

MSHDA POLICIES & PROCEDURES

SINGLE FAMILY - 100% LTV RESCUE REFINANCE CONVENTIONAL LOAN PROGRAM

Effective Date: 04-03-08

Replaces Issue of:

Product Name: Rescue

SUMMARY:

This is a 30-year fixed rate insured conventional loan available to low-to-moderate income borrowers who meet the MSHDA loan and income limit eligibility guidelines. Purpose or use of this new Refinance transaction is to assist individuals who have had delinquency on their mortgage. The mortgage amount may include closing costs, prepaid expenses and second liens that were non-purchase as long as they have 6 months seasoning with no draws in the most recent 6 months. MGIC will be manually underwriting these loans for approval.

PRODUCTS:

MSHDA Conventional Refinance 100%
(Step, Buydown, and Down Payment Assistance Options are not available)

LOAN PURPOSE:

Limited cash out refinance of single family, owner-occupied primary residence ONLY.

INCOME LIMITS:

Income limits apply and are available online at:
http://www.michigan.gov/documents/mshda_sf_income_and_sales_price_limits_100946_7.pdf

LOAN LIMITS:

Utilize existing sales price limits as loan limits: and are available online at:
http://www.michigan.gov/documents/mshda_sf_income_and_sales_price_limits_100946_7.pdf

OCCUPANCY REQUIREMENTS:

The borrower must occupy the property as his/her primary residence.

ELIGIBLE PROPERTIES

Single-family, approved Condominiums or PUDS. No manufactured housing allowed.

REFINANCE PARAMETERS

A limited cash-out refinance transaction enables a borrower to pay off his or her existing mortgage by obtaining a new first mortgage that is secured by the same property.

A limited cash out refinance transaction may consist of the following components:

- the unpaid principal balance of an existing first mortgage;
- closing costs (including prepaid expenses).

- Non-purchase second liens seasoned for a minimum of 6 months with no draws in the most recent 6 months.
- No cash back to the borrower at closing greater than \$100.
- Prepayment penalties.
- Delinquent taxes.

ASSUMABILITY: The mortgage may be formally assumed by a subsequent purchaser; however, certain restrictions will apply with respect to income, credit and sales price limits.

LOAN TERM: 30-year term

**MINIMUM
LOAN AMOUNT:** There is no minimum loan amount

**MAXIMUM
LOAN AMOUNT:** The maximum mortgage amount for the applicable jurisdiction (abide by sales price limits for loan limits) (Loan Cannot Include ANY Portion of a Financed Mortgage Insurance Premium).

**MAXIMUM
LOAN TO VALUE:** 100% LTV / 105% CLTV
Only forgivable grant funds are allowed in second lien position.
Forgivable grants must be included in the CLTV calculation.

**HOME BUYER
EDUCATION:** Required.

**STEP RATE
OPTION:** Not available with this loan program

**TEMPORARY
INTEREST RATE
BUYDOWN
OPTION:** Not available with this loan program

**QUALIFYING
RATIOS:** Maximum 45% DTI (Max 50% if no payment shock)

- UNDERWRITING:**
1. Minimum FICO Score of 575
 2. Borrower cannot be more than 3x30 on housing payment in last 12 months and must be current at the time of application.
 3. Include all outstanding debt with more than 10 months remaining.
 4. Deferred Student Loans must be included in the DTI ratio.
 5. All collections, judgments, civil liens and charge-offs must be paid-in-full. Verification that collections are paid should accompany a statement

from the borrower stating the reasons for derogatory information. Loan proceeds cannot be used for this purpose.

6. Previous bankruptcy:

Chapter 7 - Generally, the borrower should be discharged from a Chapter 7 Bankruptcy for at least 24 months prior to loan application date and have satisfactory re-established credit.

- Chapter 13 – A Chapter 13 Bankruptcy may be considered for loan approval with less than 24 months from discharge providing documentation is submitted to evaluate the applicant's overall financial strength and providing the applicant has a re-established credit history with a minimum FICO Score of 620.

7. Foreclosure or Deed in Lieu of Foreclosure:

A borrower whose principal residence or other real property was foreclosed or gave a deed-in-lieu of foreclosure within the previous three (3) years is generally not eligible for a new MSHDA mortgage. However, if the foreclosure or deed-in-lieu of foreclosure was the result of documented extenuating circumstances that were beyond the control of the borrower and the borrower has re-established good credit since the foreclosure, MSHDA may grant an exception to the three-year requirement. Further information is available in Section 11.7 of the Single Family Operating Manual.

8. Mortgage Credit Certificates (MCC) may not be used in conjunction with the MSHDA mortgage loan programs.

9. Borrowers are not permitted to have an ownership interest in other real state property at time of closing.

MORTGAGE INSURANCE:

1. Acceptable Insurers: Currently MGIC has agreed to insure this program. MSHDA will order MI certificate once underwriting has been completed.

2. Required Coverage: The amount, terms, and extent of insurance coverage must be in accordance with the particular bond issue as directed by MSHDA. Coverage for this program will be provided under the "A-Minus" expanded criteria premiums.

Below are the required insurance coverage requirements for private mortgage insurance.

<u>Initial LTV</u>	<u>Coverage Required</u>
97.1 – 100%	35%
95.1 – 97%	28%
90.1 – 95%	25%
80.1 – 90%	20%
80% - below	0%

3. Financed Mortgage Insurance: The loan amount cannot include any portion of a financed mortgage insurance premium.

ALLOWABLE FEES:

The lender may 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.

LOAN DOCUMENTATION REQUIREMENTS:

APPLICATION DOCUMENTS:

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

1. Mortgage Loan Data Summary Sheet, SFH 117
2. Insurance/Guaranty Certificate
3. Loan Application (FNMA 1003)
4. Evidence of Social Security Number
5. Copy of Driver’s License
6. Copy of counseling certificate
7. Credit Report
8. Verification of Income
9. Verification of Assets
10. Title commitment
11. Appraisal
12. Initial Application Affidavit, SFH 106
13. FNMA 1008, Transmittal Summary
13. Copy of existing Note and Mortgage for re-subordinating grant.

CLOSING DOCUMENTS:

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

- a) Conventional Mortgage, Note & Assignment, Right of Recission:
 - i. Fannie-Freddie Michigan Mtg 3023
 - ii. Fannie-Freddie Multistate Fixed Rate Note 3200
 - iii. Assignment of Mortgage, SFH 102
 - iv. Universal Tax Exempt Financing Rider SFH 122U

NOTE: Refer to “*Purchase Submission Mortgage Document Control Sheet*”, SFH DOH001, 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], its successors and/or assigns”

**SHORT FORM
TITLE INSURANCE
POLICY:**

A short form title policy issued at closing is acceptable.