SINGLE FAMILY – NSP 80/20 LOAN PROGRAM

Effective Date: 07-07-09	Replaces Issue of:	Product Name: NSP 80/20

SUMMARY: This is a 30-year fixed rate conventional 1st mortgage with a simultaneous closing 2nd mortgage loan product available to low-to-moderate income borrowers who meet the MSHDA sales price and income limit eligibility guidelines and are purchasing an existing, foreclosed, or abandoned property from a Grantee, typically a Non-Profit Agency, who participates in MSHDA Community Development's Neighborhood Stabilization Program (NSP). If the borrower has had ownership interest in a primary residence in the last three (3) years, they are not eligible for the program unless they are purchasing in a targeted area (where there are no prior homeownership restrictions). All adult members of the household must apply jointly for the loan. Non-occupant co-borrowers and co-signers are not permitted.

PRODUCTS: MSHDA Conventional 1st Mortgage; maximum 80% LTV (Bond cap funds)
MSHDA 2nd Mortgage; maximum 20%; maximum 100% CLTV (NSP funds)

LOAN PURPOSE: Purchase of single family, owner-occupied primary residence only. Property must have been an existing, foreclosed or abandoned property located in areas of "greatest need" as defined by HUD. Find property Foreclosure Risk Score at www.michigan.gov/mshda . Must be rated 6 or higher.

Foreclosed: A property "has been foreclosed upon" under HUD regulations "at the point that, under state or local law, the mortgage or tax foreclosure is complete. HUD generally will not consider a foreclosure to be complete until after the title for the property has been transferred from the former homeowner under some type of foreclosure proceeding or transfer in lieu of foreclosure, in accordance with state or local law.

Abandoned: Under HUD regulations "A home is abandoned when mortgage or tax foreclosure proceedings have been initiated for that property, no mortgage or tax payments have been made by the property owner for at least 90 days, AND the property has been vacant for at least 90 days."

MSHDA 2nd Mortgage: Loan proceeds to cover balance of sales price, not to exceed 100% CLTV. Loan proceeds **cannot** include closing costs, pre-paids, repairs, delinquent credit obligations, or "junk fees."

LOAN TERMS MSHDA 1st Mortgage: 30 year term, current interest rate, fully amortized.

MSHDA 2nd Mortgage: 10 year term, 0% interest rate, non-amortizing loan. 2nd Mortgage is forgivable over a 10 year term at 10% per year. 2nd Mortgage is due on sale, transfer of the property, ceases to be principal residence of the mortgagor, or if the mortgagor repays in full

any mortgage loans encumbering the property that are senior to the debt.

SALES PRICE LIMIT: Maximum $224,500

INCOME LIMITS: 120% of Area Median Household Income, adjusted for family size, except where lower by state law. See NSP Income Limit chart at: www.michigan.gov/mshda

REQUIREMENTS: The borrower must occupy the property as his/her primary residence within 60 days of loan closing.

ELIGIBLE PROPERTIES: Existing single-family homes or condominiums (attached or detached).

Existing multiple-section manufactured (mobile) homes on foundations permanently affixed to real estate.

NOTE: Existing multiple-section manufactured homes must have been constructed after June 14, 1976.

ASSUMABILITY: Not assumable.

PRE-PAYMENT PROVISION: MSHDA 1st Mortgage: No penalties, no restrictions.

MAXIMUM LOAN AMOUNT: MSHDA 1st Mortgage**:** The maximum mortgage amount for the applicable jurisdiction may not exceed the maximum loan as determined by the loan to value limit for this MSHDA loan program.

MSHDA 2nd Mortgage: The maximum mortgage amount for the applicable jurisdiction may not exceed the maximum loan as determined by the loan to value limit for this MSHDA loan program.

MAXIMUM LOAN TO VALUE: 80% LTV / 100% CLTV

SUBORDINATE FINANCING: MSHDA only

QUALIFYING RATIOS: Ratios should not exceed 30%/41%. Each file will be reviewed based on a satisfactory history of the borrower's ability and willingness to pay.

THIRD PARTY CONTRIBUTIONS: An interested party is anyone (other than the property purchaser) who has a financial interest in, or can influence the terms and the sale or transfer of, the subject property. This includes the property seller, the builder/developer (or an affiliate who may benefit from the sale of the property), and the real estate agent or broker. When the property purchaser receives financial assistance from a relative, domestic partner, fiancée, municipality, nonprofit organization, or employer, MSHDA does not consider the provider of the assistance to be an interested party to the sales transaction unless the person or entity is the property seller (or is affiliated with the property seller).

The maximum allowable contributions from interested parties are limited to 6% of the sales price.

These contributions are allowed for closing costs and certain prepaid settlement costs only. Certain prepaid settlement costs are defined as: interest charges covering any period after the settlement date, real estate taxes covering any period after the settlement date, hazard insurance premiums.

UNDERWRITING: All loans require a manual underwrite.

No minimum fico credit score required.

Tri-merge credit report required. If report shows a lack of credit history, must provide a minimum of three satisfactory alternative credit references

Include all outstanding debt with more than 10 months remaining.

Deferred student loans must be included in DTI ratio.

All collections, past due amounts, judgments, civil liens and charge-offs must be paid-in full.

Borrower must submit a satisfactory written letter of explanation for all derogatory credit history.

Previous bankruptcies should be discharged four years prior to date of application and borrower needs to have re-established an acceptable credit history. If less than four years, but over two years, borrower must document the extenuating circumstances, re-established credit and presently be current on all accounts.

Previous Foreclosures or Deed in Lieu of Foreclosures should be completed five years prior to date of application and borrower needs to have re-established an acceptable credit history. If less than five years, but over three years, borrower must document the extenuating circumstances, re-established credit and presently be current on all accounts.

Minimum borrower contribution is 1% of own funds. For IDA participants, the Participant Savings amount will be counted as the minimum cash investment providing it is at least 1% of the sales price.

Document funds required to close from eligible sources.

Two months PITI in reserves, after closing.

No maximum asset limit

NO cash back at closing.

HOMEBUYER EDUCATION:

A certificate of completion for eight hours of Homebuyer Education Counseling is required for each borrower and must be signed by a MSHDA approved Homeownership Certified Counselor. A list of certified counselors is available at: www.michigan.gov/mshda.

ALLOWABLE FEES:

The lender may collect an Origination Fee of up to 1% of the 1st mortgage loan amount. The lender may also be reimbursed for expenses incurred in processing, such as credit reports, appraisals, surveys, etc., not to exceed the actual cost of these expenses.

PROPERTY REQUIREMENTS:

Property must meet applicable local codes, standards, and ordinances within 90 days of transfer of title. At a minimum, property must meet HQS requirements.

FEDERAL RECAPTURE TAX:

If property is sold within nine (9) years from the date of loan closing, the borrower may owe a recapture tax. This tax is based on the household income and family size during the year of resale, and on the length of time the borrower occupied the property. Borrowers who must pay this tax will be reimbursed by MSHDA upon proof of actual tax paid, with copies of IRS form 8828 and copy of 1040's.

RECAPTURE TAX REIMBURSEMENT PROGRAM:

MSHDA recognized that this may be a concern for individuals, so the Recapture Tax Reimbursement Program was created. In the event a borrower is required to pay a recapture tax, MSHDA will reimburse borrowers for any recapture tax paid by the borrower to the IRS. To request reimbursement, homeowners simply provide MSHDA with an IRS form 8828 and a signed copy of their IRS 1040 form.

LOAN DOCUMENTATION REQUIREMENTS:

APPLICATION DOCUMENTS:

Refer to "*NSP Loan Submission Checklist*", DOH NSP 013, for required documents. The application documents are:

1. Mortgage Loan Data Summary Sheet, SFH 117
2. Loan Application (FNMA 1003)
3. Homebuyer Counseling Certificate
4. Evidence of Social Security Number
5. Copy of Driver's License
6. Credit Report
7. Borrower's Letter of Explanation for all Derogatory Credit
8. Verification of Income, two year history
9. Verification of Assets, two month history
10. Purchase Agreement
11. Appraisal
12. Initial Application Affidavit, SFH 106(4/06)
13. Signed Federal Tax Returns for last 3 years, as applicable
14. FNMA 1008, Transmittal Summary signed by Lender's Underwriter
15. Evidence of Chain of Title to show previous two ownerships
16. Preliminary title commitment

CLOSING DOCUMENTS:

The most current version of all mortgage document forms must be used.

Conventional Mortgage, Note & Assignment:

- Fannie-Freddie Michigan Mortgage 3023
- Fannie-Freddie Multi-state Fixed Rate Note 3200
- Assignment of Mortgage, SFH 102
- Universal Tax Exempt Financing Rider SFH 122U
- Final Title Policy on 1st Lien

NOTE: Refer to "NSP Purchase Submission Mortgage Document Control Sheet", DOH NSP 014, for other required documents.

2nd Mortgage & Mortgage Note:

- Mortgage, DOH NSP 003
- Mortgage Note, DOH NSP 004

TITLE INSURANCE:

The name of the insured on all title insurance policies may read:

"[Lender's name], its successors and/or assigns"

SHORT FORM TITLE INSURANCE POLICY:

A short form title policy issued at closing is acceptable.