



Administrator's Guidelines for the Jacksonville Housing Finance Authority 2007 Single Family Mortgage Revenue Bond Program

10-23-07

10-31-07 Page 20, Self Employed, added "Add Depreciation"

11-1-07 Pages 7, 13, \$500 minimum borrower contribution required by HFA

12-20-07 Page 12, Deleted example of assistance calculation

4-1-08 Pages 6 and 11, Increased Income Limits; Pages 4 and 9, Homebuyer Education and Mortgage Insurance Requirements Changed; Page 14, No reinstatement of cancelled loans

7-11-08 Page 14, Changed final purchase date for "Available" funds to December 31, 2008 all subject to Processing, Delivery and Purchase Timetable.

12-03-08 Page 14, Final Purchase Date extended to August 1, 2009

4-20-09, Pages 6-11, Revised income limits

5-26-09 Pages 4- 13, Amended Available Products to offer only 5.99% plus 4.00% assistance

6-17-09 Page 4, added amount of funds available with assistance,; Page 14, Final Purchase Date extended to December 29, 2009



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WHO DOES WHAT?

Jacksonville HFA

Secures interlocal agreements from the other counties, Issues the bonds, creates the first mortgage program, develops assistance products, sets the rate, term and points

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.

U S Bank Home Mortgage Master Servicer

Provides information on acceptable loan products and delivery and funding, receives all mortgage files, reviews mortgage files, notifies lenders of mortgage file exceptions, approves mortgage files, purchases loans, funds loans, pools and delivers loans, delivers certificate to Trustee, purchases mortgage loans, pools and delivers

eHousingPlus Program Administration

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

HOW IT WORKS

TRAIN

Lender training provided by the Servicer and Administrator. For new personnel training, **check the web page**. Trainings are listed as scheduled or contact sue@ehousing.cc

APPLY

Lenders apply for username and password at <http://www.ehousing.cc/jacksonville07.htm>
Scroll down and to the heading **"To Make A Reservation....."** and click on **Username and Password Request**

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 system <http://www.ehousing.cc/jacksonville07.htm> Scroll down and click on **LENDER PORTAL**

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/jacksonville07.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 system <http://www.ehousing.cc/jacksonville07.htm> Scroll down to **Lender Portal**, sign in and from Main Menu select **Underwriter Certification**.

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 execute Tax Exempt Rider**. **Other forms may be required if using down payment assistance**. Find **"Forms"** at <http://www.ehousing.cc/jacksonville07.htm>

SHIP

Use the **Bond Compliance Checklist** to assemble the compliance file. Find under **"Forms"** at <http://www.ehousing.cc/jacksonville07.htm> Compliance File and mortgage file should be submitted to U S Bank. Lender services loans until purchased by U S Bank

PROGRAM REQUIREMENTS FOR BUYERS AND PROPERTIES

LOW RATE LOAN = 5.99% AND 4.00% OF THE NOTE AMOUNT AS DPA/CLOSING COST ASSISTANCE

There will be funds available at 5.99% without assistance. Assistance available for \$2.125 mil in loans.

NON-TARGETED AREAS	TARGETED AREAS
<p>ELIGIBLE AREA Eligible area includes all Duval County. Non-Targeted funds may also be used in Targeted Areas</p> <p>HOMEBUYER EDUCATION Rev 4-1-08 All buyers must attend an approved face-to-face homebuyer education course. See the Website for a list of approved courses. Please check this list frequently as it may change during the course of the program.</p> <p>MORTGAGE INSURANCE Rev 4-1-08 Lenders may use any MI company acceptable to the relevant Agency (Fannie, Freddie) for conventional loans in this program. .</p> <p>PREQUALIFYING BUYERS It's expected that lenders have reviewed some preliminary documentation and believe that applicants will also qualify for credit. Excessive cancellations will be reviewed to assure that allocation is not being utilized inappropriately.</p> <p>Lenders may prequalify buyers but may not reserve funds for buyers until the buyers have an executed sales agreement for a particular property.</p> <p>ABOUT THE ASSISTANCE GRANT The Assistance is calculated on the first Note amount. This amount is funded by the lender at closing and reimbursed by the Servicer at the time the loan is purchased. The Assistance may be used for down payment or closing costs and prepaids. While there is no cash back in this program, the borrower may be reimbursed for any overpayment of escrow. Because the Assistance is a fixed percentage, any remaining Assistance must be applied as a principal reduction.</p> <p>Assistance is in the form of a non-repayable grant. It is not repayable under any circumstances. When you reserve the first mortgage, the Assistance is automatically reserved. There is no additional reservation necessary. When you close the loan there are not second mortgages, second notes or liens.</p>	<p>ELIGIBLE AREA Eligible area includes the following census tracts 0004.00 0010.00 0013.00 0015.00 0016.00 0017.00 0018.00 0026.00 0029.01 0115.00 For a period of one year, targeted area funds are limited to use in only the census tracts above.</p> <p>HOMEBUYER EDUCATION Rev 4-1-08 All buyers must attend an approved face-to-face homebuyer education course. See the Website for a list of approved courses. Please check this list frequently as it may change during the course of the program.</p> <p>MORTGAGE INSURANCE Rev 4-1-08 Lenders may use any MI company acceptable to the relevant Agency (Fannie, Freddie) for conventional loans in this program. .</p> <p>PREQUALIFYING BUYERS It's expected that lenders have reviewed some preliminary documentation and believe that applicants will also qualify for credit. Excessive cancellations will be reviewed to assure that allocation is not being utilized inappropriately.</p> <p>Lenders may prequalify buyers but may not reserve funds for buyers until the buyers have an executed sales agreement for a particular property.</p> <p>ABOUT THE ASSISTANCE GRANT The Assistance is 4.00% of the First Note amount. This amount is funded by the lender at closing and reimbursed by the Servicer at the time the loan is purchased. The Assistance may be used for down payment or closing costs and prepaids. While there is no cash back in this program, the borrower may be reimbursed for any overpayment of escrow. Because the Assistance is a fixed percentage, any remaining Assistance must be applied as a principal reduction.</p> <p>Assistance is in the form of a non-repayable grant. It is not repayable under any circumstances. When you reserve the first mortgage, the Assistance is automatically reserved. There is no additional reservation necessary. When you close the loan there are not second mortgages, second notes or liens.</p>

NON-TARGETED AREAS	TARGETED AREAS
<p>QUALIFY THE BORROWER Buyers and their spouses (occupant and non-occupant) must be first-time buyers but 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.</p> <p>Buyers must live in the property they purchase as their principal residence.</p> <p>All applicants must be considered irrespective of age, race, color, religion, national origin, sex, marital status, military status or physical handicap.</p> <p>Buyers must occupy the property purchased within 60 days of closing.</p> <p>Contact Bond compliance with questions regarding eligibility.</p> <p>The past three years federal income tax returns are required for Bond program purposes but not for those qualifying under the Veterans Exception.</p> <p>A new bond program feature authorized by 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. Attached hereto are true and correct copies of my discharge or release papers, which demonstrate that such discharge or release was other than dishonorable.</p>	<p>QUALIFY THE BORROWER Buyers do not have to be first-time buyers but 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.</p> <p>Buyers must live in the property they purchase as their principal residence.</p> <p>All applicants must be considered irrespective of age, race, color, religion, national origin, sex, marital status, military status or physical handicap.</p> <p>Buyers must occupy the property purchased within 60 days of closing.</p> <p>Contact Bond compliance with questions regarding eligibility.</p> <p>The past three years federal income tax returns are NOT required for Bond program purposes.</p> <p>A new bond program feature authorized by 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. Attached hereto are true and correct copies of my discharge or release papers, which demonstrate that such discharge or release was other than dishonorable.</p>

NON-TARGETED AREAS	TARGETED AREAS								
<p>QUALIFY THE HOUSEHOLD INCOME Include income of borrower(s) and spouse (occupants and non-occupants) and any person who will live in the household who is 18 years of age or older. Bond program income is not averaged. It is annualized. That's different from income used for credit underwriting. More detailed guidelines for calculating bond program income are in the Underwriter's Program Income Calculation Guide included in this Guide Rev 4-20-09</p> <p>MAXIMUM ANNUAL HOUSEHOLD INCOME</p> <table border="0"> <tr> <td>1-2 person HH</td> <td>3 or more person HH</td> </tr> <tr> <td>\$78,120</td> <td>\$91,140</td> </tr> </table>	1-2 person HH	3 or more person HH	\$78,120	\$91,140	<p>QUALIFY THE HOUSEHOLD INCOME Include income of borrower(s) and spouse (occupants and non-occupants) and any person who will live in the household who is 18 years of age or older. Bond program income is not averaged. It is annualized. That's different from income used for credit underwriting. More detailed guidelines for calculating bond program income are in the Underwriter's Program Income Calculation Guide included in this Guide Rev 4-20-09</p> <p>MAXIMUM ANNUAL HOUSEHOLD INCOME</p> <table border="0"> <tr> <td>1-2 person HH</td> <td>3 or more person HH</td> </tr> <tr> <td>\$78,120</td> <td>\$91,140</td> </tr> </table>	1-2 person HH	3 or more person HH	\$78,120	\$91,140
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\$78,120	\$91,140								
1-2 person HH	3 or more person HH								
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<p>QUALIFY THE PROPERTY New or existing, multiple units acceptable as shown in Sales Price Limit charts. Existing 2-4 unit properties must be at least 5 years old. Borrowers must occupy one unit of a multiple unit dwelling. Also permitted, detached or attached, condos, townhomes. Homes are considered new if never previously occupied. Mobile, recreational, seasonal or other types of vacation or non-permanent homes are not permitted.</p> <p>Manufactured housing qualifies if it meets the conditions specified in the U S Bank Bulletin on the website</p> <p>The remaining economic life of the property may be no less than 30 years.</p> <p>Land may not exceed the size required to maintain basic livability.</p> <p>Newly constructed means that the home has never been previously occupied.</p> <p>Properties purchased in the program must be residential units. No more than 15% of the square footage of the home being purchased may be used in connection with a trade or business including Child Care services (other than incidental rental from eligible multi-unit structures).</p> <p>MAXIMUM ACQUISITION LIMITS Existing and New: \$247,500</p>	<p>QUALIFY THE PROPERTY New or existing, multiple units acceptable as shown in Sales Price Limit charts. Borrowers must occupy one unit of a multiple unit dwelling. Also permitted, detached or attached, condos, townhomes. Homes are considered new if never previously occupied. Mobile, recreational, seasonal or other types of vacation or non-permanent homes are not permitted.</p> <p>Manufactured housing qualifies if it meets the conditions specified in the U S Bank Bulletin on the website</p> <p>The remaining economic life of the property may be no less than 30 years.</p> <p>Land may not exceed the size required to maintain basic livability.</p> <p>Newly constructed means that the home has never been previously occupied.</p> <p>Properties purchased in the program must be residential units. No more than 15% of the square footage of the home being purchased may be used in connection with a trade or business including Child Care services (other than incidental rental from eligible multi-unit structures).</p> <p>MAXIMUM ACQUISITION LIMITS Existing: \$302,500</p>								

NON-TARGETED	TARGETED
<p>ABOUT THE FINANCING See U S Bank information on web page for the specific FHA, VA, RD, Fannie and Freddie products</p> <p>Not permitted: Refinances; Construction to perm</p> <p>Temporary, construction or bridge financing with a term of 2 years or less may be taken out with program funds.</p> <p>Temporary 2/1 buydowns are permitted for government loans to the extent allowable by HUD</p> <p>Borrowers are not required to use all available assets when using the first mortgage bond program but there is a HFA required minimum \$500 borrower contribution. Rev 11-1-07</p> <p>The bond program does not establish an amount of remaining reserves If any, these are determined by the type of financing used (i.e. FHA, VA.).</p> <p>There is no minimum loan amount required in the bond program.</p> <p>The appraisal must indicate that the home has a remaining life that is at least as long as the term of the mortgage.</p> <p>Loans in this program do not permit Cash Back. However, borrowers may be reimbursed for prepaids and overage of escrow payments.</p> <p>Cosigners are allowable in an FHA transaction when meeting the following conditions (1) a cosigner 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 bond income calculation, tax returns are not required and cosigners do not sign any bond documents. Follow FHA guidelines in calculating income for credit purposes only.</p>	<p>ABOUT THE FINANCING See U S Bank information on web page for the specific FHA, VA, RD, Fannie and Freddie products</p> <p>Not permitted: Refinances; Construction to perm</p> <p>Temporary, construction or bridge financing with a term of 2 years or less may be taken out with program funds.</p> <p>Temporary 2/1 buydowns are permitted for government loans to the extent allowable by HUD</p> <p>Borrowers are not required to use all available assets when using the first mortgage bond program but there is a HFA required minimum \$500 borrower contribution. Rev 11-1-07</p> <p>The bond program does not establish an amount of remaining reserves If any, these are determined by the type of financing used (i.e. FHA, VA.).</p> <p>There is no minimum loan amount required in the bond program.</p> <p>The appraisal must indicate that the home has a remaining life that is at least as long as the term of the mortgage.</p> <p>Loans in this program do not permit Cash Back. However, borrowers may be reimbursed for prepaids and overage of escrow payments.</p> <p>Cosigners are allowable in an FHA transaction when meeting the following conditions (1) a cosigner 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 bond income calculation, tax returns are not required and cosigners do not sign any bond documents. Follow FHA guidelines in calculating income for credit purposes only.</p>

NON-TARGETED	TARGETED
<p>About the Financing continued</p> <p>First mortgage loans may be assumed by a qualified borrower meeting first-time homebuyer requirements, income and acquisition price restrictions in place at the time of the assumption. Such loans must continue to fully comply and be insured or guaranteed by the insurer/guarantor or the mortgage insurer.</p> <p>The mortgage may be prepaid at any time without penalty.</p> <p>Doc Stamp and Intangible Tax - Mortgage legend “This mortgage is exempt from Documentary Stamp Tax under 201.08 F.S. and Florida Nonrecurring Intangible tax under 199, F.S. per 159.621 Florida Statutes.” Both the first mortgage and HFA subordinate mortgage are exempt.</p> <p>Recapture Tax - The conditions of repayment of the federal subsidy of these loans is explained in a separate brochure provided on the Website. Basically, if the property is disposed of in the first full nine years AND a net profit is made AND the borrowers income exceeds the income limits allowed at time of sale, recapture tax may have to be paid with the federal income tax return for the year in which the home is sold.</p>	<p>About the Financing continued</p> <p>First mortgage loans may be assumed by a qualified borrower meeting first-time homebuyer requirements, income and acquisition price restrictions in place at the time of the assumption. Such loans must continue to fully comply and be insured or guaranteed by the insurer/guarantor or the mortgage insurer.</p> <p>The mortgage may be prepaid at any time without penalty.</p> <p>Doc Stamp and Intangible Tax - Mortgage legend “This mortgage is exempt from Documentary Stamp Tax under 201.08 F.S. and Florida Nonrecurring Intangible tax under 199, F.S. per 159.621 Florida Statutes.” Both the first mortgage and HFA subordinate mortgage are exempt.</p> <p>Recapture Tax - The conditions of repayment of the federal subsidy of these loans is explained in a separate brochure provided on the Website. Basically, if the property is disposed of in the first full nine years AND a net profit is made AND the borrowers income exceeds the income limits allowed at time of sale, recapture tax may have to be paid with the federal income tax return for the year in which the home is sold.</p>

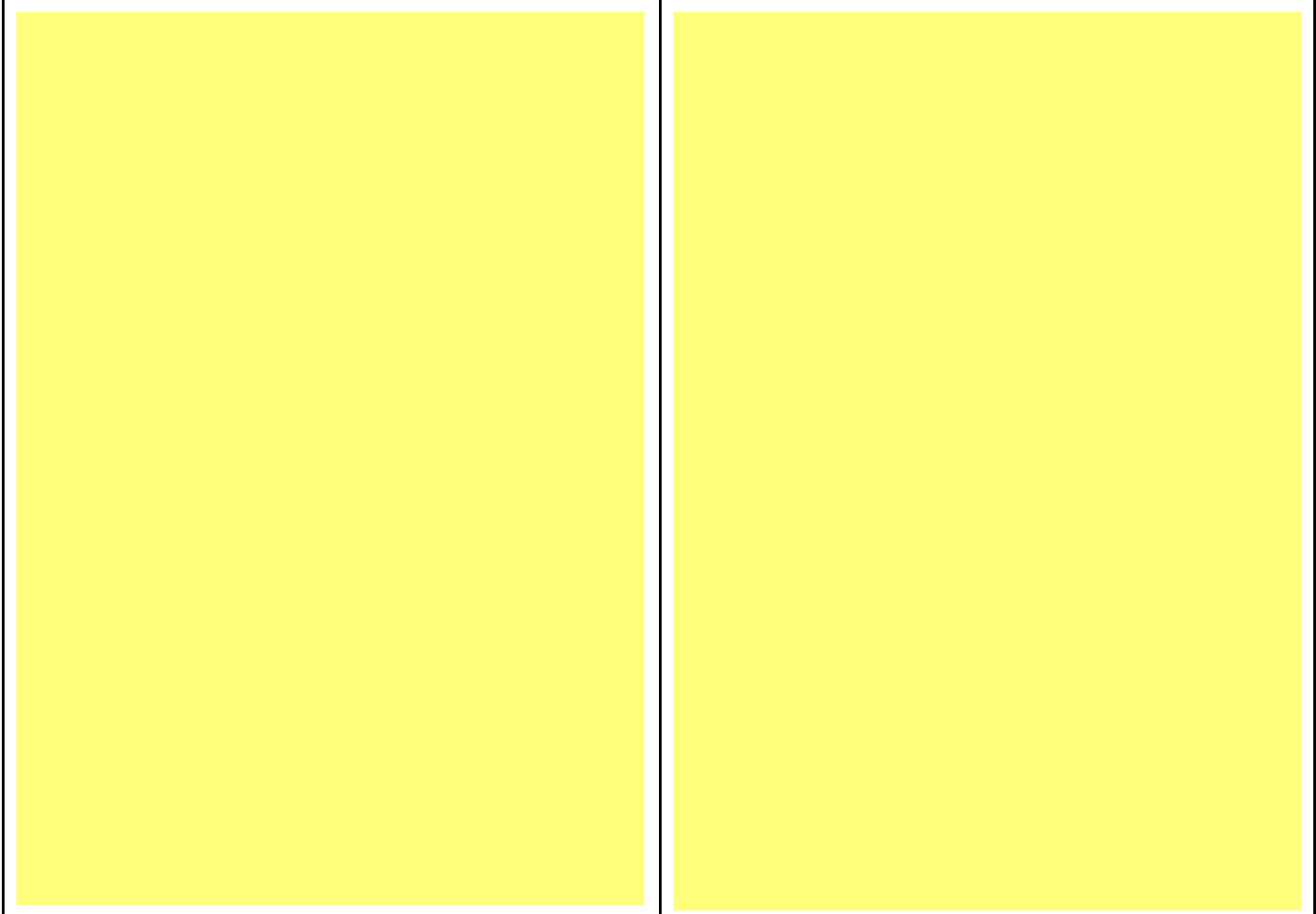
ASSISTED RATE = 6.55% NO LONGER AVAILABLE IN THIS PROGRAM 5-26-09

NON-TARGETED AREAS	TARGETED AREAS
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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.) Bond funds are locked for a buyer when a reservation is submitted on and accepted by the system and a loan number is obtained. **Address changes are not permitted.**

All loans must be registered through the eHousingPlus Website.. 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.

Loan cancellation for the purpose of locking another loan is not permitted. This is a first-come, first-served system.

Loan Lock-In with Lender's System

Lenders must follow standard internal lock-in procedures.

Loan Processing, Delivery and Purchase Timetable:

New Construction cannot be reserved until 45 days before closing.

Reservation to Underwriter Certification = 45 days

Reservation to Closed & Delivered to Servicer = 85 days

Reservation to Exceptions Cleared, Loans Purchased = 115 days

Loans not meeting the timetable cancel automatically without notice. . There is no reinstatement of canceled loans. **Rev. 4-2-08**

Commitment Period Final Purchase Date

A Wait List may be established when funds are fully committed.

Final Purchase Date Rev 6-17-09

December 29, 2009 unless extended by the Issuer.

The Internal Revenue Service and the Jacksonville 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 to do <http://www.ehousing.cc/jacksonville07.htm>

If you need a username and password or if you haven't used yours in a while, simply click on the Username and Password verbiage and click on the

For reservations, scroll down and click on *Lender Portal*.

The system is live and available 24/7. When you reserve or cancel a loan, it is immediately reflected in the remaining available funds. There may be times when there is a wait list that available funds may not display a *Select* button.

If you have a property address and don't know the census tract, just click on the Census Track button in the left margin

If you need the Administrator's or Delivery and Funding guidelines, program forms, or training materials, just scroll down and click. You may download any of the information on this page and get back to the reservation 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 visit the website. This cancels old cookies and allows you to see the most current version of everything on the 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 access:

View Allocation

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.

New Reservation

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

Additional Mortgages

Not utilized in this program

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 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

Underwriter Certification

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

ORIGINATION AND DISCOUNT FEES

The program determines the origination and discount that may be charged. There is ZERO Origination and Discount. No additional origination and/or discount may be charged buyer or seller.

LOAN LEVEL PRICE ADJUSTMENT ON MY COMMUNITY MORTGAGE LOANS

There is no loan level price adjustment charged on Fannie Mae loans

COMPLIANCE FEES

The program includes a Bond Application Fee of \$225 (paid by buyer/seller to extent allowable by FHA, VA, etc.). This fee is not paid until closing. This fee CANNOT BE FINANCED. The Bond Application Fee must be disclosed on the HUD-1 as being paid to U S Bank. To be netted by servicer at loan purchase.

TAX SERVICE FEE

The program includes a Tax Service Fee of \$85 (paid by buyer/seller to extent allowable by FHA, VA, etc.) This fee CANNOT BE FINANCED. The Tax Service Fee must be disclosed on the HUD-1 as being paid to U S Bank. To be netted by servicer at loan purchase.

LENDER FEES

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 FHA, VA, USDA: or Fannie Mae. "Junk" fees are not a defined term and may not be charged. Excessive fees are not permitted in the program.

The HFA Board is very interested in assuring that fees are reasonable. To assist them, we will be monitoring fees throughout the origination period.

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.

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 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.

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)

POST CLOSING FORMS

- * Compliance File Checklist is available online.
- * Mortgage File Checklists are available online
- * Final Document Delivery Submission Checklist is available online

PLEASE NOTE THAT THERE IS A REFERRAL FORM AND AN EVALUATION FORM (BORROWER SURVEY) THAT ARE ALSO REQUIRED FOR CONVENTIONAL LOANS THAT MUST UTILIZE MORTGAGE INSURANCE.

OTHER DOCUMENTS REQUIRED FOR BOND COMPLIANCE FILE

Tax Returns (Tax returns for the preceding year are due April 15 of the current year.)

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) has the preprinted 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). Borrowers may request a Letter 1722 by calling 1-800-829-3676 or visit the IRS website at 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.

Honorable Discharge

If using the Veteran's Exception, please include a copy of borrower's Honorable Discharge.

SEE WEBSITE FOR ADDITIONAL FORMS FOR CONVENTIONAL LOANS WITH MI

WHO SIGNS BOND DOCUMENTS

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.