

NSP Loan Product Conference Calls

Questions & Answers

1. I heard that HUD was changing the discounted Sales Price requirement from 15% to 1% due to the negative impact it had on neighborhoods. Is this correct?

ANSWER: Yes, you are correct. In the recently approved NSP Bridge Notice of June 19th, HUD has eliminated the 15% aggregate discount requirement, and has reduced the minimum individual discount requirement to 1%. They made this retroactive and effective immediately. This discounted sales price requirement only affects our NSP Acquisition Rehab Program. I will update our published materials as soon as possible to reflect this change.

2. Can we include appliances in the cost of the rehab?

ANSWER: Yes, normal and customary appliances may be included in the cost of repairs. This would include stove, refrigerator and dishwasher; not washer and dryers.

3. Are there acreage limitations on these programs?

ANSWER: Yes, since the first mortgage is MSHDA financed under our single family bond series, we have the same acreage limit requirements. Maximum acreage allowed is 2 acres. However, you can request a Waiver of Acreage Limitation up to 5 acres by using MSHDA form #DOH – 003 (5-1-07).

4. Are both NSP programs manually underwritten by our Company prior to being sent to MSHDA? Do these loans have to be submitted through an Automated Underwriting System (AUS)?

ANSWER: Yes, both products are to be manually underwritten by your own underwriter. MSHDA will expect to see an Underwriting Transmittal (Form 1008) signed by your Underwriter when we review the package. It is not required to submit these loans through an AUS (DU or LP).

5. If the NSP 80/20 Program can only be used on previously foreclosed properties now being sold by a MSHDA Grantee, where will I find a List of those eligible properties?

ANSWER: We will be posting a List of Grantees on the website of those agencies who have received NSP funds from MSHDA to purchase foreclosed or abandoned properties, rehab them and then make them available to NSP 80/20 eligible borrowers. Agencies and municipalities who have received their NSP funds directly from HUD could also market their rehabbed properties to the same eligible borrowers. The Grantee will be required to identify their source of grant funds so we can ensure their eligibility. You can contact the Grantee in your market to inquire about eligible properties and at the same time, the Grantee will be contacting MSHDA Participating Lenders to market their homes. As the Homeownership Division becomes aware of specific properties, we will post them on our public website.

6. How will the Lender be paid on these Loans?

ANSWER: Lenders will be compensated on these loans according to the same schedule as our existing programs with a simultaneous DPA. You can earn your 1% origination fee, plus .75% servicing release fee, plus .25% incentive for purchase within 15 days, and 1% premium (of the first mortgage) for the simultaneous DPA.

7. On the NSP Acquisition Rehab loan the maximum CLTV is 103%. How would I calculate the CLTV?

ANSWER: Take the total loan amounts, both 1st and 2nd mortgages, and divide by the Total Acquisition Costs. The Total Acquisition Costs will be the 1% discounted Sales Price plus the Cost of Repairs. For example, using the following numbers, the CLTV based off Total Acquisition is 95.59% or round up to 96%.

1% Discounted SP	=	99,000
Cost of Repairs	=	10,000
Total Acquisition	=	109,000
1 st lien is 80% of SP	=	79,200
2 nd lien	=	25,000
Total Liens	=	104,200

$$104,200 / 109,000 = 95.59\% \text{ CLTV}$$

8. Do you require all adults over the age of 18 to be qualified and included on the loan?

ANSWER: Yes, since the first mortgage is MSHDA financed under our single family bond series, borrowers are required to qualify based on the same guidelines. All adults, who intend to occupy the property as their primary home, need to credit qualify and sign the note and mortgage documents. Full time students, under the age of 25, may be exempt from this requirement.

9. If the NSP 2nd lien is a 0%, non-amortizing loan, forgivable over a 10 year term at 10% per year, what happens if the borrower wants to refinance the 1st mortgage for a lower interest rate? Will MSHDA subordinate the 2nd lien?

ANSWER: No. MSHDA will not subordinate our 2nd lien to the new 1st loan. The borrower would have to pay in full the remaining balance of the 2nd lien. For example, if it is after five years, then 50% of the 2nd loan amount would be due.

10. Will MSHDA require the Homeowner to file a Notice of Commencement before the construction rehabilitation project can begin?

ANSWER: Yes. Michigan law requires a Notice of Commencement on residential construction to be completed to provide interested parties the information needed to properly follow the construction lien procedures. However, Michigan law does not require the Notice of Commencement to be recorded on residential construction. MSHDA will allow the title company to decide if they will require it to be recorded. During the construction period, MSHDA will ask the title company to search for mechanic liens and issue a title endorsement prior to each draw disbursement.

11. Will the \$10,000,000 awarded to the Homeownership Division fund both the MSHDA 1st mortgage and the 2nd mortgage? Won't you run out of funds soon?

ANSWER: No. The MSHDA 1st mortgage is financed out of our single family bond series. It is only the 2nd mortgage which is funded with the NSP Round 1 funds that we've been awarded. Also, MSHDA has additional NSP funds and internally we have

been told some of those may be allocated to Homeownership after we deplete the original \$10,000,000.

12. When I'm in the NSP Acquisition Rehab product specs and I click on the income limit link, it takes me back to the MSHDA website. Where do I locate the NSP Income Limit chart?

ANSWER: From the MSHDA website, you would click on Homeownership, then Neighborhood Stabilization Programs, and then open the income limit link shown there. On Lender on Line, you would open Program Documents, then NSP Programs. The NSP Income Limits chart is located under Miscellaneous Documents.

13. Do we need to request title insurance coverage to cover the combined loan amounts for both the 1st and 2nd mortgages?

ANSWER: Yes, MSHDA will require title insurance coverage for the combined loan amounts since we are asking the title company to issue endorsements each time we request an escrow disbursement. We will also require that the hazard insurance coverage will cover both loan amounts.

14. If there is a discrepancy in the Foreclosure Risk Score when I use the Property Address Locator (policymap.com link) and the Census Tract Locator, which result would take precedence?

ANSWER: The Census Tract Locator will always be the most accurate and if you know the census tract number for your proposed property, you should always confirm if it is an eligible property by using this link first. We have recently removed the Policy Map link from our web sites and replaced it with a Census Tract locator link.

15. If I have a HUD sales contract that shows HUD (the seller) is contributing repair escrow funds to complete a required repair, for example, install a new furnace, could I still use the NSP Acquisition Rehab loan program?

ANSWER: Yes. We will have only one repair escrow account which MSHDA will monitor. So, if it is part of the sales contract to have HUD contribute funds toward a new furnace, we would collect that credit from the seller on the HUD1 and have the title company send us that amount to be held in MSHDA's total repair escrow account. In this scenario, the furnace replacement would have to be included in the original scope of work/cost of repairs and then since it is a required repair, it would not be calculated as part of the seller's contribution (maximum 6%). Using the NSP DPA Worksheet (DOH NSP 005), you will have to show the furnace being paid by the seller along with any other seller contributions so we do not include it in the Allowable 2nd Mortgage Loan Amount.

16. If the property was built prior to 1978 and has lead-based paint issues, must we follow "safe practices" to complete the rehabilitation?

ANSWER: Yes. If on a property built before 1978, the initial inspection or scope of work shows that either there is lead-based paint deficiencies OR if paint surfaces will be disturbed during rehab, then a lead-based paint abatement contractor must complete the work. Because the NSP funds are federal funds, we must be in compliance with HUD's lead-based paint requirements.

On all properties built prior to 1978, the Lender should provide the borrower a Lead-base paint Notice and pamphlet. If, as stated above, there are deficiencies or if surfaces will be disturbed, a lead-based paint inspector must inspect the property to confirm that lead-

based paint is present. When he confirms that lead-based paint is present, then the work must follow safe practices and be done by the abatement contractor. If the house is built prior to 1978 and surfaces are NOT being disturbed and there are NOT paint deficiencies, then you still have to give the borrower the Notice & pamphlet, but you do NOT have to follow these safe practices.

This, of course, is why some properties with lead-based paint issues will be property rejects and you may want to caution your borrowers about proceeding. There probably won't be enough funds available in the 2nd mortgage to complete the repairs.

17. Where do I find a list of lead-based paint inspectors and lead-based paint abatement contractors?

ANSWER: Both lists can be located on Michigan's Community Health web site at the following web addresses:

http://www.michigan.gov/documents/Inspectors-all_35939_7.htm

http://www.michigan.gov/documents/Contractors-all_35972_7.htm