay household expenses. Cash reserves are any non-retirement liquid assets the homeowner has available for withdrawal from any financial institution or brokerage including checking and savings accounts, CDs (even if held for an extended time), mutual funds, money market funds, stocks or bonds.

Borrower must sign MHA's Borrower's Authorization & Disclosure Agreement acknowledging terms of one-time assistance.

**ALLOWABLE
FEES:**

None

**DOCUMENTATION
REQUIREMENTS:**

APPLICATION:

- H4HH 001 Request for H4HH Commitment
- H4HH 002 Lender/Servicer Work out Plan
- H4HH 003 Borrower's Authorization
- Mortgage Loan Profile
- Borrower's Intake Application/Loss Mitigation Packet
- Evidence obligated on Note

- Breakdown of Rescue Assistance
- Mortgage history
- Asset Documentation
- Income Documentation
- Document 1st mortgage is current if using on 2nd lien
- Hardship Affidavit
- Terms of modification agreement if applicable

TRAILING/CLOSING DOCUMENTS: Within 30 days of commitment date Lender/Service will send MSHDA

- Copy of the Commitment Letter
- Original fully executed and notarized Mortgage H4HH 004
- Original fully executed Note H4HH 005
- Evidence funds have been applied as approved
- Executed modification if applicable

POST CLOSING/ CONTINUAL REPORTING: The Lender/Service agrees to provide continued loan status reporting on each individual loan receiving Help for Hardest Hit funds as long as the Authority deems necessary, most likely 24 months from the date of last funds received, knowing that the Authority will share all reported information with the U.S. Department of Treasury.

AUDIT: MSHDA staff will randomly select 10% of Lender/Service's closed files for internal post closing audit on a monthly basis. Lender/Service will be notified by e-mail which loans to submit complete copy packages of their complete work out plan. Files will be required to be sent via overnight courier within five business days of request. This post audit function may later be transferred to an outside contractor.