

MSHDA POLICIES & PROCEDURES

SINGLE FAMILY - 100% LTV CONVENTIONAL LOAN PROGRAM

Effective Date: 04-27-07

Replaces Issue of: 12-1-06

Product Name: CONV 100

SUMMARY:

This is a 30-year fixed rate insured conventional loan available to borrowers who meet the MSHDA sales price and income limit eligibility guidelines and who have a minimum FICO score of 620. The mortgage amount may not exceed the lesser of sales price or appraised value. 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 100%

- (Step and Buydown options are not available)

LOAN PURPOSE:

Purchase of Single family, owner-occupied primary residence ONLY

INCOME LIMITS:

Income limits apply and are available online at:

http://www.michigan.gov/mshda/0,1607,7-141-5485_5486-99920--,00.html

SALES PRICE LIMITS:

Sales price limits apply and are available online at:

http://www.michigan.gov/mshda/0,1607,7-141-5485_5486-99920--,00.html

OCCUPANCY REQUIREMENTS:

The borrower must occupy the property as his/her primary residence within 60 days of loan closing.

ELIGIBLE PROPERTIES:

- New single family homes or builders' models
- Existing single-family homes or condominiums that have been previously occupied.
- New condominiums approved by FNMA, FHLMC, or insurer (FHA, VA, RD).
- New condominiums approved by MSHDA (Spot or Full Application)
- New and existing manufactured homes are **NOT** eligible
- Co-ops are **NOT** eligible

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 may not exceed 100% of the lesser of the sales price or appraised value.

MAXIMUM

LOAN TO VALUE: 100%

- Loan Cannot Include ANY Portion of a Financed Mortgage Insurance Premium)
- If property is located in a market in which real estate values are declining OR the appraisal reflects a market time over six (6) months, the LTV will be reduced 5% below the allowable LTV for this loan program.

**STEP RATE
OPTION:**

Not available with this loan program

**TEMPORARY
INTEREST RATE
BUYDOWN
OPTION:**

Not available with this loan program

**SUBORDINATE
FINANCING:**

Not available with this loan program

**QUALIFYING
RATIOS:**

Maximum of 30%/39%, unless LP/DU accept/approved eligible. Findings must accompany the Loan Submission.

**THIRD PARTY
CONTRIBUTIONS:**

The maximum allowable contribution from interested parties is limited to 3% of the lesser of the property's sales price or appraised value.

These contributions are allowed for closing costs and certain prepaid settlement costs. Certain prepaid settlement costs are defined as: interest charges covering any period after the settlement date, real estate taxes covering any period after the settlement date, hazard insurance premiums, and any escrow accruals required for renewal of borrower-purchased mortgage insurance coverage.

An interested party is anyone (other than the property purchaser) who has a financial interest in, or can influence the terms and the sale or transfer of, the subject property. This includes the property seller, the builder/developer (or an affiliate who may benefit from the sale of the property), and the real estate agent or broker. When the property purchaser receives financial assistance from a relative, domestic partner, fiancé, fiancée, municipality, nonprofit organization, or employer, MSHDA does not consider the provider of the assistance to be an interested party to the sales transaction unless the person or entity is the property seller (or is affiliated with the property seller).

UNDERWRITING:

1. Minimum FICO Score of 620 is required. If more than one borrower, both must have a minimum FICO Score of 620. No exceptions.
2. Include all outstanding debt with more than 10 months remaining.
3. Deferred Student Loans Must Be Included in DTI Ratio.

4. Non-traditional credit is not allowed.
5. MSHDA will accept an Underwriting Package that has received a credit recommendation of "Accept/Accept Plus" from Loan Prospector (LP), or "Approve/Eligible" from Desktop Underwriter (DU). The information provided in the loan application, source documents and verifications must conform to the information contained in the DU or LP recommendations and all approval conditions must be satisfied and adequately documented.

Since MSHDA has certain regulatory requirements, which must also be met, the following guidelines are provided:

- a. MSHDA will accept the loan determination of loans receiving an "Accept/Accept Plus" or "Approve/Eligible" from LP or DU. Lenders are responsible for ensuring that all other MSHDA regulatory requirements are met.
 - b. Credit recommendations other than "Accept/Accept Plus" or "Approve/Eligible" must be manually underwritten and approved by the Lender's underwriter and must meet all standard MSHDA guidelines as well as the insurer's stated program guidelines.
 - c. The appropriate approval (LP Feedback Report or DU Findings Report) must be included in the loan submission package to MSHDA. These are to be placed on top of the Residential Loan Application (1003) when submitting the file to MSHDA. The Lender's Underwriter must sign this approval certifying as to the validity of the information submitted for the LP or DU recommendation. Lenders are expected to include the Feedback Report of Findings report for loans, which received a "Refer" or "Refer with Caution" but were subsequently approved by the Underwriter.
 - d. Regardless of the private mortgage insurance coverage stated in the LP/DU determination, the minimum mortgage insurance coverage in the Mortgage Insurance Section of these product specs. apply.
 - e. MSHDA reserves the right to require further information to ensure compliance of the Underwriting Package.
6. Cash to close may be a) Borrower's Own Funds, b) Gift from permissible donors as allowed by Fannie Mae Guidelines. c) Grant from Employer, Non-Profit (not related to transaction) so long as it does not represent a lien on the property. Acceptable documentation must be provided prior to Commitment for Loan Purchase.
 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.
 7. Gifts are permissible from donors as allowed by Fannie Mae Guidelines. Borrower must provide verification of gift funds in applicable account of borrower or donor. Gift funds may be used for closing costs and prepaid items. A gift letter is required.

8. 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.

9. 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.

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

RENT CREDIT:

If the borrower had a lease with an option to purchase and exercises that right to purchase, the total amount of rent credit that can be given to the borrower is the amount paid over and above the Fair Market Rent for the particular area, as established by the appraisal. Lenders should be certain the appraiser reflects the Fair Market Rent in the appraisal if they are using a rent credit.

**WORK CREDIT/
SWEAT EQUITY:**

Work credit/sweat equity will be restricted to work for which the borrower is reasonably qualified by experience and training. Documentation supporting the borrower's qualifications may be required under certain circumstances. MSHDA will require personally accumulated cash from the borrower of at least 2½% of the sales price where work credit/sweat equity is being used. Work credit/sweat equity may consist of labor items only. A written work credit/sweat equity agreement, signed and dated by the seller and the borrower, is required. The agreement will identify the labor and the amount of credit for each labor item. Allowances for materials must be identified separately. Credit for materials is only permissible if supported by paid invoices identifying the subject property.

**NON-ARMS
LENGTH
TRANSACTIONS:**

In order to be eligible for MSHDA financing, the Appraised Value (excluding closing costs) for all NON-ARM'S LENGTH transactions cannot exceed 115% of the sales price.

**HOMEBUYER
EDUCATION:**

Borrowers are required to receive homeownership education counseling. The homeownership counselor must be a MSHDA LINKS to Homeownership Certified Counselor.

**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.

2. Required Coverage: The amount, terms, and extent of insurance coverage must be in accordance with the particular bond issue as directed by MSHDA.

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

<u>Initial LTV</u>	<u>Coverage Required</u>
97.01% - 100%	35%

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

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.

DOWN PAYMENT ASSISTANCE:

Down payment assistance is not available.

LOAN DOCUMENTATION REQUIREMENTS:

APPLICATION DOCUMENTS:

a) Refer to "Loan Submission Checklist", SFH 134, 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
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

CLOSING DOCUMENTS:

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

- a) Conventional Mortgage, Note & Assignment:
- i. Fannie-Freddie Michigan Mortgage 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 "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.