

MSHDA POLICIES & PROCEDURES

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

Effective Date: 09-11

Replaces Issue of: 07-13-09

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:	<p>New or existing single-family homes or condominiums (attached or detached) Condominiums must be warrantable.</p> <p>New and existing multiple section manufactured homes on permanent foundations permanently affixed to real estate constructed after June 14, 1976.</p> <p>Co-ops are not eligible.</p>
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:	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.

INTERESTED PARTY CONTRIBUTIONS:

The maximum allowable contributions from interested parties are subject to standard Fannie Mae guidelines

UNDERWRITING:

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

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 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 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.