

MSHDA POLICIES & PROCEDURES

SINGLE FAMILY – GRADUATE PURCHASE ASSISTANCE PROGRAM - “GPA” REDUCED RATE CONVENTIONAL LOAN PROGRAM

Effective Date: 07-13-09

Replaces Issue of: 04-16-09

Product Name: CONV GPA

SUMMARY:

This is a reduced rate 30-year fixed rate conventional loan available to borrowers who meet the MSHDA sales price and income limit eligibility guidelines and have received a Doctoral, Master's, Bachelor's or Associate's degree from an accredited institution within the 3 years prior to the date of loan application. The property must be located within the city limits of one of the designated Cities of Promise. The Cities of Promise are listed under Eligible Property Locations. 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 home ownership restrictions). All adult members of the household must apply jointly for the loan. Non-occupant co-borrowers and co-signers are not permitted.

PRODUCTS:

This is a Pilot Loan Program and is available with the following loan type:

- MSHDA Conventional 80%

ELIGIBLE PROPERTY LOCATIONS:

The property being purchased must be located within the city limits of one of the following Cities of Promise, which are as follows:

- Benton Harbor
- Detroit
- Flint
- Hamtramck
- Highland Park
- Muskegon Heights
- Pontiac
- Saginaw

MAXIMUM FUNDING: \$10,000,000.

LOAN PURPOSE:

To encourage home ownership in the Cities of Promise by a college graduate who received a qualifying degree within the 3 years prior to the date of the loan application.

INCOME LIMITS:

Income limits are available online at: www.michigan.gov/mshda

**SALES PRICE
LIMITS:**

Sales price limits are available online at: www.michigan.gov/mshda

INTEREST RATE

The interest rate for the MSHDA 1st mortgage will be approximately 125 bps less than the posted MSHDA Single Family interest rate for Non-DPA loans and 125 bps less than the posted MSHDA Single Family interest rate for DPA loans. The interest rates for this Loan Program will be posted at: www.michigan.gov/mshda.

**OCCUPANCY
REQUIREMENTS:**

Borrower(s) must occupy the property within 60 days of closing.

**ELIGIBLE
PROPERTIES:**

New single-family homes or builders' models

Existing single-family homes or condominiums that have been previously occupied.

New condominiums approved by FNMA, FHLMC, or insurer (FHA, VA, RD).

If new condominiums are not agency approved, MSHDA may approve individual units only upon submission and review of the Spot Condominium Application, form SFH 131; the Condominium Disclosure Statement and HOA Budget.

New and existing multiple section manufactured homes on permanent foundations permanently affixed to real estate constructed after June 14, 1976.

Co-ops are not eligible.

ASSUMABILITY:

The mortgage may be formally assumed; however, certain restrictions will apply with respect to income, credit and sales price limits.

LOAN TERM:

30-year term

**MINIMUM
LOAN AMOUNT:
MAXIMUM
LOAN AMOUNT:**

There is no minimum loan amount.

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

**MAXIMUM
LOAN TO VALUE:**

80% LTV / 103% CLTV

**STEP RATE
OPTION:**

Not available with this loan program.

**TEMPORARY
INTEREST RATE
BUYDOWN
OPTION:**

Not available with this loan program.

**SUBORDINATE
FINANCING:**

Subordinate financing may be allowed on a case-by-case basis. The terms and conditions of the subordinate financing must have prior written approval of MSHDA.

**QUALIFYING
RATIOS:**

Generally, the ratios should not exceed 30%/41%. If a borrower's qualifying ratios exceed the above guideline, the Lender must list and document compensating factors that would justify MSHDA to override the ratio requirement. At no time will MSHDA approve a loan with ratios exceeding 45% DTI.

**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 lesser of the property's sales price or appraised value for a mortgage secured by a principal residence, if the loan-to-value ratio (or, if applicable, the combined loan-to-value ratio) is in the range from 76% to 80%; or
- 9% of the lesser of the property's sales price or appraised value for a mortgage secured by a principal residence or second home, if the loan-to-value ratio (or, if applicable, the combined loan-to-value ratio) is 75% or less.

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, and any escrow accruals required for renewal of borrower-purchased mortgage insurance coverage.

UNDERWRITING: Refer to underwriting criteria indicated in the product specs for the loan program selected.

RENT CREDIT: If the borrower had a lease with an option to purchase and exercises that right to purchase, the total amount of rent credit that can be given to the borrower is the amount paid over and above the Fair Market Rent for the particular area, as established by the appraisal. Lenders should be certain the appraiser reflects the Fair Market Rent in the appraisal if they are using a rent credit.

**WORK CREDIT/
SWEAT EQUITY:** Work credit/sweat equity will be restricted to work for which the borrower is reasonably qualified by experience and training. Documentation supporting the borrower's qualifications may be required under certain circumstances. MSHDA will require personally accumulated cash from the borrower of at least 2½% of the sales price where work credit/sweat equity is being used. Work credit/sweat equity may consist of labor items only. A written work credit/sweat equity agreement, signed and dated by the seller and the borrower, is required. The agreement will identify the labor and the amount of credit for each labor item. Allowances for materials must be identified separately. Credit for materials is only permissible if supported by paid invoices identifying the subject property.

**ALLOWABLE
FEES:** The lender can collect an origination fee of up to 1% of the 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.

**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.

**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 "*Loan Submission Checklist*", SFH 134, for MSHDA required documents. (This form is located in the Miscellaneous Documents Section of the Lender-on-Line Web site.) The MSHDA required application documents are:

1. Mortgage Loan Data Summary Sheet, SFH 117
2. Mortgage Insurance Certificate
3. Loan Application (FNMA 1003)
4. Counseling Certificate, as applicable
5. Evidence of Social Security Number
6. Copy of Driver's License
7. Credit Report
8. Verification of Income
9. Verification of Assets
10. Purchase Agreement/Contract to Build
11. Appraisal
12. Initial Application Affidavit, SFH 106
13. Signed Federal Tax Returns for last 3 years, as applicable
14. Required Builder Information, as applicable
15. FNMA 1008, Transmittal Summary signed by Lender's Underwriter

And

A copy of the borrower's college transcript must accompany the Loan Submission package. The transcript must document the receipt of a Doctoral, Master's, Bachelor's or Associate's degree from an accredited institution within 3 years of the loan application date.

**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 Multistate Fixed Rate Note 3200
- Assignment of Mortgage, SFH 102
- Universal Tax Exempt Financing Rider SFH 122U

NOTE: Refer to “Conventional Mortgage Document Control Sheet”, SFH 135, for other required documents. This form is located in the Conventional Loan Section of the Lender on Line Web site under Closing Documents.

**TITLE INSURANCE/
PRIVATE MORTGAGE
INSURANCE:**

The name of the insured on all title insurance policies or private mortgage insurance certificates may read:

“[Lender’s name], their successors and/or assigns.”

**SHORT FORM
TITLE INSURANCE
POLICY:**

A short form title policy issued at closing is acceptable.