Allegheny County
Residential Finance Authority
2010 Series XX Single Family Program

PAdministrator's Guidelines

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eHOUSINGPLUS
Program Management Specialists

EQUAL HOUSING
OPPORTUNITY

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REVISIONS TABLE

Date	Items
4-11-11	**Modified the Guidelines throughout using a new software and format.** **Page 14, changed the fees for Compliance Review. U S Bank will continue to net this fee. Compliance File sent directly to eHousingPlus. Compliance File Checklist modified accordingly.**
6-2-11	**Page 5, Interest rate change effective 6-2-11**
6-30-11	**Page 8, 2011 Income Limits; Page 9, 2011 Purchase price Limits**

THE ALLEGHENY COUNTY RFA TEAM

ALLEGHENY COUNTY RESIDENTIAL FINANCE AUTHORITY

Issues the bonds, creates the first mortgage program, develops assistance products, sets the rate, term and points, assists with funding financing, works with and monitors lenders, markets the program.

PARTICIPATING LENDERS

Take applications, reserve in their own systems, process, underwrite, approve, fund, close and sell qualified loans to the program. Check with your company on how to reserve a bond loan rate in your own system so that you have funds available for closing. Your company may have their own codes. Lenders are responsible for servicing first and second program loans in accordance with Fannie Mae, Freddie Mac and GNMA requirements until they're purchased by the Master Servicer.

US Bank
Master Servicer

Provides training concerning general underwriting info, acceptable loan products and the delivery and funding of program loans. Receives all mortgage and compliance files, reviews mortgage files, posts and notifies lenders of mortgage file exceptions, approves mortgage files, purchases first mortgage loans and wires funds to lenders; pools and delivers mortgage loans; delivers certificate to Trustee, provides purchase, pooling and Trustee purchase information for reports. Servicer is not obligated to purchase loans that don't comply.

eHousingPlus
U S Bank's designated Program Administrator/Bond Compliance Agent

Maintains the program reservation system, websites, and posts guides, forms, training materials, provides training on compliance issues and system, answers bond compliance questions, receives compliance files, reviews, posts and notifies of exceptions, and approves compliance file.

PROGRAM PRODUCTS

THE FIRST MORTGAGE

Rate change effective 6-2-11 All Mortgage Loans will be fully amortized over a 30-year term and have substantially level monthly debt service payments.

Interest Rate	Origination/Discount
4.25%	Zero
4.10%	1.50%

Veteran's Exception
The federal government waives the first-time homebuyer requirement for veterans. It's called the **Veterans Exception**. For this feature, "veteran" is defined as "a person who served in the active military, naval, or air service, and who was discharged or released therefrom under conditions other than dishonorable." The Mortgagor Affidavit has a checkbox that states: "Mortgagor(Comortgagor) meets the requirements to qualify as a "veteran" as defined in 38 U.S.C. Section 101 and has not previously obtained a loan financed by single family mortgage revenue bonds utilizing the veteran exception to the first-time homebuyer requirement set forth in Section 416 of the Tax Relief and Health Care Act of 2006. Applicants must provide true and correct copies of their discharge or release papers, which demonstrate that such discharge or release was other than dishonorable."

Lenders did not pay fees for these funds that are available first-come, first-served. 8

All Mortgage Loans are underwritten by the Lender's Underwriter, are not re-underwritten by the Servicer and must be originated in accordance with FHA, VA, RD and Fannie Mae guidelines. DU is acceptable for Fannie Mae and government loans and government loans. LP is acceptable for government loans. The specifics are included in the underwriting information available online. At the point the loan is credit approved by the underwriter, the underwriter accesses the system and completes the Underwriter Certification.

All loans are sold servicing released to U S Bank Home Mortgage

Down Payment Assistance is provided to qualified buyers in a separate program. Please refer to the Down Payment and Closing Cost Assistance Program Guidelines prepared by the Allegheny County Department of Economic Development for the requirements necessary to administer this portion of the Program.

The use of a subsidy provided by another institution or group in addition to the County's approved program must be approved by the Issuer.

ABOUT WHO AND WHAT QUALIFIES

Eligible Borrowers:
•Buyers and their spouses (occupant and non-occupant) must be first-time buyers and **must be able to permanently reside in the US.**
•Work visas, student visas, any temporary visas do not qualify.
•Those with **permanent asylum do qualify** & should provide an I-9.
•Buyers must live in the property they purchase as their principal residence.
•All applicants must be considered irrespective of age, race, color, religion, national origin, sex, marital status, military status or physical handicap.
•Buyers must occupy the property purchased within 60 days of closing.
•Contact Bond Compliance with questions regarding eligibility.
•The past three years federal income tax returns are required for all borrowers and spouses but are **NOT** required for Targeted Area(buyers or those meeting Veteran's Exception.

Requirements for Expecting Parents (Regarding Family Size and Income Eligibility) In applications involving a pregnant applicant in which the birth of the child would increase the household from two (2) members to three (3) members, a doctor's statement certifying that the applicant is pregnant and indicating the applicant's approximate due date will qualify the borrowers for the three (3) or more member household income limit. The Mortgagor Affidavit (Exhibit D of the Origination Agreement) should be completed at closing reflecting household size after the child is born. The doctor's certificate must be attached to the Mortgagor Affidavit and the mortgage application should clearly state that the applicant is pregnant

Requirements When an Applicant Is Separated from His/her Spouse When a spouse can be located, the applicant must provide the following regardless how long the couple has been separated: (a) an affidavit from the applicant's spouse waiving interest in the property; and (b) a property settlement agreement, separation agreement or court support order or some other similar document which defines the income of the applicant. Note: Item (b) will only be required if such an agreement already exists. The Authority will not require the applicant to create an agreement of this type specifically for eligibility in the Program. When a spouse cannot be located and the applicant has been separated more than two (2) years, the Authority will only require proof of separation for the stated period.

Veterans Exception
For the Veterans Exception, "veteran" is defined as "a person who served in the active military, naval, or air service, and who was discharged or released therefrom under conditions other than dishonorable." The Mortgagor Affidavit has a checkbox that states: "Mortgagor(Comortgagor) meets the requirements to qualify as a "veteran" as defined in 38 U.S.C. Section 101 and has not previously obtained a loan financed by single family mortgage revenue bonds utilizing the exception to the first-time homebuyer requirement for Residences to Veterans under Section 143(d)(2)(D). Attached hereto are true and correct copies of my discharge or release papers, which demonstrate that such discharge or release was other than dishonorable.

Minimum Credit Score

Buyers must have a minimum FICO credit score of 620 (the mid score must be the minimum or above). If an Agency (FHA. etc) has a higher minimum, follow Agency guidelines. If a participating lender has a higher minimum for other loans and wishes to require a higher minimum for bond loans, then lenders must use the higher minimum. For home buyers with no FICO score, manual underwriting shall be permitted but only under those circumstances

Homebuyer Education

Homebuyer Education is required if borrowers are using the county'd down payment assistance.

INCOME QUALIFICATIONS

Income used for credit qualifying a borrower is different from income used for bond program purposes.

The program requires that the income of all persons 18 years of age or older residing in the household (related or unrelated) must be included in the calculation of income for bond program purposes. Unlike income that is averaged for credit underwriting, the bond program is concerned with actual current income. Current gross monthly income is multiplied by 12 to determine "total current annualized income". Gross monthly income is the sum of monthly gross pay; any additional income from overtime, part-time employment, bonuses, income from self-employment, dividends, interest, royalties, pensions, VA compensation and net rental income, other income such as alimony, child support, public assistance, sick pay, social security benefits, Unemployment Compensation, income received from trusts, and income received from business activities or investments, continuation of which is probably based on foreseeable economic circumstances based upon the Mortgage Affidavit (to such effect), all as computed at the time of application for a Mortgage Loan and confirmed at the time of Closing. Information with respect to gross monthly income may be obtained from the applicable certificates and affidavits provided and executed during the 4-month period ending on the date of the closing of the Mortgage Loan, provided that any gross monthly income not included for credit underwriting purposes must be included in determining gross monthly income.

The total annual income from all sources of spouses (occupants and non-occupants) and all persons 18 years of age or older residing in the household cannot exceed the maximum allowable income. The limit is the limit and any amount over the limit is not acceptable. Count all persons who will permanently reside in the home being purchased. Include the income of non-borrower co-habitants who will reside in the property. However, do not include (1) dependents that are claimed on tax returns but who will not permanently reside in the home the majority of the time and (2) co-signers.

The Affidavit, executed by the borrower(s), and certified by the lender, must include the total verified annual household income.

Borrowers are not required to use all available assets when using the first mortgage bond program. The amount of remaining reserves required is determined by the type of financing used (i.e. FHA, VA.).

Cosigners are allowable in an FHA transaction when meeting the following conditions: (1) a co-signer cannot have any ownership interest in the property (they cannot be on the Mortgage/Deed) and (2) the cosigner cannot reside in the property being purchased. A cosigner's income is not included in the bond calculation of income, tax returns are not required and cosigners do not sign any bond documents. For credit purposes only, follow FHA guidelines regarding the inclusion of income.

MAXIMUM ANNUAL HOUSEHOLD INCOME LIMITS Rev 6-30-11

NON-TARGETED AREAS		TARGETED AREAS	
1-2 Family Members	**3 + Family Members**	**1-2 Family Members**	**3 + Family Members**
$64.000	$73,600	$76.800	$89,600

RECAPTURE TAX: Mortgage loans originated under this program are subject to the Recapture Provision in accordance with Section 143(m) of the Internal Revenue Code. The recapture tax is similar to a prepayment penalty but is imposed by the IRS to recapture some of the cost savings realized by the homebuyer through the bond program. Recapture tax may be imposed if the property is sold within 9 years of purchase, a profit is realized from the sale and the homebuyer's income exceeds the amount allowed in the year that they sell the home. In no event will Recapture exceed the lesser of 50% of the homeowner's gain on the sale or 6.25% of the original loan amount. During the first twelve months of ownership, the income limits are the same as program income limits at the time the loan closed (this is program income limits not what homebuyer's income was at that time). For every twelve months after that, the income limits increase by 5% over the preceding 12 month limits.

PROPERTY QUALIFICATIONS

Targeted Areas are Federally designated census tracts specifically for the bond program. They are not necessarily the same areas identified by HUD, state or local governments for other programs.

Borrowers purchasing in these areas are not subject to being first-time buyers. Income and sales price limits are higher.

There are the **Targeted Areas** for this program. Clairton 4923; Duquesne 4869; Homestead 4838; McKees Rocks 4644; McKeesport 5509, 5519, 5521; Rankin 5140; West Homestead 4824

Get free census tract information by clicking on the census tract link on the Website. Just enter a property address and receive a tract #. Compare the tract number with those listed above to confirm that a property "is" or "is not" in a targeted area. In any case, enter the tract number when making a reservation. You may also map the census tracts. See the Website.

MAXIMUM ACQUISITION LIMITS Rev 6-30-11

New or Existing	**Non Targeted**	**$298,481**
	Targeted	**$364,810**

Program funds may be used for new mortgages (not refinance) and to finance single family residences that are the primary full-time residence of the borrowers. A primary residence is the legal residence of a person. It is also the place where the person lives on a full-time basis. Recreational, mobile, seasonal or other types of vacation or non-permanent homes are not eligible under the program.

New and existing, detached or attached, condos, townhomes and manufactured homes that meet FHA requirements. Homes are considered new if never previously occupied.

The remaining economic life of the property may be no less than 30 years.

The program allows the amount of land necessary to support the basic livability.

Properties are for residential purposes so no more than 15% may be used in a trade or business (including day care). "Business" does not include rentals in a multi-unit property.

Temporary, construction or bridge financing with a term of 2 years or less may be refinanced

ABOUT THE PROCESS SUMMARY

TRAIN **Lender training** provided by the Servicer and Administrator. For new personnel training, **contact** sue@ehousing.cc.
APPLY **Lenders apply for username and password http://www.ehousing.cc/allegheny10.htm** Scroll
down and click on Lender Portal. In the left margin, click on the blue button **"User Access"**
QUALIFY **Lenders qualify** applicants **for the bond program**. Lenders may pre-qualify and complete **application** process in their **own internal systems** using their internal codes**.** For the bond program, buyers must present an executed sales agreement before being entered into the program reservation system.
RESERVE To reserve funds in program's online **http://www.ehousing.cc/allegheny10.htm** Click on **LENDER PORTAL** and sign in. You'll need your username and password.
DISCLOSE **Lenders have borrowers sign** the **Notices to Buyers**. To their copy attach a **Recapture Brochure**. That's it for extra paperwork upfront. But it has to be signed upfront because it's the disclosure for the bond program. Find both on the Website under **"Forms" AT http://www.ehousing.cc/allegheny10.htm**
JUSTIFY **Lenders process** the loan normally and consider bond requirements (1) **Notices to Buyers** has been signed and (2) secure past three years **federal income tax returns** (complete with schedules) for borrowers and spouses unless Vets Exception or buying in Targeted Area (including GO Zones). Remember 45 day lock only extended with Underwriter Certification or cancels.
UNDERWRITE AND CERTIFY **Lenders underwrite** & are responsible for credit decisions of the loans in the program. Servicer does not re-underwrite loans. Following credit approval, **Underwriter completes** the online **Underwriter Certification** form**.** Access **http://www.ehousing.cc/allegheny10.htm** Sign in at the Lender Portal
CLOSE AND VERIFY It's important to provide accurate closing instructions to closing agents. All bond program docs must be returned to you. At closing have (1) **borrower and seller execute** (and have notarized) the **Affidavits/ Certification form, (2) borrower executes Tax Exempt Rider and (3) if using the HFA's DPA, have borrowers execute the subordinate mortgage and note.** See **"Forms"** at **http://www.ehousing.cc/allegheny10.htm**
SHIP **Lenders use** the Bond Compliance Checklist for the compliance file and correct Mortgage file Checklist for the mortgage file. Ship both to US Bank MRBP Division. Recorded documents should be submitted using the Final Document Submission Checklist. Find all under "Forms" **http://www.ehousing.cc/allegheny10.htm** Exceptions posted online as well as sent to lenders. Please clear timely. Lenders service loans until purchased by US Bank.

TIMING IS EVERYTHING

Buyers MUST HAVE A FULLY- EXECUTED SALES CONTRACT FOR A SPECIFIC PROPERTY in order to have funds reserved or be on the waiting list. The contract may be dated prior to the date of the loan application. (Buyers may be prequalified. However, if the buyer does not have a contract on a property, BOND FUNDS MAY NOT BE HELD for the buyer until such time as the buyer presents a valid contract.)

All loans must be registered through the McWeb Website. THE PROGRAM PROVIDES TWO RATES. PLEASE CHOOSE THE CORRECT RATE. Complete the reservation form online and submit it via the Internet. Reservations submitted correctly receive a confirmation that the loan has been accepted and a loan number. If submitted incorrectly, there is instant online feedback identifying non-compliance and/or missing information issues. Lenders may choose to print confirmation from “Loan Detail” screen

Bond funds are locked for a buyer when a reservation is submitted on and accepted by the system and a loan number is obtained.

Dates Revised 3-8-10
Loan Lock-In with Lender’s System
Lenders must follow standard internal lock-in procedures

Loan Processing, Delivery and Purchase Timetable
Reservation to Underwriter Certification = 30 days
Reservation to Closed & Delivered to Servicer = 60 days
Reservation to Exceptions Cleared, Loans Purchased = 90 days
Loans not meeting the timetable cancel automatically without notice.

Home Mortgage Program Submission Period
Final date to have loans submitted to the Servicer = September 15, 2011

Home Mortgage Program Purchase Period
Final date to have loans purchased by the Servicer = October 11, 2011

The Internal Revenue Service and the **HFA** have requirements that are reviewed for compliance. It’s the responsibility of lenders to review program documents and to originate loans that meet the requirements. The Master Servicer is not obligated to purchase loans that do not comply with program terms.

PROGRAM INTERNET RESERVATION SYSTEM

(You'll also be able to Track a Loan, Review Your Pipeline or Reports)

You **do not need a username and password** to access the program guidelines, program brochures, training materials or bond program forms. You **do need a username and password to** log in and **reserve money** for a borrower.

Here's your link to everything you need http://www.ehousing.cc/allegheny10.htm Click on "Lender Portal" The **Programs** button will default to the current program. If you have participated in other programs with us, you will have access to all open programs and may use the same username and password. Choose the correct program. The system is live and available 24/7. When you reserve a loan, it is immediately reflected in the remaining available funds. When you cancel a loan, it is immediately available.

If you need a username and password or if you haven't used yours in a while or to add the program to others you're using, click on **User Access** button in the left margin and follow the prompts.

If you have a property address and don't know the census tract, just click on the **Census Track Search** button in the left margin If you need the program or delivery and funding guidelines, program forms, or training materials, go back to **http://www.ehousing.cc/allegheny10.htm** You may download any of the information on this page and get back to the secure system by clicking on **Lender Portal**. The program forms are interactive whether accessed online or downloaded. Interactive means that you may type information in the blanks without changing the margins. We recommend that you periodically revisit the online forms and guidelines as they are sometimes updated. You are contacted via email when changes occur.

Remember to refresh your screen each time you return to the eHousingPlus page.

The security features control the information each user can access. For example, **only Underwriters** may access the Underwriter Certification.

With your username and password you'll be able to:

View Available Allocations

Lenders are encouraged to select this option from the Main Menu. This selection provides a quick 'live' view of the allocation(s) available in the selected program. Program funds are tracked by allocation.

Reserve a Loan

Lenders access this feature and submit the homebuyer/loan information. As an additional feature, the available allocation is always displayed prior to each reservation.

Change Loan

During the processing of a loan, a Lender may need to change certain information related to the loan, such as the loan amount, purchase price and other pertinent information. While the loan is in RESERVATION STAGE, a Lender may change this information online. This will ensure that the loan record is as accurate as possible prior to the underwriting process. For loan type and address changes, contact the Bond Compliance office.

Loan Detail Confirmation

At any given time, a Lender may access a Loan Detail Confirmation. This confirmation is a full detail of the loan record plus the status of the loan. This screen may be printed for your file as confirmation that the loan was reserved.

Commit a Loan

A required step in the loan process is the online 'Underwriter Certification', which can only be accessed by a Lender's underwriter. Underwriters have a special security level. The Underwriter Certification serves as the required COMMITMENT to a loan, if applicable. This process locks the loan and certifies to the lender that it can proceed to closing.

Pipeline

The Pipeline is one of the most important features online, because it allows a lender to view all of their loans and the loan status. It also assists in the management of the program by making it easy for lenders to check the loans they have in any given stage and make sure that all their loans in the system are still active. It also details loans that are deficient, loans purchased and date of sale. File Conditions to Correct Files are reviewed in two steps: Compliance Files are reviewed by the Bond Compliance office and the Mortgage File is reviewed by the Master Servicer. Any deficiencies are immediately emailed and posted online. This area should be checked often. This separate menu item was developed for the post- closing/shipping/corporate departments that cure file deficiencies. It consolidates in one area any files that have problems that may need to be resolved in order to be purchased. This provides a quick and easy means to check these loans.

Cancel Reservation

From time to time a loan may not make it through processing. It is important for lenders to cancel loans as soon as they know the applicant does not qualify. The PIPELINE feature assists in this process, as lenders can easily view the loans in reservation stage and determine if any are inactive. Should that be the case, the canceling of a loan is a very easy step. This will release funds and make them available for the next applicant.

e-Reports

e-Reports are a variety of reports, which allow users to see the performance of the program and their loans. The Program Summary, Loan Information Report and Loan Detail Report by Originator summarize these valuable elements for all authorized users.

Download Crystal Viewer

The e-Reports on the Web require a special download file (Crystal Viewer) in order for the user to view them online. This file is downloaded from our secure site and installed on any computer you would like to access the reports. The Crystal Viewer download and installation is very similar to the download and installation of Adobe Reader and has similar functions,

PROGRAM FEES

The program determines the origination and discount that may be charged. For low rate loans, Origination and Discount = 1.50%. There are Zero Points on loans at the higher rate
The program includes the following Compliance Fees
A Bond Application Fee of $200. Rev 4-11-11 (May be paid by buyer or seller but cannot be financed.) U S Bank discloses the other Servicer fees in their materials.

Lenders are permitted to charge reasonable and customary charges for out of pocket expenses and costs. Other financing costs such as legal fees and underwriting fees may be charged and courier fees may be charged if such fees are normally charged. Lenders may charge the usual and reasonable settlement costs. Settlement costs include titling and transfer costs, title insurance, survey fees or other similar costs. Other allowable fees include doc prep fees, notary fees, hazard, mortgage and life insurance premiums, recording or registration charges, prepaid escrow deposits and other similar charges allowable by the insurer/guarantor. "Junk" fees are not a defined term and may not be charged. Excessive fees are not permitted in the program

BOND COMPLIANCE UNDERWRITING

Underwriters should remember that CALCULATION OF PROGRAM (COMPLIANCE) INCOME IS DIFFERENT THAN CALCULATION OF INCOME FOR CREDIT PURPOSES. The Bond program requires that underwriters consider the income of borrowers and their spouses (regardless of their address) and all household members 18 years of age or older(related or unrelated). Use the information below as a general guide. Because each case is different, please contact Bond Compliance if you have questions.

Unlike income that is averaged for credit underwriting, the bond program is concerned with **actual current income.** You should be reviewing the YTD income, the income of the last 4 months and the income shown on previous tax returns for consistency. You should not be averaging income. If there are not inconsistencies in earnings, use the guidelines for each loan type to determine current gross monthly income. Current gross monthly income is multiplied by remaining months in the year to determine "total current annualized income".

For the tax year in which the closing occurs, consider YTD income. Then establish current base **income for the balance of the year using the guidelines for each type of income. Then consider any additional income. For assistance, contact the Compliance Office.**

Gross monthly income is the sum of monthly gross pay; any additional income from overtime, part-time employment, bonuses, income from self-employment, dividends, interest, royalties, pensions, VA compensation and net rental income, other income (such as alimony, child support, public assistance, sick pay, social security benefits, unemployment compensation, income received from trusts, and income received from business activities or investments, continuation of which is probable based on foreseeable economic circumstances based upon the Mortgagor's Affidavit (to such effect), all as computed at the time of application for a mortgage loan and confirmed at the time of closing. We will check information with respect to gross monthly income obtained from the reservation form, Underwriter's Certification and applicable certificates and affidavits executed the date of the Closing of the Mortgage Loan, provided that any gross monthly income not included for credit underwriting purposes must be included in determining gross monthly income. The limit is the limit and any amount over the limit is not acceptable. Include the income of non-borrower co-habitants who will reside in the property. However, do not include (1) dependents that are claimed on tax returns but who will not permanently reside in the home the majority of the time and (2) co-signers. The Affidavit, executed by the borrower(s), and certified by the lender, must include the total verified annual household income.

This program considers HOUSEHOLD INCOME not income of the borrower. Household income includes the income of borrower, spouse. Remember if persons are not divorced they are married. We count the income of the spouse whether they reside in property or not. Also include the income of all who will reside in the home 18 years of age or older (children, parents on social security, etc).

Questions regarding the calculation of income for bond program purposes should be directed to the Compliance office 954-217-0817. There are many variables and the Compliance office will be pleased to assist.

“Alternate Documentation” (Alt Docs) as defined by FHA and other secondary market entities is acceptable Lender verification for compliance purposes, provided that such documentation includes the necessary, acceptable income tax returns. The Servicer requires a credit package as indicated on the various loan delivery checklists. However, the Servicer does not re-underwrite the loans for credit purposes. See bolded paragraph below.

Although reference is made to VOE’s and VOD’s in the guidelines below, they are not required if acceptable alternate documentation is in the file. This documentation includes, but may not be limited to, current pay stubs which delineate “current period”, W-2's, for all borrowers and all employers, and bank statements to verify assets. If W-2's are present in the loan file, lending personnel should verify that the total of W-2's presented equals the total income shown on borrower’s tax returns. If a VOE is in the file, the borrower does not have to provide W-2's unless the underwriter deems this necessary for prudent underwriting. Figures shown on all documents should be consistent. See bolded paragraph below.

Because a program qualifier is “income”, even if not required for credit purposes (i.e. automated underwriting), you should be seeking the two most current paystubs with YTD. Do not include in the compliance file, keep copies for your records.

Although reference is made to the last 4 to 6 weeks income, Underwriters should be reviewing the income tax returns submitted to verify that there are no unexplained and/or unacceptable differences current income to past income.

Examples below not intended to serve as exclusive methodology. Please contact the Compliance office 954-217-0817 with questions regarding individual cases.

Please note that the income reported for bond income calculation CAN NEVER BE LOWER THAN THE INCOME USED TO QUALIFY FOR CREDIT PURPOSES.

Hourly Employees

For the tax year in which the loan is closing, use the Year to Date base income. If consistent, utilize the base to determine the balance of the year by

1.Using last 4 to 6 weeks' pay stubs, identify hourly rate of pay and average number of regular hours worked per week. Multiply hourly rate times regular weekly hours. Multiply result times number of weeks for balance of year and add to YTD for an annualized base salary.

2. If the person has no other sources of income (for example: overtime, bonus, commissions, second jobs, interest, dividends, child support, alimony, public assistance), this will be the Current Total Annual Income.

3. Compare the total annual income in #2 above to Paystubs, VOE’s, previous year’s income per W2's and tax returns. You should not find significant differences. In some cases, the Current Total Annual Income will be higher than the previous year's income. Variances should be attributable to increases/decreases in pay or number of hours worked.

You should not find significant differences. In some cases, the Current Total Annual Income will be higher than the previous year's income. Variances should be attributable to increases/ decreases in pay or number of hours worked.

Salaried Employees
1. Using last 4 to 6 weeks' pay stubs, identify weekly (or other frequency) rate of pay. Multiply rate times
the number of regular pay periods in the year (52 weeks, 12 months, 24 semi-months)
2. If the person has no other sources of income (for example: overtime, bonus, commissions, second jobs, interest, dividends, child support, alimony, public assistance), this will be the Current Total Annual Income.
3. Compare the total annual income in #2 above to Paystubs, VOE's, previous year's income per W2's and tax returns. You should not find significant differences. In some cases, the Current Total Annual Income will be higher than the previous year's income. Variances should be attributable to increases/decreases in pay or number of hours worked

Business, Self Employment (Rev. 10-31-07)
1. Use the quarterly tax returns and financial statements to identify the current NET year to date income. 2. Divide the year to date income by the number of months during which it was earned and multiply times remaining number of months in year. Add to actual YTD. **ADD DEPRECIATION**.
3. If the person has no other sources of income (for example: overtime, bonus, commissions, second jobs, interest, dividends, child support, alimony, public assistance), this will be the Current Total Annual Income.
4. Compare the total annual income in #2 above to the previous year's income per W2's and tax returns.
You should not find significant differences.

Verified Termination of Overtime, Commission, Bonus, Seasonal, Periodic, One Time Overtime, Bonus, Commissions
Using last 4 to 6 weeks' pay stubs, identify the year to date total earnings of the borrower. Subtract the Current Total Base Income (see above) to arrive at the total year to date extraordinary income. If verification of termination of overtime, commission or bonus is provided in writing (i.e. a letter from an employer) or such termination is due to a change of employment, use the current YTD overtime, commission or bonus, do not annualize and add as a lump sum to the Current Total Annual Income.

Regular Overtime, Bonus, Commissions
1. Using last 4 to 6 weeks' pay stubs, identify the year to date total earnings of the borrower. Subtract the Current Total Base Income (see above) to arrive at the total year to date extraordinary income.
2. Divide the year to date extraordinary income by the number of pay periods during which it was earned (to obtain an average). Multiply times the appropriate factor (Balance of year weeks, months, semi- months, etc.) for balance of year figure and add to actual YTD extraordinary income for annual income.
3. If the person has no other sources of income (for example: second jobs, interest, dividends, child support, alimony, public assistance), this will be the Current Total Annual Income.
4. Compare the total annual income in #2 above to Paystubs, VOE's, previous year's income per W2's and tax returns. You should not find significant differences. In most cases, the Current Total Annual Income will be higher than the previous year's income. It will also generally be higher than the annualized year to date income. The variances should be attributable to increases/decreases in pay.

Interest, Dividends

1. Use current earnings statements issued by the bank, investment broker or agent. Identify the year to date interest or dividend earnings. Divide by the investment term year to date (for an average) and multiply times appropriate factor to annualize the earnings.
2. If statements are not available, and the terms of the investment agreement are available, multiply the principal amount of the asset times the annual interest yield factor for a projected interest earnings amount.
3. If neither are available, use the previous year's earnings statements or tax returns to identify total annual interest and dividend income. If the assets are still invested in the same instruments, use the previous year's figure.
4. Add the result of the computation in either #1, #2 or #3 above to the Current Total Annual Income.

Alimony, Child Support

1. Use the monthly amount appearing in the divorce decree, separation agreement or other support document.
2. If the borrower receives more than the amount stipulated in the agreements, use the monthly figure that the borrower declares and can be verified.
3. If the borrower receives less than the amount stipulated in the agreements and there is a verifiable history of the underpayments for at least 2 years (as evidenced by Court records), then use the past 2 years' historical monthly earnings. If there is no such history that can be verified, use the amount stipulated in #1 above.
4. Multiply the monthly amount of alimony or child support times 12. Add to the Current Total Annual Income (plus any other income sources).

Pensions, Temporary Payments

1. Use the benefits statement issued by the benefits provider (pensions, workers compensation, disability compensation, social security, AFDC, etc.) to identify the amount of the benefit, payment frequency and expected term of the benefit.
2. Multiply the amount of the benefit times the payment frequency for the balance of year and add to actual YTD for an annualized amount. Add to the Current Total Annual Income (plus any other income sources).
3. If the benefit is absolutely not payable to the recipient beyond a given date (that means a complete and permanent stop of benefits without extensions, exceptions, waivers or other conditions) and such date is within 12 calendar months of the anticipated closing date, then calculate the benefits expected through the end of the benefits term. That will be the total annual income amount from the specific benefits source. Add to the Current Total Annual Income (plus any other income sources).

Boarder’s Income and Rental Income in One Unit Properties

The Boarder’s wages/income and rental income paid to the borrower must be included in the bond calculation of income.

Rental Income from 2-4 Unit Properties

Anticipated rental income from the property being purchased is not included in the bond calculation of income but may be treated as detailed in Agency (FHA, VA, Freddie, etc) guidelines. If the borrower’s own other rental property from which income is derived, that income must be included in the bond calculation of income.

PROGRAM FORMS

This topic addresses the specific bond forms required for the bond program for originating, processing, closing and loan delivery.

All forms are in an interactive format. You may download these forms onto your PC or laptop in their interactive format. You simply place your cursor on the first blank, complete and then "tab" to the next blank.

A complete Mortgage package must include all standard conventional, FHA, RD or VA forms.

While forms may be downloaded on your PC or laptop, going to the Website for forms each time you need them assures that the most current version is being used.

The simple rule of who signs bond forms – if the person is named on the Mortgage/Deed, they sign the bond forms. If they are not on the Mortgage/Deed, they do not sign the bond forms. Also, remember cosigners cannot live in property, do not sign bond documents or take title. Having people sign documents who should not sign is as incorrect as not having all sign who should. Under no circumstances may a cosigner's name appear on title or warranty deed, only those on credit sign the 1003 and HUD-1.

Original, personal signatures of all borrowers and sellers are required and must match on all documents associated with the transaction.

Whenever a party is known in any of the documents by more than a single name, a Name Affidavit Will Be Required.

Powers of Attorney and/or Personal Representatives for the Borrower Are Not Acceptable. **Exception:** Active Duty Military Personnel may provide an "Alive and Well" letter.

ORIGINATING COMPLIANCE FORMS

In addition to all the standard disclosures, the bond program has specific disclosures all contained in the **Notices to Buyers** that is executed at the time of loan application. To the borrower's copy attach the two-page **Recapture Brochure**. The **Original** of the Notices to Buyers should be included in the package that goes to the Underwriter.

CLOSING FORMS

* **Affidavit/Certifications**
* **Tax Exempt Rider** (Must be recorded)
* **Second Note and Mortgage** (Mortgage must be recorded)

POST CLOSING FORMS

* **Compliance File Checklist** is available online.

The Servicer provides checklists on their site for submission of the Mortgage File. There is a link on the eHousingPlus website for this program to U S Bank's website.

OTHER DOCUMENTS REQUIRED FOR BOND COMPLIANCE FILE

Tax Returns Rev 1-3-11 (Tax returns for the preceding year are due April 15 of the current year.)
Not required for those buying in Targeted Areas (including GO Zone Areas for loans that closed on or before 12-31-10) or who qualify under the Veterans Exception. Signed copies of the past 3 years' returns and all schedules are required for all borrowers and their spouses, regardless of whether the spouses are taking title to the property. IT IS THE RESPONSIBILITY OF THE BORROWER(S) TO SUPPLY THIS INFORMATION. If they do not have the required tax returns, they need to request a copy or transcript immediately to be provided prior to loan commitment. Please remember that the Underwriter is certifying that they have reviewed the appropriate returns. So returns must be provided to your Underwriter prior to Underwriter's Certification. Acceptable Federal Income Tax Returns: Copies of returns filed with the IRS including 1040 REGULAR, 1040-A, 1040-EZ, Letter 1722, an IRS line-by-line transcript and a Telefile return that meets the following conditions: (1) taxpayer name and address - such name and address cannot be altered in any way (2) has the preprinted Code number, (3) has the 6 digit IRS confirmation number and (4) has the signature of the taxpayer(s). Electronic returns and PC returns are not acceptable. Also acceptable are the electronic cover sheet accompanied by copies of returns filed with the IRS and PC (i.e. Turbo Tax) returns. Requests for Extensions are not acceptable in lieu of tax returns.

Full tax returns (schedules included) are required. All returns must include names, social security number(s) and address and must be signed by all named taxpayers. Original signatures are not required. Other types of returns are not acceptable. If a borrower did not file federal income tax returns for any or all of the three year period and were required by law to do so, they cannot participate in the program until such returns are filed. If a borrower did not file federal income tax returns for any or all of the three year period and were not required by law to do so, use the space provided on the Mortgagor Affidavit and list the name(s) of the party(ies), the tax year(s) and the reason for not filing. A form 4506 is available on the IRS Website: www.irs.ustreas.gov for borrower requests for a line-by-line (aka Tax return transcript). **Link to** the IRS via www.irs.gov

Real Estate Purchase Contract
The full address of the property, full names of all sellers and buyers, total purchase price of the property must be included. If there is not an address for new construction, a lot number and subdivision name are required. All named persons must sign. Include the name and title whenever a representative is signing for a corporation.

Final Typed Loan Application (1003)
The typed application signed and dated by all parties is required. Loan interviewer must complete and sign page 3 of 4 of the 1003. If this is not possible, then an Officer must sign in place of the interviewer. All persons taking title to the property must execute all bond documents. The income disclosed on the Affidavit must be the same or more than that shown on the 1003. The purchase price, loan amount, and other financial details must be the same as shown on all other documents.

HUD-1 Settlement Statement
Buyer, seller and closing agent must fully execute the HUD-1. Borrowers on the HUD-1 must be all persons taking title to the property and match the Affidavit and application. Persons not taking title to the property may not appear or sign the HUD-1. The Bond Application Fee must be shown as being payable to Servicer. Please do not bundle charges. Itemize all charges to the transaction. Payoffs of other debt must appear on Page 1 under Section 100 of the HUD-1 as part of "Settlement Costs".

Warranty Deed
A copy of the Warranty Deed is required.

Discharge or Release Papers for Vets
For those qualifying for the Veteran's Exception, a copy of Discharge or Release papers is required.