

Attachment B

HID HOMEBUYER FIRST MORTGAGE REQUIREMENTS

MSHDA's Housing Initiatives Division (HID) will only provide Homebuyer Assistance Program Mortgage financing in conjunction with first mortgage loans that meet the following criteria:

1. HID expects that buyers will be directed first to MSHDA Homeownership mortgage products. When other products are being used, the interest rate should be no more than 2% above the MSHDA Homeownership 30 Years – No Down Payment Assistance mortgage product interest rate (4.125% on 8.10.15). <http://www.michigan.gov/mshda/0,1607,7-141-5672-173538--,00.html>
2. Loans should be fully amortizing and have a minimum fixed-rate term of at least 30 years. HID will not accept adjustable rate mortgages (ARMs), balloon loans, or interest only loans for first mortgage loans. In some cases, with prior permission from HID, 15 year mortgages will be considered with documented buyer long-term affordability.
3. Closing costs must be competitive and reasonable. HID will allow a 1% point origination fee and up to a maximum \$350 underwriting fee in addition to actual third-party closing costs. Additional fees paid to or collected by the lender or broker such as application, processing, commitment, and similar fees are generally not acceptable. Single-premium credit life insurance is not allowed under any circumstances as a closing cost. HID federal assistance cannot pay points to buy down the interest rate, however the buyer may pay in addition to their required 1% minimum cash contribution.

Generally, closing costs allowed on MSHDA Homeownership mortgages will be accepted on non-MSHDA mortgages. Attached is the current list of acceptable and unacceptable "HID Homebuyer Closing Costs and Other Fees". If in doubt about the acceptability of any fees, please contact HID staff for additional information.

4. Loan to Value (LTV) limits should be consistent with conventional lending terms.

While there may be individual cases where these requirements may be waived, grantees should request specific exceptions in writing prior to making any commitments to prospective buyers who cannot qualify for loans meeting these criteria. Grantees are reminded that they will be responsible for representations and/or commitments made to prospective buyers without prior approval.

¹ Note that some lenders charge an application fee which is "refundable" at closing. In effect, the application fee covers the cost of an appraisal so that if the loan never closes the buyer, rather than the bank, has paid for the appraisal. Provided it is refundable at closing, usually shown as a credit on the HUD-1 and reflected on the pro forma as part of the buyer's "cash at closing," an application fee is acceptable in addition to the otherwise allowable lender closing costs.