

## **Homeownership NSP Acquisition Rehab Loan Process Flow**

Realtor/Lender – Has an abandoned/foreclosed property located in an area of “greatest needs” that requires repairs.

Realtor/Lender – Orders “Scope of Work” from a qualified Inspector.

- A qualified inspector is one who is familiar with HUD’s Housing Quality Standards (HQS) and local building codes.
- If the inspection fee is paid up front by the Realtor/Lender, it will be allowed to be charged to borrower & reimbursed on HUD1 Settlement Statement at time of loan closing. This is an eligible MSHDA closing cost and may be included in the 2<sup>nd</sup> mortgage calculation.

Inspector – Inspects property, provides a Scope of Work that lists repairs necessary to meet minimum HQS requirements, and includes a total Cost to Cure.

- If lead base paint deficiencies are noted on pre-1978 housing, a Risk Assessment by a certified lead base paint inspector will be required and ordered only after a buyer is identified and purchase agreement has been executed.
- If lead base paint deficiencies are detected or lead base paint surfaces are to be disturbed, a lead base paint abatement contractor must complete the work.
- If the Scope of Work is excessive, the property may be rejected and not eligible for this product. The Realtor/Lender will assume the inspection fees incurred.

Realtor – Lists the property at current market value.

Buyer – Enters Contract based on current market value subject to Conventional, MSHDA NSP financing.

Buyer – Makes loan application with MSHDA approved Lender. (Borrower may already be pre-qualified for financing.)

Lender – Completes NSP Down Payment Assistance Worksheet (MSHDA form DOH NSP 005) and determines if borrower has additional funds available for extra repairs.

Lender – Requests MSHDA reservation on Lender on Line for the SF NSP Acquisition Rehab loan.

Lender – Refers buyer to MSHDA approved counseling agency for 8 hours of homebuyer education (Required on all NSP transactions.)

Buyer - Requests two competitive bids from licensed contractors to be within 10% of costs shown on Scope of Work. Lowest reasonable bid will be awarded contract.

Lender - Orders appraisal based on Sales Contract, Scope of Work, and accepted construction bid. (All HQS & lead abatement requirements are already included in the Scope of Work.) Appraiser will be required to state both a “subject to completion” value and an “as-is” value. MSHDA will use the “as-is” value to document that the sales price is discounted by a **minimum** 1% as required by HUD. If it is not, then the contract’s sale price may have to be re-negotiated.

Appraiser - Appraiser completes the Environmental Certificate and attaches it to the standard appraisal report.

Lender – Completes credit package and approves borrower for 1<sup>st</sup> mortgage in conjunction with NSP funded 2<sup>nd</sup> DPA/Rehab loan.

Lender – Sends copy of complete credit package to MSHDA for review of program eligibility which includes income limits, buyer eligibility and property requirements.

MSHDA – Issues a Commitment and provides the Escrow Disbursement Agreement (to be executed by buyer at closing.)

Lender – Coordinates closing and provides table funding for both 1<sup>st</sup> & 2<sup>nd</sup> mortgage (same as with our MSHDA DPA loans).

Title Company – To follow MSHDA Closing Instructions by showing Contract Sales Price and Total Cost of Repairs on page 1 of the HUD1 Settlement Statement; escrowed inspection fees/endorsement fees to be shown on page 2 as closing costs.

Title Company – Issues Repair Escrow check (closing costs + inspection/endorsement fees) payable to MSHDA and sends complete closing package back to Lender.

Lender – Submits loan closing package, inclusive of fully executed Escrow Disbursement Agreement and Escrow Funds, to MSHDA for purchase review as soon as possible, preferably within five business days. NOTE: Borrower cannot receive escrow disbursement until after loan is purchased.

MSHDA – Reviews closing package for MSHDA compliance & purchase of 1<sup>st</sup> and 2<sup>nd</sup> mortgage. NOTE: 2<sup>nd</sup> mortgage is funded with NSP funds.

- Funding/purchasing department sets up Repair Escrow file in order to monitor completion and sends “Welcome Letter” to the borrower explaining the draw process & provides disbursement request forms.
- Funder/purchaser notifies Finance department of exact amount to allocate to the borrower’s repair escrow account; forwards the Escrow funds to Finance to be deposited.

MSHDA – Books both 1<sup>st</sup> mortgage & 2<sup>nd</sup> mortgage with U.S. Bank.

Lender - Sends Servicing packages to U.S. Bank.

Builder – Completes repairs within 60 days.

- Builder to be paid for satisfactory work completed in accordance with the original Scope of Work & Repair Escrow Agreement.
- NO upfront funds will be disbursed to the builder or borrower. Disbursements can only be made after MSHDA has purchased the loan.
- Disbursements for materials will only be allowed on a case by case basis and then made payable to the supplier and buyer.

Buyer – Initiates the disbursement request by contacting MSHDA to order the progress inspection and submitting executed Disbursement Request Form along with evidence of completion of work (paid receipts, invoices, executed lien waivers) to their MSHDA contact.

MSHDA - Orders inspection from the original Appraiser and requests title endorsement.

Title Company – Issues title endorsement.

MSHDA – Approves disbursement request and issues check to borrower & builder.

- Disbursements will be made according to outlined schedule in Escrow Agreement based on Scope of Work; there may be one to three disbursements.
- All disbursements will be made payable to the buyer and builder or buyer and supplier; never to the builder, buyer or supplier individually.

MSHDA – Compares percentage of work completed shown on progress inspection with disbursement amount requested and authorizes release of funds.

- Appraiser and Title Company endorsement fees will be approved for payment at each disbursement.
- Disbursement request process is repeated until buyer initiates the Final Disbursement, never to exceed three, unless approved by MSHDA management due to extenuating circumstances.
- Appraiser will complete Final Inspection and state that subject property meets HUD's minimum property standards.
- Any remaining unused escrow funds will be applied toward the principal balance of the MSHDA 1<sup>st</sup> mortgage loan.

MSHDA – Closes out Repair Escrow file and forwards all documents to be scanned to the original file.