

MSHDA POLICIES & PROCEDURES

SINGLE FAMILY – CONVENTIONAL LOAN PROGRAM

Effective Date: 09-14-11

Replaces Issue of: 04-22-11

Product Name: CONV

SUMMARY:	This is a 30-year fixed rate conventional loan available to low-to-moderate income borrowers who meet the MSHDA sales price and income limit eligibility guidelines. Many loan products are available and are outlined in the following section. 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:	MSHDA Conventional (standard) max 80% LTV MSHDA Conventional with 2/1-buydown option/max. 80% LTV
LOAN PURPOSE:	Purchase of Single family, owner-occupied primary residence only.
INCOME LIMITS:	Income limits apply and are available online at: www.michigan.gov/mshda
SALES PRICE LIMITS:	Sales price limits apply and are available online 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:	New or existing single-family homes or condominiums (attached or detached). Condominiums must be warrantable. New or existing multiple-section manufactured (mobile) homes on foundations permanently affixed to real estate; <i>NOTE: Existing multiple-section manufactured homes must have been constructed after June, 14, 1976.</i>
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:	There is no minimum loan amount.

MAXIMUM 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 / 105% CLTV
TEMPORARY INTEREST RATE BUYDOWN OPTION:	A 2-1 temporary interest rate buydown option is permitted for fixed rate conventional loans providing the loan to value does not exceed 80%. The temporary interest rate buydown option is not available with a conventional DPA loan.
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.
INTERESTED PARTY CONTRIBUTIONS:	The maximum allowable contributions from interested parties are subject to standard Fannie Mae guidelines.
UNDERWRITING:	<p>MSHDA will not automatically approve loans based solely on decisions obtained by Agency systems. Nor will MSHDA automatically approve loans that are submitted with a Lender's underwriter approval. Instead MSHDA will assess each borrower's willingness and ability to repay the loan as documented by the borrower's credit and income history, assets and total debt liabilities.</p> <p>Loans that receive a DU Expanded Approval (EA) recommendation or a Refer with Caution are not eligible for MSHDA financing.</p> <ul style="list-style-type: none"> • MSHDA reserves the right to require further information to ensure compliance of the Underwriting Package. • Credit reports that have a FICO credit score of "000" due to the lack of a credit history, may still be acceptable providing evidence of two satisfactory alternative credit reference letters are submitted.

- 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.
- Include all outstanding debt with more than 10 months remaining
- Deferred student loans must be counted in the DTI ratio.

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.

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

APPLICATION DOCUMENTS:

Refer to "Loan Submission Checklist", DOH 009, 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. FNMA 1008, Signed by Lender's Underwriter
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(4/06)
13. Signed Federal Tax Returns for last 3 years, as applicable
14. Required Builder Information, as applicable: Builder's License (to be retained in lender's file), and Equal Opportunity Builder Certificate (SFH 100)

**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", DOH 001, 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:

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.