

## MSHDA POLICIES & PROCEDURES

# SINGLE FAMILY MSHDA ASSIST CONVENTIONAL PROGRAM

Effective Date: 04-30-09

Replaces Issue of: 09-10-08

Product Name: Assist

### SUMMARY:

This is a 30-year fixed rate insured or un-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 would like to refinance their current home. The mortgage amount may include closing costs and prepaid expenses providing the loan to value does not exceed 100% CLTV of the appraised value. The 2<sup>nd</sup> mortgage is a 0% non-amortizing loan, due on sale or transfer of the property, or when the property ceases to be the principal residence of the mortgagor or when the mortgagor repays in full any mortgage loans encumbering the property that are senior to the debt. 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 Refinance 95% first mortgage and a 5% second mortgage.

(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:

\$108,000

### LOAN LIMITS:

\$224,500 / maximum Appraised Value limit \$224,500

### OCCUPANCY REQUIREMENTS:

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

### ELIGIBLE PROPERTIES

Single-family residential, site condominiums and PUD's. No manufactured housing or attached Condominiums 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:

- Unpaid principal balance and interest of an existing first mortgage
- Closing costs (including prepaid expenses)
- Delinquent property taxes
- Prepayment penalties
- The amount required to satisfy any subordinate mortgage liens if the documented proceeds of the entire amount of the subordinate financing were used to acquire the property. In this case

the lender must obtain written confirmation. A copy of the HUD-1 Settlement Statement or the title documentation may be obtained.

- No cash back to the borrower at closing greater than \$100
- Ex- spousal buyout as per Divorce Decree

**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:** \$224,500

**MAXIMUM  
LOAN TO VALUE:** 95% first LTV with 5% second, 100% CLTV

**HOME BUYER  
EDUCATION:** Required by LINKS Counseling agencies for all borrowers

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

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

**SUBORDINATE  
FINANCING:** 5% max subordinate lien issued by MSHDA only

**QUALIFYING  
RATIOS:** 45% Total DTI, manual underwrite required

**UNDERWRITING:**

1. Minimum FICO Score of 620 (middle of 3, lower of 2)
2. Loan must be manually underwritten. Mortgage Insurance certificate will be issued by the MSHDA office.
3. Non-traditional credit is not allowed.
4. Include all outstanding debt with more than 10 months remaining.
5. Deferred Student Loans must be included in the DTI ratio.
6. No decrease in LTV for properties indicated in declining value area.
7. 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.

8. Previous bankruptcy:  
Chapter 7 - Generally, the borrower should be discharged from a Chapter 7 Bankruptcy for at least 48 months prior to loan application date and have satisfactory re-established credit.

Chapter 13 – A Chapter 13 Bankruptcy should be discharged for at least 24 months prior to loan application date and have satisfactory re-established credit.

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 five (5) 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 five year requirement.

**MORTGAGE INSURANCE:**

1. Acceptable Insurers: Private mortgage insurance is acceptable only from companies authorized to issue mortgage insurance, licensed to do business in Michigan, rated “AA” or greater by Standard and Poor or an equivalent rating by another nationally recognized rating agency, and approved by MSHDA. Currently MGIC has agreed to insure this program. MSHDA will order the 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. Standard “A” premiums apply.

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

| <u>Initial LTV</u> | <u>Coverage Required</u> |
|--------------------|--------------------------|
| 90.1 – 95%         | 25%                      |
| 85.1 – 90%         | 20%                      |
| 80% - 85%          | 20%                      |

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. Refer to MSHDA’s allowable closing cost chart for any restrictions.

**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 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. Loan Application (FNMA 1003)
3. Evidence of Social Security Number
4. Copy of Driver’s License
5. Copy of counseling certificate
6. Credit Report, with any credit explanation letters if needed
7. Verification of Income
8. Verification of Assets
9. Title commitment
10. Appraisal
11. Refinance Application Affidavit (DOH 004)
12. FNMA 1008, Transmittal Summary signed by Lender Underwriter
13. Certified true copies letter

**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
  - v. Refinance Assist Mortgage DOH007 (2<sup>nd</sup> lien)
  - vi. Refinance Assist Note DOH008 (2<sup>nd</sup> lien)

***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.