



**Southeast Texas  
Housing Finance Corporation  
(SETH)  
2009 Single Family Program  
LENDER TRAINING**

February 9, 2010

Rev 3-20-10

eHousingPlus - part of the U S Bank Team

**SETH 2009 Single Family Program**



# **THE PRODUCT**



# First Mortgage Options

## **4.75% Low Rate Loan** 30-Year Low Rate Loan at 4.75%

The borrower receives a 30-year, fixed rate, fully amortizing first mortgage loan with 360 level monthly payments.

## **5.25% Assisted Rate Loan with 3% Assistance Grant**

**First-time buyers and Veterans Exception buyers only!!** The borrower receives a 30-year, fixed rate, fully amortizing first mortgage loan with 360 level monthly payments as well as an assistance payment equal to 3% of the loan amount to apply toward down payment or closing costs. 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.

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# PROGRAM REQUIREMENTS

## SETH 2009 Single Family Program



### Eligible Borrowers:

- Buyers and their spouses must be first-time buyers and must be able to permanently reside in the US. Please contact the Compliance office with questions regarding permanent residency.
- 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.
- The past three years federal income tax returns are required but NOT for Targeted Area buyers or those meeting Veteran's Exception.

**Asking questions -- Ask in writing to receive a response in writing.**



## **Veterans Exception**

Qualified Veterans were discharged or released under conditions **other than dishonorable**. They **cannot have owned a home previously** as a non-first-time buyers as a result of using a bond or MCC program.

**Veterans Exception buyers may use the Assisted Rate Loan.**

There is verbiage on the first page of the Affidavit that must be checked.

## **Homebuyer Education.**

Each Mortgagor is required to complete the Homebuyer Education seminar offered by SETH or an entity approved by SETH prior to the Closing of the Mortgage Loan. Upon completion of Homebuyer Education, the Lender shall obtain from the Mortgagor a copy of the certificate of completion and shall include such certificate in the Mortgage Loan file with a copy in the Compliance File.



## **Minimum Credit Score:**

The program requires a minimum credit score of 600 (the mid score must be 600 or above). Manual underwrites are permitted for non-traditional credit loans or when there is no FICO score.

**Eligible Area:** Counties of Austin, Brazoria, Chambers, Liberty, Matagorda, Walker, Waller or Wharton, or within the limits of the Texas Cities of Baytown, Deer Park, Dickinson, La Marque, La Porte, League City, Pasadena, Santa Fe, Shoreacres, Texas City and Tomball.



## TARGETED AREAS

For a period of one year, a portion of the funds must be set aside for properties in targeted areas. The following census tracts constitute the targeted areas

**City of Pasadena: 322000**

**Walker County: 790600**

**Wharton County: 740300**

Also considered targeted are the counties of the Eligible Area within the Rita Go Zone: Brazoria, Chambers, Galveston, Harris, Liberty and Walker



## Household Income Limits

Include income of borrower(s) and spouse(s) (occupants and non-occupants) and any person who will live in the household who is 18 years of age or older. Program income is not averaged. It is annualized. See Bond Compliance Underwriting in the Administrator's Guidelines.

Income Limits are listed for different counties in the Administrator's Guidelines.



## Eligible Properties include

- ✓ New or existing, one to four units, 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.
- ✓ Land may not exceed the size required to maintain basic livability.
- ✓ 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 two-unit structures).

**U S Bank provides information concerning acceptable government loans.**



## ABOUT THE FINANCING

**Appraisal** must indicate that the home has at least a 30 year remaining useful life.

**All available assets** are not required to be used in this program.

**Assumptions** - First mortgage loans may be assumed by a qualified borrower meeting qualifying 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.



**Buydowns are limited to FHA loans and may be Temporary 1 or 2 years with no more than 1% increase per year.**

**Construction to perm are not permitted.**

**Cosigners are permitted for FHA loans under very specific conditions.** Follow FHA guidelines for credit purposes only. Treat cosigner credit/income as directed by FHA. 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 cosigners income is not considered for bond program purposes, tax returns are not required and cosigners do not sign any bond documents.



**Minimum Loan Amount** - There is **no minimum loan amount** in this program.

**Prepayments** - The first mortgages may be prepaid at any time without penalty.

**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.



**Refinances** are not permitted. However, temporary, construction or bridge financing with a term of 2 years or less may be taken out with a bond program loan ▪

**Remaining reserves** are not established by the bond program. If any, these are determined by the type of financing used (i.e. FHA,.).

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# **THE PROCESS**



## **TIMING IS EVERYTHING**

**Buyers MUST HAVE A FULLY- EXECUTED SALES CONTRACT FOR A SPECIFIC PROPERTY** in order to have funds reserved or be on a waiting list.

**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.**



**Loan Processing, Delivery and Purchase Timetable --**

Reservation to Underwriter Certification = **45 days**

Reservation to Closed & Delivered to Servicer = **85 days**

Reservation to Exceptions Cleared, Loans Purchased = **110 days**

Loans not meeting the timetable **cancel automatically without notice.**

**First Date to Close Loans** January 12, 2010

**First Loan Purchase Date** January 12, 2010

**Final Non-Targeted Loan Submission Date** November 17, 2010

**Final Non-Targeted Loan Purchase Date** December 1, 2010

**Final Targeted Loan Submission Date** January 14, 2011

**Final Targeted Loan Purchase Date**  January 28, 201

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# PROGRAM FEES



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**1.00% is permitted as either Origination or Discount - not both.**

The program includes a first mortgage **Bond Application Fee of \$225.** The fee is payable at closing and remitted to **eHousingPlus with the Compliance File.**

**The Servicer** nets at loan purchase a Tax Service Fee of \$85 and a Transfer Fee of \$150.

**Lenders are permitted to charge** reasonable and customary charges for out of pocket expenses and costs, Lenders may charge the usual and reasonable settlement costs. "Junk" fees are not a defined term and may not be charged. Excessive fees are not permitted in the program.

Lenders net 2.00% on all loans in this program.

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# **PROGRAM FORMS**



The simple rule of who signs program forms if the person is named on the Mortgage/Deed, they sign the program forms. If they are not on the Mortgage/Deed, they do not sign the program forms.

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.

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**Now for a tour of the websites**