Single Family Development

Policy and Procedures Manual

Revised September 21, 2010

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POLICY AND PROCEDURES MANUAL FOR SINGLE FAMILY ORIGINATIONS

Statement of Purpose

The purpose of this manual is to outline the various policies and procedures to be used in the origination, underwriting, processing and closing of Single Family loans.

It is also important to note this manual is for internal use and is to be used only as a guide.

First Come, First Serve Program - The lenders are required to call in reservations or reserve funds on-line for the individual applicants. More than one reservation may be made per l2-month period, but it must be reserved at the original rate or the current interest rate, whichever is higher.

Special Loan Programs

From time to time, VHDA pilots special loan programs that can not utilize the on-line reservation system. These programs require the lender to fax the reservation form to VHDA @ 804-783-6728.

On-Line Reservation System

Overview

This section contains the following information.

Topic	See Page
How to Make a Loan Reservation	1-7
How to Check the Status of a Particular Loan	8
How to Review Multiple Loans	9

How to Make a Loan Reservation

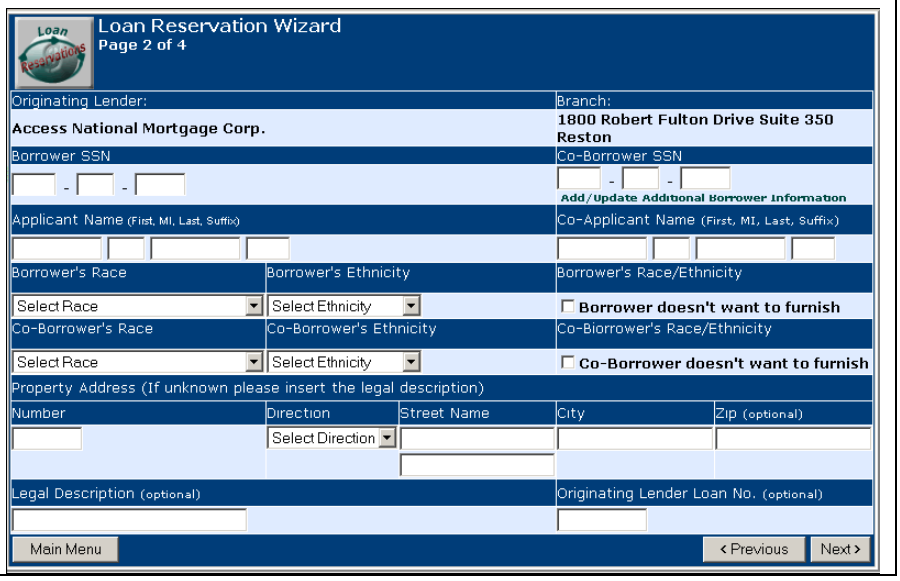
Initial Procedures

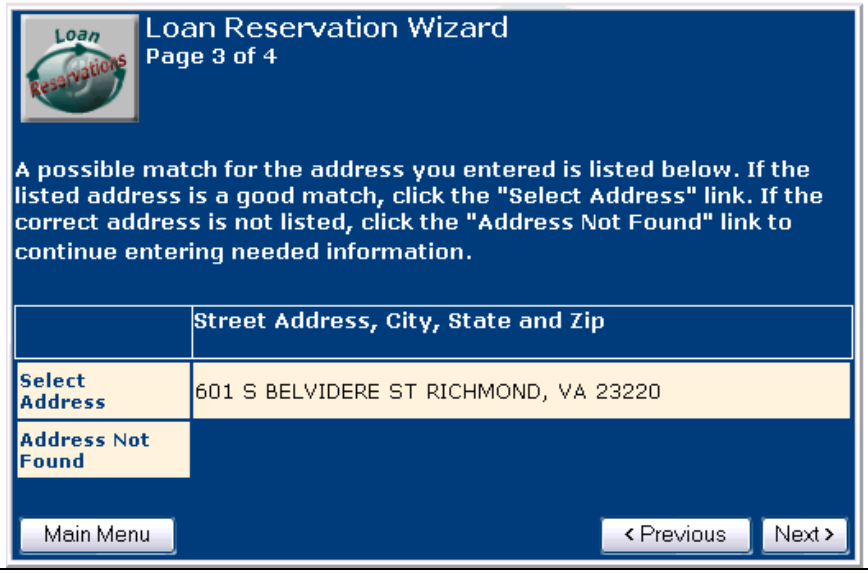
Complete the following steps to start the SF Loan Reservation Wizard.

Step	Action
1	Open <http://www.vhda.org> with your Internet browser.
2	Enter your name and password. Click on the **Login** button.
3	On the **Extranet User Menu**, select the **Loan Reservation System** under the "Navigation" menu.
4	On the **Single Family Loan Reservations** window, select **Make a Reservation**.
5	The first **Loan Reservation Wizard** window appears. The "Originating Lender," "Reserving Branch," "Originating Branch," "Reserving Contact," and "Phone Number" information appear. If the loan was originated at a branch other than yours, select the originating branch from the drop-down menu. If a branch is not listed, you may request an update by selecting the **Branch Update Request** link. To continue, click the **Next>** button. **Note:** You can exit without saving your reservation by clicking on the **Cancel/Main Menu** button.

Continued on next page

How to Make a Loan Reservation, Continued

Step	Action
1	Enter the borrower's social security number (SSN). The cursor automatically moves to the next field.
2	Enter the co-borrower's social security number.
3	Enter the borrower's and co-borrower's (if applicable) first name, middle initial and last name.
4	Enter property address click **next**. **(See screen shot below of page 2 of the wizard.)** 

5	Click “Select Address” if the candidate matches the address entered, you will then be moved to page 4 of 4 of the reservation wizard. **(See screen shot below of page 3 of wizard.)** 
6	Enter credit score, Press Tab, enter appraised value (optional) Press **Tab** **(See screen shot below of page 4 of wizard.)**
7	Enter the sales price. Press **Tab**.
8	Enter the first loan amount. Press **Tab**. Enter the second loan amount as it is applicable to the loan program.
9	Click on the down arrow under the “No. of Persons in Household” field. Click on the total number of people for the household. Press **Tab**.
10	Click on the down arrow under the “Program/Loan Type” field. Select the desired program or loan type by clicking on its name.
11	Click on the down arrow under the “Property Type” field. Click on the name of the property type. **Note:** Property type options may vary from those shown here.

12	Click on the **New** radio button if the property is a new construction. Click on the **Existing** radio button if it is an existing dwelling. Press **Tab**.
13	Enter the gross annual income.
14	Click on down arrow under "Purpose" click on the purpose of the loan (i.e. Purchase or Refinance)
15	Enter projected closing date.
16	If the applicant has owned a primary residence in the last three years, click on the **Yes** radio button. If the applicant has not owned a primary residence in the last three years, click on the **No** radio button.
17	Click on the **Confirm Reservation** button and the **Confirmatio**n window appears. Please Review All information. To make a change, click on the field that you want to change. The corresponding field on the Wizard screen appears. Make your change, and then click **Confirm Reservation** (If you are on the first, second or third wizard screen, you will need to click the **Next** button until you get to the fourth screen.

18	To complete the reservation, click on the Submit **Reservation** button.

Confirmation

Please review the information below for accuracy. You may then submit the reservation with the button below, or click an incorrect value to make revisions.

Reservation Information		Reservation Information Con't	
Borrower SSN:	541-66-4523	Applicant Name:	Test Borrower
Co-Borrower SSN:	--	Co-Applicant Name:	
Program/ Loan Type:	Conventional Fixed	Property Address:	601 S BELVIDERE ST RICHMOND, Virginia 23220
Property Type:	Single Family		
Special Program			
Sponsor			
New or Existing:	Existing	Legal Description:	
Sales Price:	$180000		
Loan Amount (First):	$100000	Targeted Area:	Yes
Loan Amount (Second):			
Appraised Value:		Credit Score:	720
No. Persons in Household:	2	Reservation Date:	9/21/2010
		Reservation Time:	11:51:45 AM
Gross Annual Income:	$50000	Reservation Exp. Date:	11/20/2010
Jurisdiction:	Richmond City	Interest Rate:	3.750%
		Origination Fee :	$ 1,000.00
Purpose:	Purchase	Projected Points:	1.0 point
Projected Close Date:	10/15/2010		
Primary Residence in Last 3 Yrs:	No		
Loan Officer:			
Program Notes:	VHDA requires borrowers to complete a VHDA Homeownership Education class for all VHDA loan programs.		

Submit Reservation >

Originating Lender:	VHDA	Reserving Contact:	Sandy Redd

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Continued on next page

How to Make a Loan Reservation, Continued

The Confirmation

Step	Action
1	Screen shot of **Reservation Complete** screen

Reservation Complete

The first reservation has been successfully reserved. Please print this page and note the loan number for your records. A copy of this is reservation will be emailed to **SFReservations@vhda.com** automatically. Click here to **enter the soft second reservation** or click here to **enter another reservation.**

VHDA Loan Number - 2110148

Information From Page 2		Information From Page 3	
Borrower SSN:	464-31-3133	Applicant Name:	Jane Doe
Co-Borrower SSN:	--	Co-Applicant Name:	
Program/Loan Type:	Conventional Fixed	Property Address:	601 S BELVIDERE ST RICHMOND, Virginia 23220
Property Type:	Single Family		
Special Program:			
Sponsor:			
New or Existing:	Existing	Legal Description:	
Sales Price:	$150000		
Loan Amount(First):	$100000	Originator's Loan No.:	
Appraised Value:		Targeted Area:	Yes
Loan Amount(Second):			
No. Persons in Household:	3	Reservation Date:	12/7/2009
		Reservation Time:	11:09:41 AM
Gross Annual Income:	$35000	Reservation Exp. Date:	2/5/2010
Jurisdiction:	Richmond City	Interest Rate:	5.000%
		Origination Fee :	$ 1,000.00
Purpose:	Purchase	Projected Points:	1.0 point
Projected Close Date:	12/30/2009		
Residence in Last 3 Yrs:	No		
Loan Officer:	No Loan Officer Available		
Program Notes:	VHDA requires borrowers to complete a VHDA Homeownership Education class for all VHDA loan programs.		

Originating Lender:	VHDA	Reserving Contact:	Sandy Redd

How to Make a Loan Reservation, Continued

2	**Note:** If there is a problem, a message appears with a VHDA contact name and phone number**. ** Example**** If the Social Security Number is already on file, the on-line system will not allow a new reservation for this Social Security Number. If the reservation fee has been paid and the first reservation is less than one year old, you must call Yolanda Dickerson at 343-5756 or Sandy Redd at 343-5820, to enter a new reservation for this SSN with an interest rate greater than or equal to the original reservation's interest rate. If the reservation is more than 1 year old, the interest rate will be at the current VHDA rate.
3	If there are no problems, the **Reservation Complete** window appears.
4	To log off, click on the "X" in the right hand corner of the screen.

How to Check the Status of a Particular Loan

Procedure Complete the following steps to check the status of your loan.

Step	Action
1	Click on the **Check Loan Status** link on the **Single Family Loan Reservation** window.
2	The **Loan Status Check** window appears.
3	Click on the down arrow under the "Branch" field to see a list of available branches. Click on the desired name to select it.
4	Select the appropriate search type by clicking on the **Social Security Number, VHDA Loan Number**, or **Lender Loan Number** radio buttons. Then enter data in the field next to the **Submit** button.
5	Click on **Submit**.
6	A new window appears with the information about the selected loan. If no loan meets the criteria that you entered, the second screen will be blank.
7	To exit, click on the **"X"** button in the top right corner.

How to Review Multiple Loans

Procedure Complete the following steps to review multiple loans in the SF Reservation system.

Step	Action
1	Click on the **Review Your Loans** link on the **Single Family Loan Reservation** window.
2	The **Generate Loan Report** window appears with the name of the originating lender and the branch address at the top.
3	Under "Reporting Scope," select whether you want a report of loans for the lender, branch, or user. Click on the appropriate name. **Note:** The options on this menu will vary according to the user's access level.
4	Click on the down arrow to select one or all branches.
5	Click on the desired type of loan under "Report Type." You can select active, inactive, or all loans.
6	Select the "Reporting Range" by clicking on the desired amount of time. You can choose 30, 90, or 120 days or the "View All" option.
7	Define how you want the report to be sorted. Click on the down arrow under "First." Click on the desired name. If you want to add other sort criteria, repeat these procedures for the "Second" and "Third" fields.
8	Click on the down arrow under "No. of Records per Page." Select how many records you want to appear on each page of the report. You can choose 25, 50, 100, or "All."
9	Click on **View Report**.
10	If there are loans for the criteria you selected, they appear in the next screen.
11	Click on the **"X"** in the top right corner to exit. The **Generate Loan Report** window appears. To return to the main menu, click on the **Cancel/Main Menu** button.

Procedure for Manual Reservations

Reservations are received and processed manually for numerous reasons, some of which are previous reservation exists in system, loan officer does not have access to computer or access to VHDA on-line reservation system, or reservation is SPARC.

Reservations processed manually are reserved at the active rate at the time the reservation is received. Any re-reserved loan reservations are processed at higher of market or previous rate if within 12 months of previous reservation date.

SPARC reservations are reserved at the active rate at the time received unless VHDA has been notified that the reservation has been sent for sign off and VHDA changes rates. We allow this exception due to the added step in the reservations process which often adds additional time.

The only exception granted by the Business Partner Product Manager or Reservations Assistant is if the Reserve contact is in the reservations system at the time of the rate change and the rate increases, the lower rate will be honored. The department keeps a list of the individuals requesting the exceptions and documents the manual reservation form as well. All other exceptions must be approved by the Director of Homeownership Programs or the Managing Director of Development.

At the beginning of each month, the Business Partner Product Manager will run a report for the Director of Homeownership Programs of all loans manually reserved by Reservations Assistant or Business Partner Product Manager for the previous month, which have an override on the rate/bond allocation. With the report, documentation for each override will be provided if the override resulted in an interest rate lower than the active interest rate for the date/time reserved.

PROCESSING FOR FIRST COME, FIRST SERVE PROGRAM

Requirements for System Access

Since the system will be offered through the internet, minimal system requirements will be necessary. No special software or system installation will be necessary.

System Requirements are as follows:

Internet Access
Access to E-mail
Internet Explorer 4.0 or greater (preferred) or Netscape 4.0 or greater

Each lender must designate a System Administrator who will be registered and given access to the system. This System Administrator will then register other lender staff for access to the system.

System Registration

After a lender has been approved to process VHDA loans a letter of an administrative contact sheet (see attached) is sent in to the Business Partner Product Manager who reviews it and brings it to the Reservations/Special Programs Assistant.

The lender is then set-up on the online system:

Step 1. Added to Fastrak lender maintenance (No longer necessary step as of 12/15/07)

Step 2. Added to lender maintenance

Step 3. Added to branch maintenance

Step 4. Added to user maintenance (the user administrator is set-up here and e-mailed a confirmation with a temporary password, the user name is the administrators' e-mail address). The administrator is responsible for setting up the branch users.

Step 5. The lenders then have access to the Fastrak reservations systems by going on to the vhda.org. website using the information provided to them from the user maintenance system. (No longer available as of 12/15/07)

Administrative and Training Contact Assignment

Administrative Contact:
The administrator's role is to maintain the list of active users for VHDA Reservations. They may add/modify/delete other Administrators and lower levels with the lender.

Please complete the Administrator information below:

Lender Name _____
Administrative Contact Name _____
Branch Address _____
_____
Phone _____
Email _____
Fax _____

Agreement:

As VHDA's Administrative Contact, I take responsibility for controlling internal employee access to the VHDA Internet Reservations System. I understand that it is my responsibility to give access to the appropriate individuals within my organization, as well as modify or remove their access as needed. I further understand that I may delegate these administration duties to other(s) in my organization who will have the same level of responsibility as stated above.

By:_____
Name:_____
Title:_____
Date:_____

This section to be completed by Lender Administrator

The undersigned Authorized Officer of Lender certifies that the Administrator is authorized to perform the duties set forth herein.

By:_____
Name:_____
Title:_____
Date:_____

This section to be completed by Authorized Officer of Lender

Training Contact:
The trainer's role is to ensure that authorized users of the VHDA Internet Systems have the training, and tools necessary for appropriate use.

Training Contact Name _____
Branch Address _____
_____
Phone _____
Email _____
Fax _____

Please fax the completed form to VHDA at (804) 783-6730. Questions regarding this form may be directed to Sandy Redd at (804) 343-5820 or sandy.redd@vhda.com

Procedure for Changing Single Family Interest Rates

Rate change requests are created by the VHDA Finance department and a bond allocation notice is sent to Sandy Redd detailing the new interest rates, funding sources and allocation amounts. These notices are sent by email.

Sandy Redd or alternate makes the changes in the SF Funding system and activates the new interest rates.

An automated email is sent upon activation of the new interest rates and details for what products the interest rate has been changed. This email is sent to members of SF Finance, Michele Watson and Sandy Redd. The purpose of this email is to ensure that rate changes are made in a timely manner.

The allocation notice is initialed by Sandy Redd or alternate and distributed to various staff members as detailed on the Rate Change checklist.

New Rate

Date: _____ Notice: _____
Time: _____

	BOND	RATE	($)	INTER-ONLINE Bond	INTER-ONLINE Active
(MRB) Regular	_____	_____	_____	( )	( )
Flex	_____	_____	_____	( )	( )
_____	_____	_____	_____	( )	( )

( ) Rate Line: CHANGE MESSAGE

( ) On-Line Rate: To Verify only. (Print-Out)

( ) Verify Rate: (Print-Out)

( ) Notice:

Virginia:	( )
Michele:	( )
David H.:	( )
Bill:	( )
Pat Corey:	( )
Terry C.	( )
Joe F.	( )

( ) E-Mail:

( ) Ratewatch Notification

SF Funding System

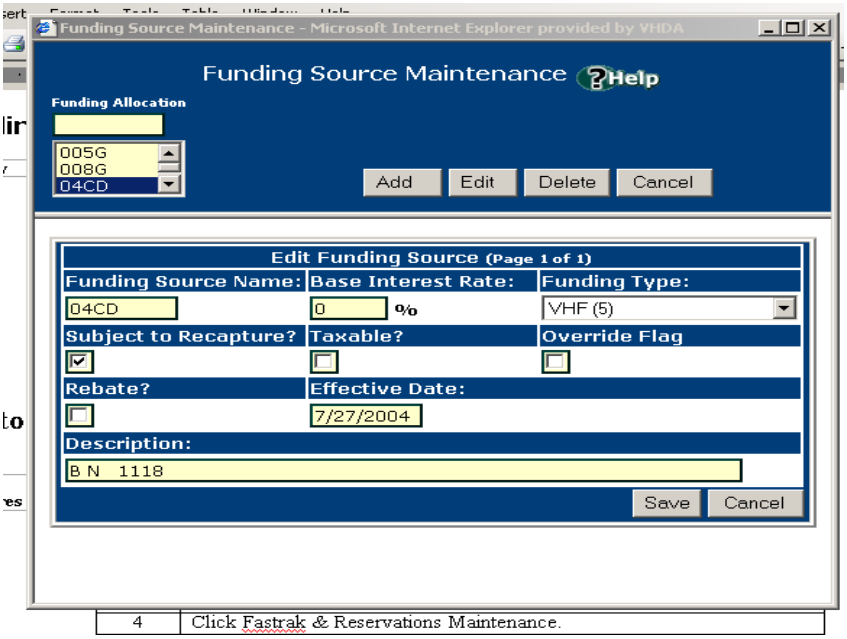
Overview This section contains the following information.

Topic	See Page
How to Set Up a Funding Source	1-2
How to Set Up an allocation (blend example)	3-5
How to Activate an Allocation	6-7
Rate Changes	8

How to Set Up a Funding Source

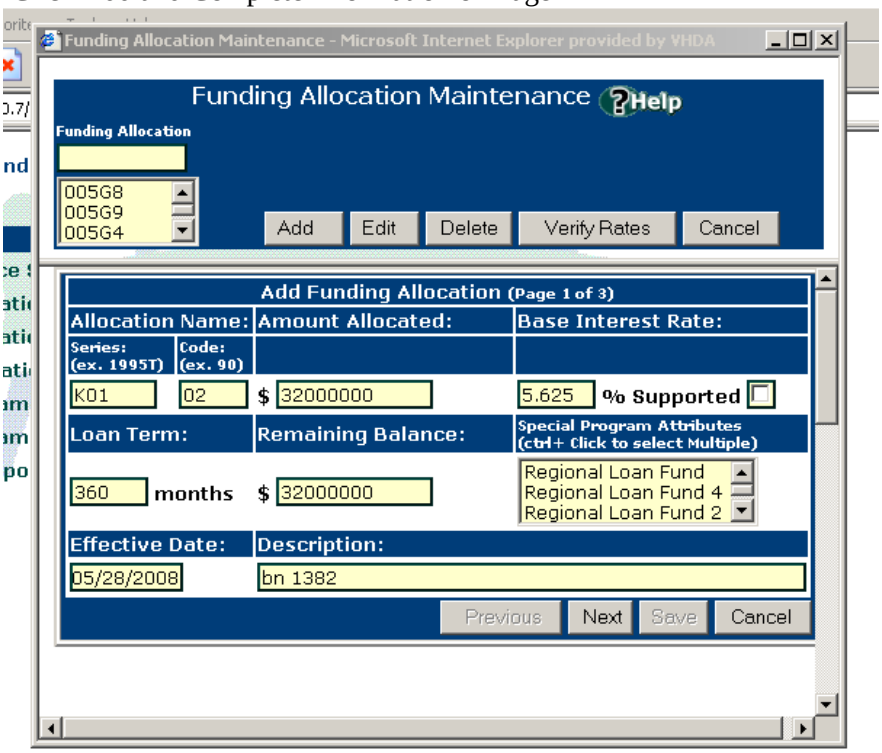
Initial Procedures Complete the following steps to access the SF Funding System.

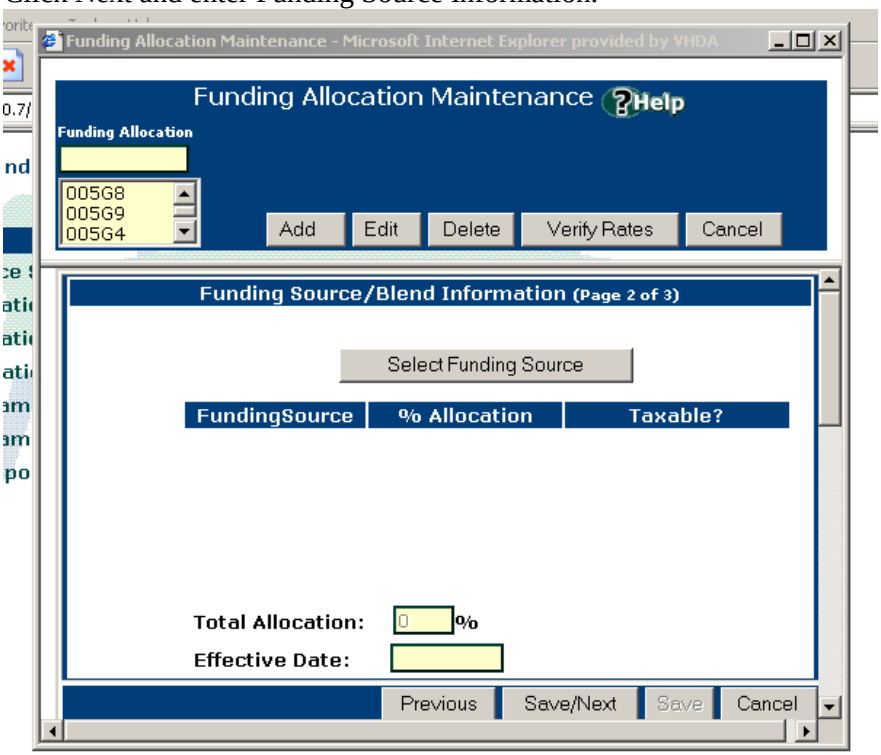
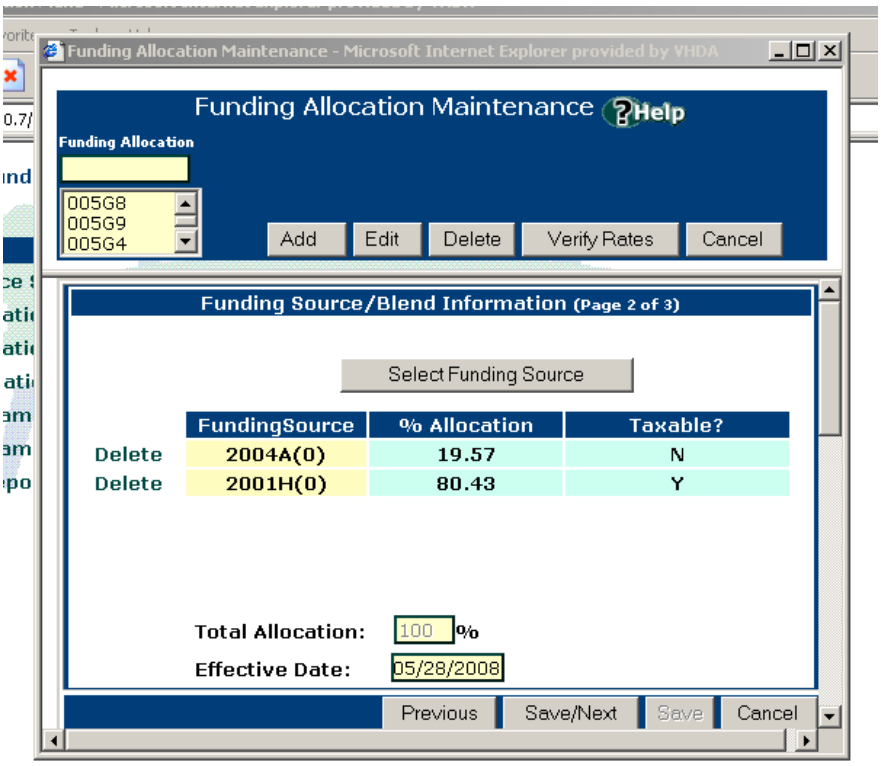
Step	Action
1	Click on Internet Explorer icon to access VHDA Intranet.
2	Click SF (Under Development).
3	Click “Applications We Use”.
4	Click Fastrak & Reservations Maintenance.

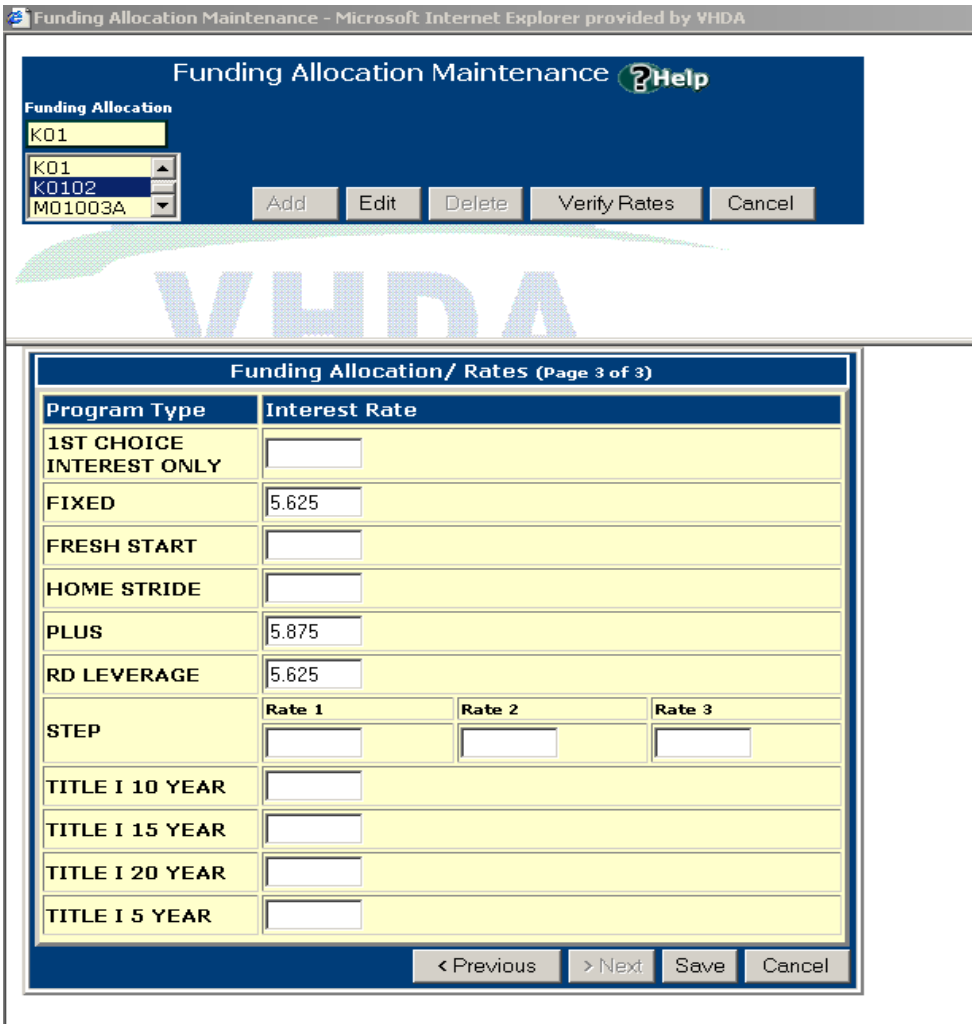
5	Click Funding Administration. Click Funding Source Setup & Maintenance. Click “Add”. Enter Information and Click Save. 

Continued on next page

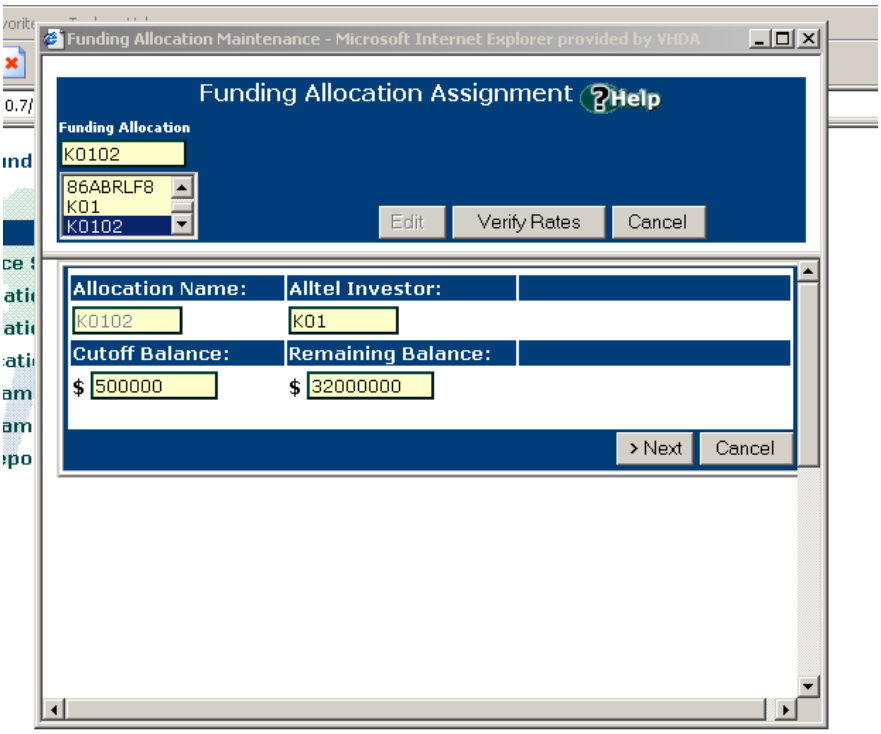
How to Set Up an Allocation

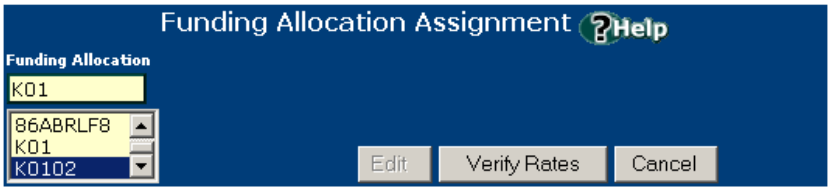
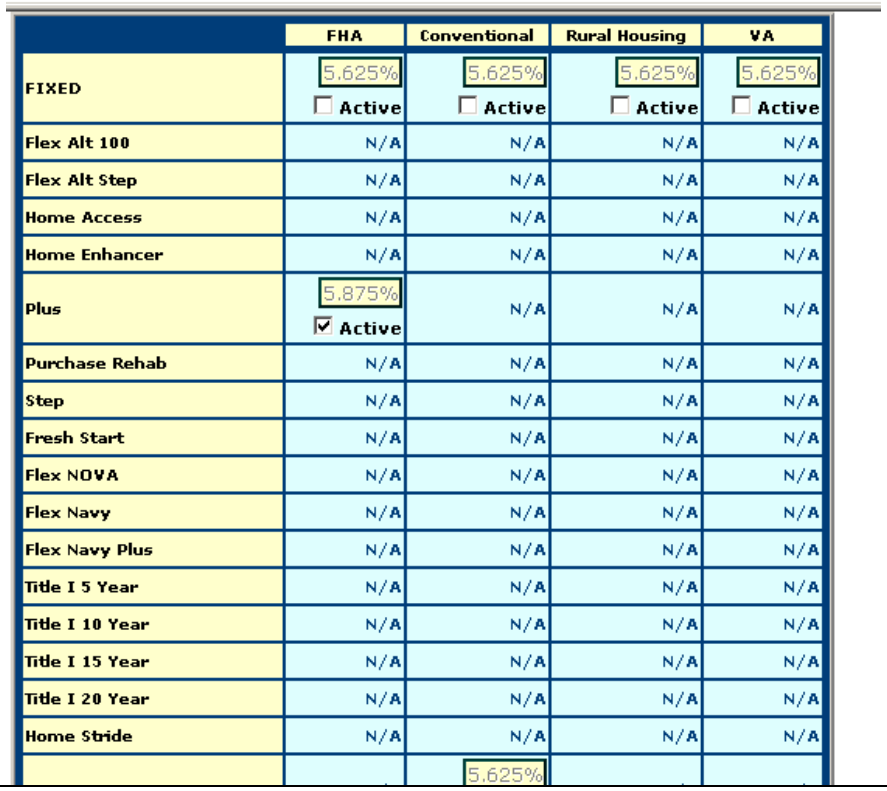
Step	Action
1	From Single Family Funding Administration menu, choose Funding Allocation Setup & Maintenance
2	Click Add and Complete information on Page 1 

3	Click Next and enter Funding Source Information.   Click Save/Next.

4	Enter Rate Information.  Click Save.

How to Set Up a Funding Source

1	From Single Family Funding Administration menu, choose Funding Allocation Assignment. **Click Add and Select allocation that was added in previous step.** 
2	Enter the Alltel Investor Code, which will always start with a “K” for blends. Check with Pat Corey or Joanne Alderson in servicing if need help with naming convention.
3	Enter Cutoff balance of $500,000 (without commas).

4	Click Next and check boxes to activate rates associated with that allocation.   FHA / Conventional / Rural Housing / VA FIXED: 5.625% Active / 5.625% Active / 5.625% Active / 5.625% Active Flex Alt 100: N/A / N/A / N/A / N/A Flex Alt Step: N/A / N/A / N/A / N/A Home Access: N/A / N/A / N/A / N/A Home Enhancer: N/A / N/A / N/A / N/A Plus: 5.875% Active / N/A / N/A / N/A Purchase Rehab: N/A / N/A / N/A / N/A Step: N/A / N/A / N/A / N/A Fresh Start: N/A / N/A / N/A / N/A Flex NOVA: N/A / N/A / N/A / N/A Flex Navy: N/A / N/A / N/A / N/A Flex Navy Plus: N/A / N/A / N/A / N/A Title I 5 Year: N/A / N/A / N/A / N/A Title I 10 Year: N/A / N/A / N/A / N/A Title I 15 Year: N/A / N/A / N/A / N/A Title I 20 Year: N/A / N/A / N/A / N/A Home Stride: N/A / N/A / N/A / N/A 5.625%
5	Click Save.

Miscellaneous Rate Change Information

Step	Action
1	Print Active Bond Report before making any changes. This can be accessed from the Funding Administration Menu.
2	Print Rate Change Document and RateLine Document. These are WORD documents.
3	Write current balances, if applicable on bond notice provided by finance.
4	Change existing allocation balance or new allocation balance to match balance on bond notice.
5	Activate allocation per instructions above and print Active Bond Report again.
6	Verify Rates using either Funding Allocation Maintenance or Funding Allocation Assignment, click Verify Rates and right click on page to print. Confirm that these rates and allocations match your input.
7	Send RateWatch notification to Lenders. This application is accessible from Funding Administration window.
8	Make changes and Send "The Rates Are…" document to SF Originations and Res Count groups internally.
9	Access **www.vhda.org**, click on rates at top of home page and verify accuracy of rates. Print two copies, one for Sandy, one for Debra.
10	Change Rateline message according to directions on RateLine Change document.
11	Complete Rate Change Process document and attach all together.
12	Distribute bond notice copies as required on Rate Change Process document.

Date: _____

RATE LINE GUIDE

You have reached Virginia Housing's rate-line. Today is _____ For all pricing options, go to www.vhda.com , click on Homebuyer Loan rates and all pricing options will be displayed.

The current standard rate is _____% on all 30 year FHA, VA, Guarantee Rural Housing and Conventional Loans.

FHA+ _____% HB Tax Credit Plus _____%

The Flexible Alternative standard rate is _____%

The Flexible Alternative Interest Only rate is _____%

The Flexible Alternative Home Access & Home Enhancer rate is _____%

Thank you for calling the VHDA rate-line.

To change the rate line, dial 2120 and enter your extension #, then enter your password. Next enter the call handler extension, 7738. To change standard greeting, press 2, to record standard greeting, press 2. Begin speaking and when finished, press #.

Rate-Line: 800-637-7738

Procedure for Disbursement of Credit Lines

Revised December 2009

Habitat for Humanity

- Request for line of credit disbursement is sent to Corliss Bey at Habitat for Humanity Virginia office
- Corliss verifies request for accuracy and completeness.
- Spreadsheet is sent to Sherry Estridge with data for loan disbursements that will be used in data mart
- Corliss delivers request to Sandy Redd, Business Partner Product Manager.
- Sandy checks request, calculates loan amount, per diem interest, receipt and accuracy of all documents, building permit, certificate of occupancy, pledge agreement, promissory note, etc. and inputs information into Habitat line of credit spreadsheet.
- Sandy generates letter, list of loans to be disbursed and check request for the actual disbursement.
- The check request is signed by Sandy and authorized by either Michele Watson or Don Ritenour.
- Check request is delivered to finance and upon issuance of the check, check is returned to Sandy Redd.
- Sandy sends check and letter/loan list via overnight delivery to Habitat chapter.
- Sandy inputs check number and disbursement number into Habitat line of credit spreadsheet and adds the unit number and total disbursed for each chapter into Habitat units and totals spreadsheet.
- Copy of letter, check, request and documents supporting request are sent to Pamela Holmes in Single Family Servicing via Inter Office mail.
- Documents are filed in Habitat folders for appropriate chapter and year.

FAHE

- FAHE sends request to Sandy Redd and emails spreadsheet with data to Sandy.
- Sandy forwards spreadsheet to Sherry Estridge.
- Sandy checks request, calculates loan amount, per diem interest, receipt and accuracy of all documents, building permit, certificate of occupancy, etc. and inputs information into FAHE line of credit spreadsheet.
- Sandy generates letter, list of loans to be disbursed and check request for the actual disbursement.
- The check request is signed by Sandy and authorized by either Michele Watson or Don Ritenour.
- Check request is delivered to finance and upon issuance of the check, check is returned to Sandy Redd.
- Sandy sends check and letter/loan list via overnight delivery to FAHE.
- Sandy inputs check number and disbursement number into FAHE line of credit spreadsheet.
- Copy of letter, check, request and documents supporting request are sent to Pamela Holmes in Single Family Servicing via Inter Office mail.
- Documents are filed in FAHE folder for appropriate year.

VHDA MRB LOAN PROGRAMS

These programs are funded using tax exempt bonds and offer a variety of financing options based upon product selected.

Loan Types:	HUD-VA-RD Insured and Conventional with or without PMI.
Processing:	Originating Agents are to process loans in accordance with VHDA guidelines and procedures and submit to VHDA for approval (unless the Originating Agent has VHDA delegated authority).
Underwriting:	Delegated or Non-Delegated
Closing:	Delegated or Non-Delegated
Servicing:	VHDA or Other Servicer
Loan Terms:	30 Years

Pricing Options are Available:

Origination Fee:	0-1%
Discount Point:	0-2%

Mortgage Insurance:	Based upon program selected Conventional up to 97% LTV (12% - 35%) coverage
Loan Purpose:	Purchase Only, Owner Occupied/Primary Residence
Basic Property Requirements:	Single Family Only (Doublewides HUD Insured Only), 2 Acre Lot Limits (waivers maybe granted up to 5 Acres)
Eligible Borrowers:	Borrowers may not have had a present ownership interest in a principal residence within the past three years, Business use of property restrictions apply. Borrowers must be US citizens; provide evidence of lawful permanent (not conditional) resident alien status; or in the case of non-permanent resident aliens, must possess a SS# and be authorized to work in the US.
Net Worth:	Eligible borrower(s) can not have a net worth exceeding 50% of the sales price.

Max Gross Household Income:	VHDA publishes maximum "gross income" limits which are established to comply with the limits imposed by the U.S. Treasury limits. These Maximum Allowable Income and Sales Price Limits are available on VHDA's website.
Sales Price/Loan Limits:	VHDA publishes maximum sales price limits. Properties being financed cannot exceed these limits. These Maximum Allowable Income and Sales Price Limits are on VHDA's website.
Acquisition Costs Requirements:	Definition of Acquisition Cost - The cost of acquiring the eligible dwelling from the seller as a completed residence. The acquisition cost of a property to be financed may not exceed limits which have been established by the U.S. Department of The Treasury in effect at the time of application. In all cases for new loans, these limits equal or exceed VHDA's sales price limits, therefore, for new loans the residence meets this requirement by meeting VHDA sales price limits. In the event that the acquisition cost exceeds VHDA's sales price limit as a result of the estimated costs to complete unfinished areas, the Originating Agent must contact VHDA to determine if the residence is eligible.
Qualifying Ratios:	Varies based on loan type.
Credit Underwriting:	Varies based on loan type.
Employment Requirements:	Varies based on loan type.
Homeownership Education:	Varies based on loan type.
Tax Recapture:	All loans which are funded from one of VHDA's Tax Exempt Bond Loan Programs may be subject to the Federal Tax Recapture.

(Program suspended as of 4/01/2008)

STEP RATE PROGRAM - Bond Programs

Product

This program offers lower initial mortgage payments by reducing the interest rate during the first two years of the loan. To offset the lower rate during the first two years, the interest rate is increased by .50% above the standard 30 year rate. The rate is then reduced by 2% the first year by 1% the second year and remains fixed for years 3-30. No additional fees or points are charged. The program is available through the FHA, VA, RHS and conventional PMI insured programs.

Fees

Standard fees:	1% Origination	2% Discount

Processing

This program is available under our first come first serve program as a standard product. Reservations are made through the automated reservation system. The reservation card and the loan application should indicate Step Rate. Loan packages are submitted under same procedure as standard loans.

Underwriting

Standard qualifying criteria as other VHDA FHA, RHS,VA or conventional loans apply. Qualifying ratios are based on the following:

FHA	-	1st year rate
VA	-	2nd year rate
Conventional	-	2nd year rate
RHS	-	1st year rate

Loans may also be submitted to Loan Prospector or Desktop Underwriter for automated underwriting decisions.

The system will calculate the appropriate payment based on balance and term for the three specified interest rates. This information will be printed on the VHDA commitment.

Closing

A Step Rate Note and Step Rate Allonge will be included in the closing package.

Servicing

Servicing of loans will be handled by the designated VHDA servicing agent or VHDA direct servicing.

FHA PLUS PROGRAM

PRODUCT

This program offers downpayment and closing costs assistance in the form of a second mortgage in addition to a VHDA FHA insured first mortgage.

FEES/RATE

Standard Fees:	0 - 1% Origination 0 - 2% Discount
Fees:	Charged on first mortgage only
Rate:	The first and second mortgage will both carry the same interest rate which will be .25% above the standard VHDA fixed rate. Both loans will be made for a 30 year term. Per diem interest will also be charged on the second mortgage.

CALCULATION OF LOAN AMOUNTS

Calculation of Maximum Downpayment/Closing Costs Assistance:

VHDA second mortgage will be made up to 3.5% or 5% of the lesser of the sales price or appraised value based on credit score. Credit score of 620 -659 maximum 3.5%, credit score of 680 or greater maximum 5%. Borrowers minimum cash investment is 1% of sales price. This may be in the form of cash reserves.

(Revised September 2010)

RESERVATION PROCEDURES

Reservation for FHA PLUS loans will be made on the automated reservation system. FHA PLUS will be added as a financing option. When FHA PLUS is entered, additional information related to the second mortgage will be requested and the higher rate will be reserved. Indicate FHA PLUS on the reservation sheet. The loan amount section should reflect both the first and second mortgage separately.

APPLICATION PROCESSING PROCEDURES FOR FHA PLUS

Disclosures:

A. Good Faith Estimate (Lender's Disclosure) – *updated September 2010*

B. Program Disclosure and Affidavit of Borrower (Exhibit E)
One may be used - include the two separate loan amounts under the loan amount section.

C. Truth In Lending
Separate Truth In Lending Disclosures must be provided for the first and second mortgage.

Application:

The Residential Loan Application should reflect the first mortgage loan amount only. Details of transaction would identify the second mortgage under "Subordinate Financing" and the second mortgage payment should be included in Proposed Housing Expense under "Other Financing (P&I)". Exhibit E, Program Disclosure and Affidavit of Borrower, must be completed by the lender disclosing the FHA Plus second mortgage amount on page 3 of the exhibit. An addendum to the application will be required which will also serve as a FHA PLUS Worksheet for loan calculation. Example of this application and worksheet is attached and may be duplicated for use.

Qualifying Requirements

Payment for the first and second mortgage must be included in both qualifying ratios. Standard FHA qualifying ratios apply. Some flexibility is allowed based on strong compensating factors. – *Revised September 2010*

Buydowns and the Step Rate Option will not be available with the FHA Plus program.

The following issues will be given strong consideration in review for loan approval:

1. Proposed housing expense compared to current monthly housing expense
2. Past credit history
3. Job/Income stability
4. Attendance in a Homeownership Educational Program

Automated Underwriting

Desktop Underwriter and Loan Prospector decisions are accepted.

Commitment

The VHDA Loan Commitment will include the term of the second mortgage also. A FHA PLUS Addendum will also be attached to the commitment.

APPLICATION PROCESSING PROCEDURES FOR FHA PLUS (CONT'D)

Closing Procedures

A separate HUD 1 will be prepared for the second mortgage. VHDA will issue one closing check to the closing agent for simultaneous closing. - *updated September 2010*

Servicing

To avoid confusion for the borrowers, payments for the first and second mortgage will be due on the same date and made to the same servicer. Questions related to servicing should be directed to Pat Corey in the VHDA Servicing Department.

Post Closing

All documents for the first and second mortgage must be submitted together to VHDA after closing.

Recapture

The second mortgage will also be subject to recapture as these loans will be funded by bond proceeds.

PROCESSING FOR CONDOMINIUMS

Conventional Loans

The originating agent must provide evidence that the condominium is approved by one of the following: FHLMC or FNMA. The originating agent must submit evidence at the time the borrower's application is submitted to the Authority for approval or in the case of delegated underwriting, to the Authorized Delegated underwriter prior to commitment. Exception will be considered on case by case basis.

FHA, VA or RD loans

The Authority will accept a loan to finance a condominium if the condominium is approved by FHA, in the case of a FHA loan, by VA, in the case of a VA loan or by RD, in the case of a RD loan.

Flex Condo (Suspended 4/1/08)

This program was designed to provide financing to persons wishing to purchase a unit in a development that does not meet the secondary market investor's requirements. The originating agent must certify the condo meets the Flex Condo requirements. (See program description)

Flexible Alternative Loan Program

(Suspended 4/1/08)

This product is funded using fully taxable bonds and offers up to 100% financing with no mortgage insurance.

PROGRAM GUIDELINES

Processing:	Loan packages are submitted under the same procedure as standard loans.
Underwriting:	Delegated or Non-Delegated
Closing:	Delegated or Non-Delegated
Servicing:	VHDA services all FLEX loans.
Loan Term:	30 year
Origination Fee:	0 -1% based on program option chosen
Discount Points:	0 - 2.5% based on LTV & credit score (see Pricing Worksheet) paid by buyer or seller based on pricing option chosen
Mortgage Insurance:	None Required (except for manufactured housing)
Loan Purpose:	Purchase or Rate and Term Refinance (no-cash out)-/ 1 yr. Seasoning / **no VHDA re-fi's** Personal Property typical to real estate transfers (i.e. appliances) are not required to be excluded from contract Owner Occupied/ Primary Residence
Requirements:	Single Family/ Detached/ FNMA or FHLMC approved Condo's & Puds Mobile Homes (Doublewide /perm. Attached only- PMI will be required) Standard VHDA Conventional Requirements (except lot size restriction) Five acre limit does not apply- property must be used primarily for residential purposes and typical for residential properties in area
Eligible Borrowers:	U.S. Citizen or Permanent Resident Alien (conditional status acceptable for co-borrower) In the case of non-permanent alien status, the borrower(s) must possess a SS# and be authorized to work in the US.
Net Worth	None

Limit:

Maximum Income: (borrower's income only)	120% of area median *for 1 person household* 150% of area median *for 2 person or greater*

Sales Price Limit:	None
Loan Limit:	FNMA/FHLMC - Active Loan Limit
Maximum LTV/CLTV:	100% (80% LTV and less reduce rate by .25%) 105% - FLEX Home Enhancer 110% - FLEX Home Access 104% - FLEX Advantage
Seller Contribution:	Maximum 4% (can apply to closing costs or pre-paids)
Down Payment/ Closing Cost Sources:	Borrower's Funds Gift or unsecured loan by Relative Grant from Employer, Non-Profit (not related to transaction) Unsecured loan (from financial institution - installment only)
Source of Funds Documentation:	Assets - Two months most recent bank statements Gift - Standard Gift letter and documentation Loan - Verify terms and include payment in debt/income ratio
Qualifying Ratios:	35/43 Maximum Include outstanding debt with more than 6 months remaining
Reserves:	95.01 - 100% LTV - 2 months 90.01 - 95.00% LTV - 1 month 90.00 and less - none required Reserves must be borrower's own funds (vested interest in retirement funds allowed)
Employment/ Income and Documentation:	Minimum two years stable income(education/training may be used for 1 year employment) Direct Verification or W2 & recent pay stub to cover 30 days and telephone verification

Credit Underwriting:	**Standard Credit Requirements:** No Previous Bankruptcy or Foreclosure No Outstanding Collections, Judgments within past 1 year No more than 1 (30 day) past due on any obligation within past 1 year. No Previous past due (30 day) on Housing Payment Minimum of 3 trade lines - verified satisfactory payment history (2yrs) No more than 9 accounts currently open (at application) No more than 3 new accounts opened in the past 12 months. OR **Alternative Credit Requirements:** **Credit Score:** (FICO scores) 95.01 - 100% LTV - minimum 660 95.00 and less LTV - minimum 620 Obtain 3 scores, use **middle** score or most accurate based on information reported. Use **lower of all borrower(**s) middle score IN ADDITION TO THE FOLLOWING No Bankruptcies/Foreclosures w/in 3 years No housing payments past due (30 days) in last 2 years. No more than 1 past due (30 days or more) on any obligation in past 1 year. No outstanding collection or judgment Any exception to credit requirements need approval by VHDA and possible reduction in the loan to value.
Credit Documents:	FNMA requirements: 120 days to note date (existing) 180 days to note date (new construction)
Homeownership Education:	Required for 1st time homebuyer for 97% LTV loans or greater. (waived if credit score 700 or greater)
Automated Underwriting	LP/DU decisions accepted Fastrak decisions accepted (no longer available after 12/15/07)

4/06

Program no longer available

1st Choice Interest Only	
Loan Term:	30 years Fixed Rate – Interest-only for 7 years
Origination Fee:	0% or 1% Based On Pricing Option Refer online for current pricing options
Discount Points:	0% - 2% Based On Pricing Option Refer online for current pricing options
Interest Rate:	Refer online for current rate (SPARC funds **not** eligible) Temporary Buydowns are **not** eligible
Mortgage Insurance:	None Required
Loan to Value:	Maximum 100% (lesser of sales price or appraised value) Note: 80% LTV or less, reduce rate by .50% Maximum 100% Total Loan to Value (including secured grants, soft seconds)
Loan Purpose:	Purchase only
Property Requirements:	**Owner Occupied/Primary Residence** Single Family (1 unit) Fannie Mae or Freddie Mac Warranted Condos Manufactured homes - **Not eligible** 2 acre limit unless waiver granted by VHDA, cannot exceed 5 acres Refer to VHDA Origination Guide for further detail
Residency Requirements:	U.S. Citizen, Permanent Resident Alien or FHA requirements for non-permanent Alien
Federal Tax Returns:	3 most recent years of complete Federal Income Tax Returns required for all borrowers, if required to file by federal law. No Prior Homeownership. No Business In Home Use.
Loan Limit:	Refer to the VHDA Income, Sales Price/Loan Limits chart
Net Worth Limit:	Eligible borrower(s) cannot have a net worth exceeding 50% of the sales price of the dwelling being financed. The value of life insurance policies, retirement plans, furniture and household goods shall not be included in determining net worth. In addition, the portion of the applicant's liquid assets, which are used to make the down payment and to pay closing costs, up to a maximum of 25% of the sales price, will not be included in the net worth calculation.
Sales Price Limit:	Refer to the VHDA Income, Sales Price/Loan Limits chart
Income Limits:	Refer to the VHDA Income, Sales Price/Loan Limits chart **Maximum Income includes combined income of all household members.**
Seller Contribution:	Maximum 4% (can apply to closing costs, points and/or pre-paids)
Required Funds:	There is no specified minimum cash investment by the applicant, however, sufficient funds for closing must be documented.
Source of Funds:	Borrower's Own Funds Gift or unsecured loan from Relative (not related to transaction) Grant from Employer, Non-Profit (not related to transaction) Unsecured loan (from financial institution - installment only)
Documentation of Funds:	Assets: Two months most recent bank statements Gift: Standard Gift letter and documentation Loan: Verify terms and include payment in debt/income ratio

1st Choice Interest Only	
Qualifying Ratios:	35/43 Maximum (Based on initial interest only payment) Include all outstanding debt with more than **10 months** remaining. **Deferred Student Loans Must Be Included in DTI Ratio** If either of the percentages set forth above is exceeded, compensating factors may be used by a VHDA Delegated Underwriter to expand the ratios by no more than 2%. Examples of compensating factors are: • Minimal increase or decrease in proposed housing expense compared to current housing expense • Borrower has demonstrated a conservative attitude toward the use of credit and an ability to accumulate savings • Borrower has substantial cash reserves after closing
Reserves:	95.01 - 100% TLTV - 2 months 90.01 - 95.00% TLTV - 1 month 90.00% and less - none required
Employment/Income Documentation:	Minimum two years stable income (education/training may be used for 1 year employment). Direct Verification and current pay stub or W2's and current pay stub(s) to cover **30 days** and telephone verification. Applicants must document the receipt of stable income indicating that the applicant will receive future income sufficient to enable the timely repayment of the mortgage loan as well as other existing obligations and living expenses.
Credit Underwriting:	**Credit Score** ➢ 95.01 - 100% TLTV - minimum 660 ➢ 95.00 and less TLTV - minimum 620 ➢ Obtain 3 scores, use middle score or most accurate based information reported ➢ Use **lower of all borrower(s)** middle score **In addition:** ➢ No Bankruptcies/Foreclosures w/in 3 years * ➢ No housing payments past due (30 days) in last 2 years ➢ No more than 1 past due (30 days or more) on any obligation in past 1 year ➢ No outstanding collections or judgments **Applicants with No Score:** Applicants with no score will be considered if there is no adverse credit. Three (3) current alternative credit references with a verified satisfactory current payment history for a minimum of 2 years are required. Satisfactory rental reference is required. Any exception to credit requirements need approval by VHDA and may be subject to LTV reduction.
Credit Documents:	90 days to commitment date 120 days to note date (existing construction) 180 days to note date (new construction)
Homeownership Education:	Highly recommended but not required for those with 660 credit score. Required for applicants with no score or below 660.

1st Choice Interest Only	
Appraisals:	Standard Conventional Appraisal including interior and exterior inspection required. Appraisal must indicate that market trends for subject property exhibit stable to appreciating values. If comparable sales used in the appraisal do not fully support a value adequate to secure the loan amount, a second appraisal will be required.
Automated Underwriting:	**VHDA FasTrak system -** LP, DU or other systems **not allowed**
Servicing:	All loans must be serviced by VHDA
Recapture:	Borrowers may be subject to recapture – Refer to on-line Recapture Calculator
*Important: *Refer to VHDA Origination Guide Chapter 2 – Eligibility Requirements – subsection 2.1-2.3 for specific requirements –* ***This Program is a Tax Exempt Bond Program and all requirements of that program must be met (i.e. First-time Homebuyer, Affidavits of Borrower and Seller, 3 Years Federal Tax Returns, Business Use of Home etc.) Please refer to the Origination Guide for additional information.***	

Program Suspended 1/1/2008

Flex Alt Advantage	
Loan Term:	30 years
Origination Fee:	0% or 1% based on selected pricing option Refer online for current pricing options
Discount Points:	0% - 2.5% based on selected pricing option, LTV and/or middle credit score) Refer online for current pricing options
Interest Rate:	Published rate will be slightly higher than Flex Alt 100 Refer online for current interest rates
Mortgage Insurance:	None required
Loan to Value:	Maximum 104% (100% lesser of purchase price or appraised value plus up to 4% for closing costs, pre-paids, and/or discount points)
Loan Purpose:	Purchase or Refinance (no cash out) Refer to VHDA Origination Guide for seasoning requirements
Property Requirements:	**Owner Occupied/Primary Residence** Fannie Mae or Freddie Mac Warranted Condos Mobile Homes NOT Eligible Refer to VHDA Origination Guide for further detail
Eligible Borrowers:	U.S. Citizen, Permanent Resident Alien, Non Permanent Alien meeting FHA requirements
Loan Limit:	Refer to the VHDA Income, Sales Price/Loan Limits chart
Sales Price Limit:	None
Income Limits:	Refer to the VHDA Income, Sales Price/Loan Limits chart **Maximum Income includes combined income of all borrowers who will be obligated on the note.**
Seller Contribution:	Maximum 4% (apply to closing costs, points and/or pre-paids – No cash back)
Required Funds:	There is no specified minimum cash investment by the applicant, however, sufficient funds for closing must be documented.
Source of Funds:	Borrower's Own Funds Gift or unsecured loan from Relative Grant from Employer, Non-Profit (not related to transaction) Unsecured loan (from financial institution – installment only
Documentation of Funds:	Assets: Two months most recent bank statements Gift: Standard Gift letter and documentation of transfer Loan: Verify terms and include payment in debt ratio
Qualifying Ratios:	35/43 Maximum VHDA will allow an additional 2% ratio increase with approved compensating factors. Include all outstanding debt with more than **10 months** remaining
Reserves:	2 months piti
Employment/Base Income Documentation:	Minimum two years stable income (education/training may be used for 1 year employment) Direct Verification and current pay stub or W2's and current pay stub(s) to cover **30 days** and telephone verification

Flex Alt Advantage	
Credit Underwriting: OR	Applicants must meet either **Alternative Credit Guidelines** (Credit Scores 660 and greater) or **Standard Credit Guidelines** (Credit Scores less than 660 or No Scores) **<u>Alternative Credit Guidelines</u>:** **Credit Score** ➢ 95.01 - 104% LTV - minimum 660 ➢ 95.00 and less LTV - minimum 620 ➢ Obtain 3 scores, use **middle** score or most accurate based information reported ➢ Use **lower of all borrower(s)** middle score **In addition:** ➢ No Bankruptcies/Foreclosures w/in 3 years ➢ No housing payments past due (30 days) in last 2 years ➢ No more than 1 past due (30 days or more) on any obligation in past 1 year ➢ No outstanding collections or judgments **<u>Standard Credit Guidelines</u>:** ➢ No Previous Bankruptcy or Foreclosure ➢ No outstanding collections, judgments within past 1 year ➢ No more than 1 (30 day or more) past due on any obligation within past 1 year ➢ No Previous past due (30 day or more) on Housing Payment ➢ Minimum of 3 trade lines * verified satisfactory current payment history (2yrs) **Direct verification of 3 non-traditional accounts is acceptable* ➢ No more than 9 accounts currently open (at application) Note: Revolving accounts with no activity in the past 12 months and mortgage loans that will be paid off prior to closing do not need to be considered in total number of accounts. All student loans will be grouped together and counted as one ➢ No more than 3 new accounts opened in the past 12 months. Accounts that refinanced or replacement accounts will not be considered as a new account for this guideline purpose **Any exception to credit requirements need approval by VHDA may be subject to LTV reduction**
Credit Documents:	90 days to commitment date 120 days to note date (existing construction) 180 days to note date (new construction)
Homeownership Education:	Required for first-time homebuyers with credit score below 660
Automated Underwriting:	**LP or DU approvals are not allowed** VHDA FasTrak system approvals are accepted (loans must be entered as a Flex Alt Advantage Program)
Servicing:	All loans are serviced by VHDA
Federal Tax-Exempt Bond Requirements:	First-time homebuyer restrictions **are not** applicable to this program (i.e. Recapture Tax, Business Use of Home, Affidavit of Borrower and Seller)

Flex/Alt Home Access *(Program suspended 4/1/08)*

Making Homes Accessible for all Virginians
The Flexible Alternative Home Access is a variation of the new Flexible Alternative Home Enhancer. The program allows for the financing of up to 100% of the sales price plus up to an additional 10% for home modifications for accessibility. This program is available for both purchase and no-cash out refinances.

How the Program Works:
As with the Home Enhancer, borrowers may finance up to an additional 5% of the sales price (or loan amount for refinances) for improvements for required repairs or upgrades and improvements of the borrower's choice. Additional funds (up to 5%) may be financed to pay for the costs of retrofitting or adding accessibility features for the home to accommodate needs for disabled occupants. The entire additional 10% may be used for the costs of these accessibility features.

Eligible Improvements:
Eligible accessibility modifications improvements include such features as, access ramps, wider doorways, lowered countertops, bathroom modification and the installation support bars.

Interest Rate Adjustment/ Loan to Value Restrictions:
The interest rate charged is based upon the selected pricing option. The total loan amount may not exceed 110% of the lesser of sales price or appraised value.

Disbursement of Funds/Escrow Accounts/ Final Inspections:
All procedures related to the disbursement of funds, management of escrow accounts and final inspections will be handled in accordance with the Flex/Alt Home Enhancer instructions.

Origination Procedures:

Reservations:
Reservations may not be made on VHDA's on-line reservation system. Reservations will be made by phone to VHDA's Reservations Department and speaking with either Sandy Redd at 804-343-5820 or Debra Bailey at 804-343-5971. Reservations will be accepted beginning Monday, December 18, 2000.

Origination:
The borrower is to estimate the amount of the improvements on the Flex Alt Home Enhancer Worksheet and Disclosure. Check the form indicating that this is a "Home Access" loan and indicate the amount of the funds which will be used for retrofitting the home for accessibility features. The inclusion of the costs for any inspection fee(s) or escrow administration fee must be included on the Good Faith Estimate.

Underwriting:
Loans may not be handled through the delegated process. All loans must be submitted to VHDA for underwriting and issuance of loan commitment.

Loan Closing:
Loans may be closed through the delegated process. The originating lender must follow the

Flex/Alt Home Enhancer procedures including instructions for the establishment of the escrow account and required completion of the Home Enhancer/Home Access Escrow Agreement.

Post Closing:
Post closing procedures for the Flex/Alt Home Enhancer are to be followed.

Program Suspended 4/1/08

Flex Alt Home Access	
Loan Term:	30 years
Origination Fee:	0% or 1% based on selected pricing option Refer online for current pricing options
Discount Points:	0% -1.5% based on selected pricing option, LTV and/or middle credit score Refer online for current pricing options
Interest Rate:	Published rate will be slightly higher than Flex Alt 100 Refer online for current rate
Mortgage Insurance:	None Required (unless mobile home)
Loan to Value:	Maximum 110% (lesser of sales price or appraised value) (80% LTV and less reduce rate by .25%)
Loan Purpose:	Purchase or Refinance (no-cash out) Refer to VHDA Origination Guide for seasoning requirements
Property Requirements:	**Owner Occupied/Primary Residence** Fannie Mae or Freddie Mac Warranted Condos Mobile Homes (Doublewide/Perm attached with Mortgage Insurance) Refer to VHDA Origination Guide for further detail
Eligible Improvements	Finance up to an additional 5% of the sales price (or loan amount for refinances) for improvements for required repairs or upgrades and improvements of the borrower's choice. Additional funds (up to 5%) may be financed to pay for the costs of retrofitting or adding accessibility features for the home. The entire additional 10% may be used for the costs of these accessibility features. Unless otherwise approved by VHDA, improvements must be completed within 120 days of loan closing. Completion of Flex Alt Home Access Worksheet is required.
Provider of Services Performed:	All work must be performed by an individual licensed in the specific trade for work being performed or by a company offering the specified services. Sweat equity is not allowed.
Loan Limit:	Refer to the VHDA Income, Sales Price/Loan Limits chart
Eligible Borrowers:	U.S. Citizen, Permanent Resident Alien or FHA requirements for non-permanent Alien
Sales Price Limit:	None
Income Limits:	Refer to the VHDA Income, Sales Price/Loan Limits chart **Maximum Income includes combined income of all borrowers who will be obligated on the Note.**
Seller Contribution:	Maximum 4% (apply to closing costs, points and/or pre-paids)
Required Funds:	There is no specified minimum cash investment by the applicant, however, sufficient funds for closing must be documented.
Source of Funds:	Borrower's Own Funds Gift or unsecured loan from Relative Grant from Employer, Non-Profit (not related to transaction) Unsecured loan (from financial institution - installment only)

Flex Alt Home Access	
Documentation of Funds:	Assets: Two months most recent bank statements Gift: Standard Gift letter and documentation of transfer Loan: Verify terms and include payment in debt ratio
Qualifying Ratios:	35/43 Maximum VHDA will allow an additional 2% ratio increase with approved compensating factors. Include all outstanding debt with more than **10 months** remaining
Reserves:	95.01 - 110% LTV - 2 months 90.01 - 95.00% LTV - 1 month 90.00% and less - none required
Employment/ Base Income Documentation:	Minimum two years stable income (education/training may be used for 1 year employment) Direct Verification and current pay stub or W2's and current pay stub(s) to cover **30 days** and telephone verification
Credit Underwriting: OR	Applicants must meet either **Alternative Credit Guidelines** (Credit Scores 660 and greater) or **Standard Credit Guidelines** (Credit Scores less than 660 or No Scores) **<u>Alternative Credit Guidelines</u>:** **Credit Score** ➢ 95.01 - 110% LTV - minimum 660 ➢ 95.00 and less LTV - minimum 620 ➢ Obtain 3 scores, use **middle** score or most accurate based information reported ➢ Use **lower of all borrower(s)** middle score **In addition:** ➢ No Bankruptcies/Foreclosures w/in 3 years ➢ No housing payments past due (30 days) in last 2 years ➢ No more than 1 past due (30 days or more) on any obligation in past 1 year ➢ No outstanding collections or judgments **<u>Standard Credit Guidelines</u>:** ➢ No Previous Bankruptcy or Foreclosure ➢ No outstanding collections, judgments within past 1 year ➢ No more than 1 (30 day or more) past due on any obligation within past 1 year ➢ No Previous past due (30 day or more) on Housing Payment ➢ Minimum of 3 trade lines * verified satisfactory current payment history (2yrs) **Direct verification of 3 non-traditional accounts is acceptable* ➢ No more than 9 accounts currently open (at application) Note: Revolving accounts with no activity in the past 12 months and mortgage loans that will be paid off prior to closing do not need to be considered in total number of accounts. All student loans will be grouped together and counted as one ➢ No more than 3 new accounts opened in the past 12 months. Accounts that refinanced or replacement accounts will not be considered as a new account for this guideline purpose **Any exception to credit requirements need approval by VHDA may be subject to LTV reduction**

Flex Alt Home Access	
Credit Documents:	90 days to commitment date 120 days to note date (existing construction) 180 days to note date (new construction)
Homeownership Education:	Required for 1st time homebuyer for 97% LTV loans or greater *(waived if credit score 660 or greater)*
Underwriting:	Loans may not be handled through the delegated process. All loans must be submitted to VHDA for underwriting.
Automated Underwriting:	NOT Available
Servicing:	**All loans are serviced by VHDA**
Federal Tax-Exempt Bond Requirements:	**First-time homebuyer restrictions** are not **applicable to this program (i.e. Recapture Tax, Business Use of Home, Affidavit of Borrower and Seller)**

Flex/Alt Home Enhancer *(Program suspended 4/1/08)*

Flexible financing- turning houses into homes
VHDA's Flex/Alt Home Enhancer provides the same flexible program features as our standard Flexible Alternative Loan Program, however in addition, offers qualified borrowers a simple affordable option for financing modest home improvements and upgrades of the borrower's choice. The loan program is available for both purchase and no-cash out refinances.

How the Program Works:
Borrowers may finance up to an additional 5% of the sales price (or appraised value for refinances) for improvements for required repairs or upgrades and improvements of borrowers choice. These funds are included in the first mortgage and will be held in escrow. The improvements may be made after loan closing, therefore not delaying scheduled closing and moving dates.

Eligible Improvements:
Funds may be used for improvements of borrowers choice. Improvements or repairs to the foundation or any component impacting the structural integrity of the residence may not be completed after loan closing. Eligible improvements may include: exterior or interior painting, wallpaper, new floor covering or carpeting, new roof, upgraded electrical, heating or plumbing, kitchen or bath upgrades including appliances, additions including decks, porches, carports, garages, driveway, landscaping and retrofitting of homes for handicapped accessibility features.

Interest Rate Adjustments/ Loan to Value Restrictions:
The interest rate charged on the loan is based upon the selected pricing option. The proposed improvements do not need to be considered in the appraised value unless they are required by the appraiser to meet minimum requirements. The total loan amount may not exceed 105% of the lesser of sales price or appraised value.

Disbursement of Funds by VHDA:
Included in the funds disbursed to the closing agent will be the additional funds for the home improvements to be completed. If documentation is provided verifying that the improvements have been completed prior to loan closing, the closing agent may disburse the funds to the appropriate individuals at closing and reflect on the HUD 1.

Escrowed Funds:
A non-interest bearing escrow account will be established for improvements to be completed after loan closing. If disclosed on the Good Faith Estimate, costs for final inspection(s) and any costs for administering the escrow account maybe added to the funds borrowed (not to exceed the 105%). The account will be held by the originating lender or at the lender's option by the closing agent. The lender may also request that VHDA hold the escrow account, however due to the time required for loan set up, disbursements of funds from a VHDA held account will not be available for 3 to 4 weeks after loan closing. Lenders are advised to consult the borrower on the anticipated time frame for completion of improvements to determine the most appropriate escrow account holder. A VHDA escrow agreement must be executed. Borrowers are advised not to borrow more funds than necessary for the requested improvements as remaining funds will be applied against the principal balance with no adjustment to the monthly payments.

Disbursement of Escrowed Funds:
Funds will be held until such time as the proposed work has been completed, a copy of the invoice for work performed and final inspection documenting completion of the work has been obtained. At the borrower's option, funds may be disbursed to the borrower or to the service provider. Excess funds after completion of the improvements will be forwarded to VHDA and will be applied to the outstanding principal balance. If excess funds do not exceed $500.00, these funds may be refunded to the borrower.

Final Inspection:
The final inspection may be performed by an appraiser, home inspector, compliance inspector or an employee authorized by the lender to perform inspections. The lender's standard conventional inspection form is acceptable certifying completion of the specified improvements.

Provider of Services Performed:
All work must be performed by an individual licensed in the specific trade for work being performed or by a company offering the specified services. Sweat equity is not allowed.

Time for Completion of Improvements:
Unless otherwise approved by VHDA, improvements must be completed within 120 days of loan closing. Since these funds will be used for minor improvements and upgrades, it is anticipated that this will provide adequate time for completion. If additional time in needed due to weather related delays, the borrower must request an extension from the originating lender - who will forward the request to VHDA. ***If the borrower does not complete the proposed improvements and does not request an extension, the funds are to be returned to VHDA to be applied toward the principal balance.*** In these situations, ***the loan payments or terms will not be adjusted from those stated in the original note.*** Improvements required as a condition of the appraisal and loan commitment must be completed. In these situations, the lender must notify VHDA if the improvements are not completed within the 120 day period.

Program suspended 4/1/08

Flex Alt Home Enhancer	
Loan Term:	30 years
Origination Fee:	0% or 1% based on selected pricing option Refer online for current pricing options
Discount Points:	0 - 2.5% based on selected pricing option, LTV and/or credit score Refer online for current pricing options
Interest Rate:	Published rate will be slightly higher than Flex Alt 100 Refer online for current rate
Mortgage Insurance:	None Required (unless mobile home)
Loan to Value:	Maximum 105% (lesser of sales price or appraised value) (80% LTV and less reduce rate by .25%)
Loan Purpose:	Purchase or Refinance (no-cash out) Refer to VHDA Origination Guide for seasoning requirements
Property Requirements:	**Owner Occupied/Primary Residence** Fannie Mae or Freddie Mac Warranted Condos Mobile Homes (Doublewide/Perm attached with Mortgage Insurance) Refer to VHDA Origination Guide for further detail
Eligible Improvements	Finance up to an additional 5% of the sales price (or appraised value for refinances) for improvements for required repairs or upgrades and improvements of borrowers choice. These funds are included in the first mortgage and will be held in escrow. Improvements or repairs to the foundation or any component impacting the structural integrity of the residence may not be completed after loan closing. Unless otherwise approved by VHDA, improvements must be completed within 120 days of loan closing. Completion of Flex Alt Home Enhancer Worksheet is required.
Provider of Services Performed:	All work must be performed by an individual licensed in the specific trade for work being performed or by a company offering the specified services. Sweat equity is not allowed.
Loan Limit:	Refer to the VHDA Income, Sales Price/Loan Limits chart
Eligible Borrowers:	U.S. Citizen, Permanent Resident Alien or FHA requirements for non-permanent Alien
Sales Price Limit:	None
Income Limits:	Refer to the VHDA Income, Sales Price/Loan Limits chart **Maximum Income includes combined income of all borrowers who will be obligated on the Note.**
Seller Contribution:	Maximum 4% (apply to closing costs, points and/or pre-paids)
Required Funds:	There is no specified minimum cash investment by the applicant, however, sufficient funds for closing must be documented.
Source of Funds:	Borrower's Own Funds Gift or unsecured loan by Relative Grant from Employer, Non-Profit (not related to transaction) Unsecured loan (from financial institution - installment only)
Flex Alt Home Enhancer	
Documentation of Funds:	Assets: Two months most recent bank statements Gift: Standard Gift letter and documentation Loan: Verify terms and include payment in debt ratio

Qualifying Ratios:	35/43 Maximum VHDA will allow an additional 2% ratio increase with approved compensating factors. Include all outstanding debt with more than **10 months** remaining
Reserves:	95.01 - 105% LTV - 2 months 90.01 - 95.00% LTV - 1 month 90.00% and less - none required
Employment/Base Income Documentation:	Minimum two years stable income (education/training may be used for 1 year employment) Direct Verification and current pay stub or W2's and current pay stub(s) to cover **30 days** and telephone verification
Credit Underwriting: OR	Applicants must meet either **Alternative Credit Guidelines** (Credit Scores 660 and greater) or **Standard Credit Guidelines** (Credit Scores less than 660 or No Scores) **<u>Alternative Credit Guidelines</u>:** **Credit Score** ➢ 95.01 - 105% LTV - minimum 660 ➢ 95.00 and less LTV - minimum 620 ➢ Obtain 3 scores, use **middle** score or most accurate based information reported ➢ Use **lower of all borrower(s)** middle score **In addition:** ➢ No Bankruptcies/Foreclosures w/in 3 years ➢ No housing payments past due (30 days) in last 2 years ➢ No more than 1 past due (30 days or more) on any obligation in past 1 year ➢ No outstanding collections or judgments **<u>Standard Credit Guidelines</u>:** ➢ No Previous Bankruptcy or Foreclosure ➢ No outstanding collections, judgments within past 1 year ➢ No more than 1 (30 day or more) past due on any obligation within past 1 year ➢ No Previous past due (30 day or more) on Housing Payment ➢ Minimum of 3 trade lines * verified satisfactory current payment history (2yrs) **Direct verification of 3 non-traditional accounts is acceptable* ➢ No more than 9 accounts currently open (at application) Note: Revolving accounts with no activity in the past 12 months and mortgage loans that will be paid off prior to closing do not need to be considered in total number of accounts. All student loans will be grouped together and counted as one ➢ No more than 3 new accounts opened in the past 12 months. Accounts that refinanced or replacement accounts will not be considered as a new account for this guideline purpose **Any exception to credit requirements need approval by VHDA may be subject to LTV reduction**
Flex Alt Home Enhancer	
Credit Documents:	90 days to commitment date 120 days to note date (existing construction) 180 days to note date (new construction)
Homeownership Education:	Required for 1st time homebuyer for 97% LTV loans or greater *(waived if credit score 660 or greater)*
Automated Underwriting:	VHDA FasTrak
Servicing:	**All loans are serviced by VHDA**
Federal Tax-Exempt Bond Requirements:	**First-time homebuyer restrictions** are not **applicable to this program (i.e. Recapture Tax, Business Use of Home, Affidavit of Borrower and Seller)**

Streamline Refinance *(program suspended 4/1/08)*

VHDA offers a streamline refinance option for current VHDA customers through our Flexible Alternative loan program.

The streamline refinance offers a no-cash out option to qualified VHDA borrowers to reduce the interest rate on their current mortgage at reduced closing costs fees.

Eligible borrowers will pay only a $600 processing fee plus other required fees for closing.

Procedures:

Initial inquiries are referred to Michelle Hatchett from servicing. She reviews the current payment history to see if the borrower is eligible for a streamline refinance (No 30 late pays in past 24 months for uninsured loans / no 30 day late pays in past 12 months for insured loans) If borrower is eligible then she creates a price comparison sheet with new rate and payments compared to current and send to customer with and application and disclosure if they choose to proceed.

If borrower pay history or other ineligible criteria is identified a letter is sent explaining the reason for ineligibility.

The application and reservation fee are forwarded to Julia Perkinson for processing. She returns the loan commitment and instructions to the borrower. Once the commitment and any conditions are received the loan closing is handled by VHDA closing department following normal procedures.

Streamline Refinance Guidelines:

Payment History:
If current loan has mortgage insurance: No 30 day lates 24 months
If current loan does not have mortgage insurance: No 30 day lates in last 12 months
Borrower may not have filed bankruptcy since our original loan was closed

Maximum Loan Amount:

Total new loan amount (including financed closing costs) may not exceed 100% of the original appraised value. Current tax assessment or a new appraisal may be used if needed to increase the value to include closing costs.

The new loan can include the payoff balance (including the prepayment penalty on Flex Steps) plus all closing costs and prepaids for the new loan (up to 100% of appraised value)

If there is secondary financing the combination of the new loan the second loan may not exceed 100% of the appraised value.

New Loan Payment:
The new payment must be less than the original payment.

Current Escrow Accounts:
A new escrow account will be established. Any balance remaining in the old escrow account will be funded to the borrower within approximately 15 business days after the payoff of the original loan.

Occupancy:
The property must be owner occupied.

Same borrowers:
All borrowers must be the same as the original loan - borrowers may not be deleted or added using the streamline refinance procedure.

Flexible Alternative Condominium Loan Program

Program suspended 4/1/08

This program provides financing to purchase a unit within a development that does not meet the secondary market investors' requirements and is funded using fully taxable bonds.

Program Requirements

See the Flex Alternative loan program requirements with the following exceptions.

- Maximum LTV is 97%.

- Rates will be the same offered for our flex alternative loan, however an additional discount point will be charged.
- Delegated Underwriting is not allowed. All loans must be underwritten and committed by VHDA.

Condominium Guidelines

- Unit securing the mortgage must be owner-occupied.
- The project must be fully completed and not subject to additional phasing or annexation.
- Unit owners must have been in control of the homeowners' association for at least one year.
- No more than 10% of the ownership interests in the project may be owned by any one individual, partnership, investor group, or corporation.
- The project must satisfy all Fannie Mae requirements for hazard, fidelity bond, flood (if appropriate), and liability insurance for a condominium project.
- Unit owners representing no more than 5% of the ownership interests in the project can be delinquent in the payment of their monthly assessments.
- The project must be professionally managed by a member company of a CAI (maybe waived at the discretion of VHDA).
- No more that 60% of the subject units are investor owned.

Single Family Regional Loan Fund (SFRLF)

Program no longer available

Purpose: The Single Family Regional Loan Fund (SFRLF) provides below market rate mortgages to lower income, first time homebuyers for the purchase of their primary residence.

Resources: Virginia Housing Fund (VHF)
Virginia Housing Partnership Fund (VHPF) - DHCD
HOME - DHCD

The Virginia Housing Fund (VHF) is a product of the Virginia Housing Development Authority (VHDA). The Department of Housing and Community Development (DHCD) administers the Virginia Housing Partnership Fund and HOME funds.

General Responsibilities: The administration of the SFRLF requires coordination among a number of partners including the Regional Administrator, local partners, VHDA-approved originating agents, VHDA and DHCD.

Product: The terms of the SFRLF vary fiscal year to fiscal year.

Processing: The loan package is received from our originating agents and a manual reservation is made for the purpose of tracking the usage of funds. Loan packages are then submitted under the same procedure as standard loans with the exception of a loan denial. Loan denials are under the same procedure as standard loans except there is no reservation fee to be collected.

Underwriting: Standard qualifying criteria as other VHDA FHA, VA or Conventional loans apply. All loans are underwritten and committed at VHDA.

Closing: All closings are handled in the Single Family Closing Department. These loans are not part of the delegated program. The Closing Specialist reviews the closing package sent by closing attorney/closing agent and disburses loan funds.

Servicing: All loans are serviced by VHDA.

BROKER LOAN PROGRAM

(PILOT PROGRAM)

Fees

0 - 1% Origination

Discount - varies depending on loan to value and credit scores

Broker is allowed to charge a processing fee, but no underwriting or commitment fee.

Processing

Loans are processed by the Broker and submitted to VHDA for underwriting.

Underwriting

Loans are underwritten according to Program Guidelines. See Direct Originations.

Closing

VHDA's **Loan Programs Underwriter** gives broker loan file to Loan Disbursement Coordinator after loan is committed. Loan Disbursement Coordinator assigns file to a Closing Specialist. Closing Specialist prepares preliminary instructions and faxes them and a copy of the loan commitment to the closing attorney. The instructions must be faxed to the closing attorney within 2 business days of receipt of the loan file. Broker loan file is then placed in Closing Department file cabinet until attorney's closing package is received. When attorney's package is received the Closing Specialist reviews, contacts closing attorney, and requests funds for closing. Closing Specialist prepares Note and Deed of Trust and forwards them to closing attorney with loan check, recapture notice, first payment notice, T/L, etc.. Closed package is returned to VHDA and is post-closed.

Servicing

VHDA services all of these loans.

Policies and Procedures for the Employee Loan Program

General Overview:

The Employee Loan Program allows VHDA associates to take advantage of all VHDA purchase, refinance and home improvement loans currently available to the general public. To maintain confidentiality, employee loans are processed, underwritten, closed and serviced by SunTrust Mortgage.

Initial Contact:

In obtaining a VHDA employee loan, the associate will:

- Inquire about a mortgage loan
- Is referred to a SunTrust contact
- An appointment is made with SunTrust to make a loan application
- Loan application is taken at a mutually agreed upon location
- SunTrust collects $120 from the associate for loan reservation fee
- Loan is reserved over the internet reservation system

Loan Denial/ Cancellation:

If the SunTrust underwriter denies the loan request or the employee requests the loan be withdrawn:

- Adverse Action letter is mailed to the employee
- $120 reservation fee is submitted to Debra Bailey for loan reservation cancellation

Loan Approval:

The employee loan is underwritten and closed based on the Delegated guidelines

Internal Process: Once the loan is underwritten and closed per the Delegated guidelines

- A delegated folder is established
- Credit/Closing file is submitted directly to the Loan Closing and Quality Review Manager in an envelope that clearly identifies the loan as a VHDA Employee loan. The envelope is secured and marked "Confidential"
- The Loan Closing & Quality Review Manager reviews the loan for MRB compliance
- The manager removes confidential income and credit information from the file folder and retains information in a locked file cabinet
- Note is sent to the records room

Revised March 2006

Homebuyer Tax Credit Plus	
Loan Term:	30 years
Origination Fee: 1st mtg	0% or 1% Based on pricing option Refer online for current pricing options
Discount Points: 1st mtg	0% - 2% Based on pricing option Refer online for current pricing options
1st mortgage Interest Rate:	Refer online for current pricing options (SPARC funds eligible) – Interest rate is the same for the 1st and 2nd mortgages
2nd mortgage Interest Rate/Fees:	Same rate as the 1st mortgage. Zero Origination Fee and Zero Discount Point. No ancillary fees can be charged on the 2nd mortgage
Mortgage Insurance:	FHA
Loan to Value:	1st Mortgage - FHA Requirements 2nd Mortgage 2nd Mortgage - up to 3.50% - 5.00% (lesser of sales price or appraised value) based upon the lowest middle credit score of all borrowers. (620-679 = 3.50%. 680 and above 5.00%). NO Cash Back – except verified payment of POC & EMD items
Loan Purpose:	Purchase Only
Ineligible HUD Programs:	EEM (Energy Efficient Mortgage) and HUD Escrow Repair
Homeownership Education:	Required for all borrowers to be eligible for VHDA financing
Property Requirements:	**Owner Occupied/Primary Residence** Single Family (1 Unit) 2 acre limit unless waiver granted by VHDA, cannot exceed 5 acres FHA Guidelines
Residency Requirements:	U.S. Citizen, Permanent Resident Alien or FHA requirements for non-permanent Alien
Federal Tax Returns:	3 most recent years of complete Federal Income Tax Returns required for all borrowers, if required to file by federal law. No Prior Homeownership. No Business In Home Use. Refer to section 2.1 in VHDA Origination Guide
Loan Limit:	Refer to the VHDA Income, Sales Price/Loan Limits chart **Maximum Sales Price/Loan Limits include combined 1st and 2nd mortgage**
Net Worth:	Eligible borrower(s) cannot have a net worth exceeding 50% of the sales price of the dwelling being financed Refer to section 2.1 (Eligibility Requirements) in the Origination Guide.
Sales Price Limit:	Refer to the VHDA Income, Sales Price/Loan Limits chart **Maximum Sales Price/Loan Limits include combined 1st and 2nd mortgage**
Income Limits:	Refer to the VHDA Income, Sales Price/Loan Limits chart **Maximum Income includes combined income of all household members**
Investment Sources:	FHA guidelines
Seller Contribution:	FHA guidelines
Required Investment:	FHA guidelines

Homebuyer Tax Credit Plus	
Cash Reserves:	Borrower must have a minimum of 1% contributed either towards the transaction or in reserves. Must be borrower(s) own funds
Source of Funds:	FHA guidelines – except 1% as noted above under cash reserves
Qualifying Ratios:	Adhere to FHA ratios of 31% payment to income / 43% debt to income DE Underwriters may approve loans up to 38% payment to income / 50% debt to income with loans receiving approve/eligible scorecard decisions based on documented, **Compensating Factors - Benchmark Guidelines as defined by FHA. (Refer to 4155.1)**
Employment Documentation:	Follow FHA guidelines. Part time, overtime and commissions, must be verified with a two year history and particular focus placed on current level of earnings
Income Documentation:	At minimum, direct Verification and current pay stub or W2's and current pay stub(s) to cover **30 days** and telephone verification
Credit Underwriting:	***Credit Score:*** Minimum 620 (lower middle score of all borrowers) ***Collections:*** Individual outstanding collections exceeding $250 or cumulative total exceeding $1000 must be paid off prior to closing (manual and AUS approvals)
Processing Information:	Loan Application (1003), the second mortgage must be clearly identified in the source of down payment section as, secondary financing - "Homebuyer Tax Credit Plus. Refer to Processing Procedures for proper completion of loan application and AUS submission.
Additional Underwriting Information:	Projected monthly payment on the full 2nd balance must be included in qualifying. Approve loan in accordance with FHA guidelines in addition to the qualifying guidelines noted within this document. Compensating factors used to grant exceptions to the standard 31%/43% ratios must be clearly identified on the 92900-LT transmittal summary. Delegated lenders must complete a "Homebuyer Tax Credit Plus Delegated Approval Notice"
Credit Documents:	90 days to commitment date 120 days to note date (existing construction) 180 days to note date (new construction)
Automated Underwriting:	FHA TOTAL Score Card – Approve/Eligible only loans may exceed FHA's standard ratio requirements of 31%/43% (to a maximum of 38%/50%) based on DE Underwriter's sound and documented, **Compensating Factors - Benchmark Guidelines as defined by FHA**
Manual Approvals on FHA TOTAL refers	Manual approvals on Refers require approval by VHDA. Waiver for manual approvals must be submitted by the DE Underwriter based on their assessment that the loan meets all FHA guidelines along with supporting justification for the loan decision.
Reservations:	On-line reservations (except SPARC) Select "Homebuyer Tax Credit 1st". Reserve 2nd mortgage immediately following the 1st mortgage reservation

Closing:	Refer to special procedures regarding closing documents and proper completion of these documents - NO Cash Back – except verified payment of POC & EMD items. Loans must have binding, fully ratified sales contracts dated on or before April 30, 2010 and Close by June 30, 2010. **NOTE:** Armed Forces who were out of the United States on active duty for at least 90 days, between January 1, 2009 – April 30, 2010 have until April 30, 2011 to contract and until June 30, 2011 to close.
Important: *Refer to VHDA Origination Guide Chapter 2 – Eligibility Requirements – subsection 2.1-2.3 for specific requirements –* ***This Program is a Tax Exempt Bond Program and all requirements of that program must be met (i.e. First-time Homebuyer, Affidavits of Borrower and Seller, 3 Years Federal Tax Returns, Business Use of Home etc.) Please refer to the Origination Guide for additional information.***	

Past Loan Programs
(no longer in existence)

FRESH START PROGRAM - Program no longer available

(This program is currently under review for potential programmatic changes)

Product

The Fresh Start loan offers a financing option for persons who have experienced difficulties or obstacles to homeownership due to past credit.

Program Guidelines

Loan Type:	Conventional with PMI
Processing:	Originating Agents are to process loans in accordance with VHDA guidelines and procedures and submit to VHDA for approval.
Underwriting:	Non-Delegated
Closing:	Delegated or Non-Delegated
Servicing:	VHDA or Other Servicer
Loan Terms:	30 years
Origination Fee:	Based on pricing option selected
Discount Point:	Based on pricing option selected
Mortgage Insurance:	25% coverage (GE Mortgage is currently the only MI company participating)
Loan Purpose:	Purchase only, Owner Occupied/Primary Residence
Basic Property Requirements:	Single Family Only; 2 acre lot limits (waivers may be granted up to 5 acres)
Eligible Borrowers:	May not have had an ownership interest in a principal residence within the past three years. Business use of property restrictions apply.
Net Worth:	Eligible borrower(s) cannot have a net worth exceeding 50% of the sales price of the subject property.

Max. Gross Household Income:	VHDA publishes maximum "gross income" limits, which are established to comply with the limits imposed by the U.S. Treasury limits. These Maximum Allowable Income and Sales Price Limits are available in chart form in Part II of the Origination Guide.
Sales Price/Loan Limits:	VHDA publishes maximum sales price limits. Properties being financed cannot exceed these limits. The Maximum Allowable Income and Sales Price Limits are available in chart form in Part II of the Origination Guide.
Acquisition Costs Requirements:	Definition of Acquisition Cost-The cost of acquiring the eligible dwelling from the seller as a completed residence. The acquisition cost of a property to be financed may not exceed limits, which have been established by the U.S. Department of the Treasury in effect at the time of application. In all cases for new loans, these limits equal or exceed VHDA's sales price limits; therefore, for new loans, the residence meets this requirement by meeting VHDA sales price limits. In the event that the acquisition cost exceeds VHDA's sales price limit as a result of the estimated costs to complete unfinished areas, the Originating Agent must contact VHDA to determine if the residence is eligible.
Maximum LTV/CLTV:	97%
Seller Contribution:	Maximum 4%
Downpayment/Closing Cost Sources:	Borrower's funds, Gift funds
Source of Funds Documentation:	Assets-Two months most recent bank statement Gift-Standard gift letter and documentation
Qualifying Ratios:	32/40
Reserves:	1 month PITI; gift funds are not allowable funds for reserves
Counseling Requirements:	Pre-Purchase: • Applicants must enter into an agreement with a participating VHDA approved Housing Counseling Agency • Applicants must attend pre-purchase counseling with an approved Housing Counselor

- Counseling must encompass financial counseling and debt management
- Applicants must attend a VHDA Homebuyer Education Class
- 30-60 days after initial meeting with the counselor, the applicant/counselor must review the applicants spending plan

If debt management is needed, the applicant must satisfactorily complete a minimum of 12 months in the debt management plan. An applicant's progress is reviewed in 6-month intervals.

Credit History:

- Minimum 3 tradelines with at least 12 months history
- No revolving accounts 60 days or more past due or no more than two payments 30 days past due over the last 12 months
- No installment accounts 60 days or more past due or no more than one payment 30 days past due over the last 12 months
- Borrowers who have some adverse ratings should have a sufficient number of other accounts which demonstrate their willingness and ability to meet debt obligation in a timely fashion.
- Non-traditional credit is acceptable when established with a minimum of 3 credit references with at least 12 months history and evidencing satisfactory payment. The non-traditional credit references must require the borrower to make periodic payments on a regular basis with the payment schedule calling for payment intervals that are not longer than every 3 months.
- Any bankruptcy must be discharged for a minimum of 24 months and borrower must have reestablished satisfactory credit since the discharge.
- No history of foreclosure
- All collections or judgments must be paid, unless currently under a repayment plan. For any debt currently under a repayment plan, the borrower must have a 6-month satisfactory history.

Consumer Credit Counseling/Debt Management Referral

- Must have completed 18 months of their debt management program with a minimum of 18 months repayment history or completed 12 months of the debt management program and 50% of the debt paid.
- Minimum FICO 540
- Debts not covered in debt management program must have been paid as agreed in the past 12 months (0x30)
- Borrower cannot have incurred any new consumer debt unless approved by CCCS
- No bankruptcy, foreclosure, deed-in-lieu, short sale within the last 48 months. No unpaid judgments, or unpaid delinquent debts that are not addressed in the debt management program and no unpaid judgments that would impair the borrower's ability to pay back the mortgage

Rental History

- Rental payment must be verified with 0x30 in the last 12 months
- If rental history is not available, applicant must document a savings pattern equivalent to rental payments for 6 months (market rent for area will be verified by appraisal; or defined as the proposed PITI payment)

Direct Construction - Homeownership, land acquisition, and construction financing is provided to builders/developers for ownership units that will be sold to families whose incomes are within the limits established by VHDA for participation in the agency's programs.

Navy Flexible Loan Program

This loan is fully funded by taxable bonds and provides assistance to active Navy and Marine personnel.

Program Requirements

- Follow the Flexible Alternative Loan program requirement with the following exceptions:

- Income limits are: $94,700.00 (annually) for No. VA (MSA) and
  $74,850.00 (annually) for Remainder of the State

Applicants must be active duty Navy or Marine Corp. personnel.

Virginia Housing Partnership Fund Single Family Production Loans - Home purchase, replacement home or down payment assistance loans are made available through the Virginia Housing Partnership Fund (VHPF). The project sponsors are chosen by the Department of Housing and Community Development (DHCD). Once the reservation agreements are executed, DHCD turns these projects over to VHDA to administrate and facilitate. VHDA is responsible for underwriting, issuing commitment letters, loan closings and the servicing of these loans. VHDA also provides training to the project sponsors and any lender working with them to facilitate the whole loan process. In instances where DHCD is providing the first Deed of Trust, VHDA will also process the individual loan packages if a suitable lender cannot be found.

DMHMRSAS Program - This program is a joint effort between VHDA and the Department of Mental Health, Mental Retardation and Substance Abuse Services. The program is an extension of VHDA and DMHMRSAS's earlier collaboration on group home financing under the Section 8 Program and later on an unsubsidized basis. The volume of production under this new program is anticipated to be at a much higher level than has previously been undertaken. Under the program, VHDA provides permanent mortgages for the acquisition, acquisition and rehabilitation, or construction of rental housing for occupancy by mentally disabled persons and victims of substance abuse. The disabilities of persons living in this housing will include mental retardation, mental illness, and substance abuse.

Virginia Senior Home Equity Account Program - The purpose of the Virginia Senior Home Equity Account is to provide older homeowners with the opportunity to borrow, on a flexible basis, against the equity which they have in their homes. This equity can be used to meet

significant, unanticipated expenses that may be incurred from time to time or to provide funds on a regular basis in order to meet normal living expenses. Applicants who qualify and are accepted for the program will receive a commitment for a specified amount of money from which they will be able to withdraw funds upon request a minimum of 5 years. The amount of money available to them is based upon their age, the value of their home, and the interest rate currently in effect for the program. Using this loan program, approved applicants may borrow against their home equity account periodically and in principal amounts up to the maximum which is available to them. Repayment of these loans, including principal and accrued interest, is deferred until the borrower dies, sells the home, or ceases using the home as their principal residence.

Lease Purchase Program - With this housing fund program, VHDA lends funds to the task force for the purpose of acquiring and rehabilitating single family houses. The houses, after rehabilitation, will then be leased to lower-income families. These families will execute a purchase option and lease agreement upon occupancy. During the first two or three years of the lease agreement, the task force intends to assist these families in obtaining permanent mortgage financing in order to purchase the property. During the period they are tenants, the homeowners will receive counseling from the task force on general homeownership information and establishing a savings program.

Urban Homeownership Opportunity Program - The purpose of this program is to expand homeownership opportunities for low income households in urban areas of the state. It complements the Rural Homeownership Opportunity Program, which was announced by the governor in the fall of 1990. The Urban Homeownership Opportunity Program (UHOP) will provide below market interest rates with permanent mortgage financing (30 year term) to households whose incomes range from 50 to 70 percent of the area median, adjusted for household size, with a priority given to those proposals that serve the lowest groups with the least expensive housing. Maximum allowable sales prices and loan underwriting criteria will be the same as in VHDA's regular first-mortgage program. For the purposes of this program, "urban" is defined as any jurisdiction which falls within one of the state's Metropolitan Statistical Areas (MSAs). A listing of those jurisdictions and income limits is included.

Permanent mortgage financing will be available for newly constructed units, existing units or units that have been substantially rehabilitated.

Lenders submitting loans under this program will <u>not</u> reserve funds. They will be handled similar to the target funds, using a special setaside. The Reservations/Special Programs Manager in Single Family will be responsible for this program.

We realize in order to fulfill our public purpose and provide loans to individuals of low and moderate income, it will be necessary to deviate occasionally from the guidelines set forth in this manual. Authorization to change procedure or policy must be approved by Don Ritenour or Michele Watson.

Home Equity Conversion Mortgage (HECM) Insurance Program - Over two-thirds of our nation’s older citizens own their own homes, and almost 80% of them own them free and clear of any mortgage. However, many older homeowners find themselves in the situation of being "house rich but cash poor". As a response this problem, the U. S. Department of Housing and

Urban Development (HUD) has developed a new loan program called the Home Equity Conversion Mortgage (HECM) Insurance Program. This program allows older homeowners to borrow against the equity in their home and thereby free up cash for home improvements, medical costs, or other living expenses. Loans do not have to be repaid until the homeowner moves or sells the home. The Virginia Housing Development Authority (VHDA) has formed partnerships with selected private lenders to make HUD-insured HECM loans available in Virginia.

Single Family Affordable Housing Program - The Affordable Housing Program provides first mortgage homeownership loans for new or substantially rehabilitated houses which will be made available at reduced interest rates to eligible, first time home buyers through allocations to eligible housing sponsors. Loans will have a 30 year term and will generally conform to VHDA's normal underwriting guidelines. Income limits, however, will be lower.

VHDA will allocate funds to eligible sponsors who will build new houses to substantially rehabilitate existing houses. Eligible sponsors will include private or governmental entities, with for-profits or non-profits. Individual homebuyers will not be eligible for loan allocations. Eligible sponsors will submit applications directly to VHDA. At the conclusion of the application period, VHDA will evaluate the applications competitively and announce the results of the competition and the allocation recipients.

Allocation recipients will have defined periods of time in which to build or rehabilitate the houses. Allocation recipients then will announce the availability of the houses when they are ready for sale and will begin taking applications from individual eligible purchasers. Eligible homebuyers will contact the allocation recipients directly regarding the purchase of the homes. The allocation recipient will advise the potential homebuyer about VHDA's basic loan qualification criteria. Generally, the primary homebuyer eligibility requirements are that they be first-time homebuyers and that they meet certain underwriting and affordability criteria. VHDA's usual sales price limits and underwriting criteria will apply. Income limits will be different. Depending upon the particular allocation, buyers' gross incomes will be restricted to either 50 percent or 70 percent of the median.

The allocation recipient and the potential homebuyer will finalize the purchase contract for the home. The loan package then will be sent to VHDA for approval. Lenders submitting loans under this program will <u>not</u> reserve funds. They will be handled similar to the targeted funds using a special setaside. The Reservations/Special Programs Manager in Single Family will be responsible for this program.

Rural Homeownership Opportunity Program - The purpose of the program is to expand the supply of affordable ownership housing in rural areas of the state. For the purposes of this program, "rural" is defined as a jurisdiction which is <u>not included</u> in one of the state's Metropolitan Statistical Areas (MSAs). A list of jurisdictions within the state's MSAs is included in these materials.

VHDA permanent, first mortgage homeownership loans for newly constructed houses will be made available to eligible, first-time homebuyers through allocations to eligible housing sponsors. Loans will have a 30-year term and will generally conform to VHDA's normal underwriting guidelines and maximum allowable sales prices. Income limits, however, will be lower, and a priority will be given to those proposals which serve the lowest income groups.

Lenders submitting loans under this program will not reserve funds, but will be handled like targeted funds, using a special setaside.

The Reservations/Special Programs Manager in Single Family Originations will be responsible for this program.

VIRGINIA SENIOR HOME EQUITY ACCOUNT (VSHEA)

(We no long offer this program)

Processing

The **Loan Programs Underwriter/Business Development Officer** receives the VSHEA application package from the Area Agency on Aging.

Application packages are equally divided among the LOAN PROGRAMS UNDERWRITER/BUSINESS DEVELOPMENT OFFICER for review and evaluation. (Presently **Loan Programs Underwriter/Business Development Officer** responsible for VSHEA are **Linda Wine, Brenda Nuckols and Toni Ostrowski.)**

Underwriting

l. Applicants are evaluated for compliance with the following program criteria.

a. Age
b. Residency
c. Income
d. Ownership
e. Principal Residence
f. Relationship of joint applicants

2. **Loan Programs Underwriter/Business Development Officer** calculates the initial Truth-In-Lending Disclosure* and Good Faith Estimate of closing costs in compliance with RESPA. The above documents along with the HUD booklet, Consumer Handbook or Adjustable Rate Mortgages and Historical Example are mailed to the applicant within three days of receipt of the application.

*To calculate the Truth-In-Lending Disclosure:

Turn on HP-41CV to "User" mode

Depress current interest rate, press "Enter"
Depress equity line amount, press "Enter"
Depress **term** in years, Press "Enter"

Out put shown on screen will be Total Payments

Depress Rls - out put shown on display will be Amount Finance Charge

Depress Rls - out put shown on display will be APR

[see HP-41CV program and calculation attached]

3. Eligibility of subject property is evaluated with respect to the following:

   a. Type of Property
   b. Title to the Property
   c. Condition of the Home
   d. Taxes and insurance

4. The maximum allowable Equity account is calculated based on the following:

   a. Age of the borrower
   b. Value of the home
   c. Interest rate in effect for the program

5. Step l: Login
   Step 2: Enter Option #

   The following main menu will appear for selection:

   VHDA Equity Main Menu

   1. Applicant information
   2. Loan Information
   3. Produce Equity Reports
   4. Enter Paralegal Information
   99. Exit From System

6. Upon approval of the applicant, an inspection of the subject property is ordered. **Loan Programs Underwriter/Business Development Officer** reviews all real estate appraisals requested by applicant for the purpose of increasing a borrowers equity line.

7. A loan number is assigned and the VSHEA commitment is issued to all eligible applicants. (Adverse action letter is issued to those applicants deemed ineligible.)

8. The closing attorney submits closing documents and title work for review. (note, deed of trust, survey, title binder, copy of hazard policy, signed commitment, signed agreement, etc.)

9. The Quality Review Analyst prepares the check request for finance.

10. Third party notice is mailed five days prior to closing if applicable.

11. Funds are mailed to the closing attorney along with disbursement letter, notice of right to cancel, and updated Truth in Lending if applicable.

12. Servicing reviews post closing documents and maintains file for insurance, taxes, principal balance, and accrued interest. Servicing issues reports to the borrower on a regular basis.

13. Borrowers may request subsequent withdrawals from their account by completing an Equity Payment Request Form. Withdrawals are honored not more than once a month. The minimum withdrawal request is $250. Upon receipt of a request for withdrawal:

    a. Loan Programs Underwriter/Business Development Officer reviews request to insure use of funds are for the benefit of the borrower and that borrower has sufficient funds available in his/her account.

    b. Loan Programs Underwriter/Business Development Officer prepares check request. Once check is cut, Delegated Commitment Coordinator mails check directly to borrower at the address designated on the check request form, which has been completed and signed by the borrower or the borrower's power of attorney.

    c. If borrower has a third party designee and request exceeds $2,500, Loan Programs Underwriter/Business Development Officer notifies third party of withdrawal request. After a waiting period of 5 working days, Loan Programs Underwriter/Business Development Officer mails check directly to borrower.

14. If borrower fails to remit payment for property taxes and/or insurance, the Loan Programs Underwriter/Business Development Officer will request disbursements be made from the borrower's account.

    a. Loan Programs Underwriter/Business Development Officer reviews memo from VHDA staff member specifying the amount due for the taxes/insurance and to whom the check should be made payable.

    b. Loan Programs Underwriter/Business Development Officer prepares check request. Once check is cut, Loan Programs Underwriter/Business Development Officer delivers check to staff member who mails check directly to city/county or insurance carrier.

    c. Staff member notifies borrower of disbursement made from his/her account.

VSHEA PROGRAM AND CALCULATION

HP-41CV

[on] [program]

[Shift] [GTO] [.] [.]

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01          [Shift] [LBL] [ALPHA] [S] [H] [E] [ALPHA]
            (memo)      [Shift] [ASN] [ALPHA] [S] [H] [E] [ALPHA] [  +]
02     12
03   [X]
04   [STO] 00
05     [R ]
06     [STO] 01
07     [R ]
08   [EEX]  2       User Mode
09     [:]    (Rate)       7.00     [Enter]
10     [STO] 02    (Amount)    50,000     [Enter]
11     [RCL] 01            (Term-yrs)     30      [     ]
12    2   [:]  13
14     [X]
15     [RCL] 00                                                    ---------------------------
16      12   [:]
18     [X]    (Output)     102,500 Total payment
19     [RCL] 01        [R/S]
20     [+]        49,900 Amount financed
21     [R/S] [R/S]
22     [RCL] 01                52,600 Total fin. charge
23     100   [-]      [R/S]
25     [R/S]  7.0415 APR
26     [-]
27     [R/S]
28     1200
29     [RSL] 00
30     [:]
31     [X]
32     [RCL] OS
33       2    [:]
35     100  [-]
37     [:]
38     [SHIFT] [GTO] [.] [.] (END)
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VHDA/DMHMRSAS LOAN PROGRAM

(We no longer offer this program)

Processing

Loan Programs Underwriter receives approved package from State Department of Mental Health, Mental Retardation, and Substance Abuse Services (DMHMRSAS). Generally, Single Family Originations works with Sales Prices no more than $300,000. Higher sales price units are referred to Multi-Family.

Underwriting

All underwriting is handled by Single Family. Mortgagors are evaluated with the following criteria (after receipt of VHDA loan application and fee of 1/2% of mortgage amount):

1. Profit or Non-Profit; (there is only a limited amount of funds for "profits"). Authorized by Director of Single Family.

2. Cash flow - amount of funds that comes from the local Community Services Board (CSB) and from an approved budget (i.e. Public Funds), and Debt Service Ability.

3. Assets vs Liabilities. (Source of downpayment.)

4. Previous experience.

5. Appraised Value (loans vary from 80% - 100% of sales price but may never exceed appraised value). Appraisal is ordered and paid for by VHDA.

6. Zoning and usage.

7. Send 60 day letter (if rehab or new construction) to local public body. (if applicable).

8. Prepare Staff Report, Summary and Resolution recommending loan approvals for Division Director, Executive Director, Housing Fund Committee, and VHDA's Board of Commissioners.

9. Notify DMHMRSAS of intention to commit based upon Board approval.

10. Upon loan approval, notify mortgagor by phone, prepare and mail commitment package to mortgagor, and notify DMHMRSAS.

Closing

All closings are handled by Single Family Quality & Quality Review Department. (Note: Additional 1% fee is due at closing.)

Fees

1. A 1½% (of the final loan amount) fee will be charged to all mortgagors. Only the Executive Director, Deputy Director or Director of Single Family, may waive these fees.

2. The ½%, of the requested loan amount, will be collected at the time of application for each loan. Receipt of this fee will be posted on the MD underwriters worksheet in the file and on the computer file. A copy of the check will also be maintained in each loan file. The check will be forwarded to VHDA finance with a memo (copy also maintained in MD file) identifying the project and VHDA MD loan number.

3. The cost of the actual appraisal will be absorbed by VHDA via a check request to Finance. The intent is that the cost of the appraisals be borne (as a whole) by the ½% fees collected, although this is not a requirement.

4. At time of actual loan closing the mortgagor is charged the 1½% of the final loan amount. However, they will be given credit for amounts paid with the VHDA loan application (e.g. initial ½% collected).

Servicing

All servicing is handled by Single Family Servicing or Multi-family (as determined by Single Family Director).

CONSTRUCTION LOAN PROGRAM

(We no longer offer this program)

I. Product

A. Newly constructed units; detached units or townhouses are eligible.

B. Sales prices cannot exceed established limits.

II. Processing

A. VHDA will use monies from the general fund for these projects.

B. A builder/developer submits a proposal to the Reservations/Special Programs Manager in the Single Family Originations Division.

1. VHDA staff makes a preliminary review of the site proposed.
2. If the site and proposal are preliminary acceptable, the proposal is accepted for processing.
3. Plans and specifications are developed and reviewed.
4. VHDA or the sponsor orders an appraisal on the site.
5. If the proposal meets VHDA guidelines, it is taken to the Mortgage Loan Committee and the Board of Commissioners for approval. If approved, a construction loan commitment is issued to the builder/developer.
6. Commitment expires if closing does not occur within 120 days.
7. VHDA will make loans to both non-profit and limited dividend sponsors. VHDA will make a construction loan of up to 95% of the total development cost of the development. Total development cost is defined as the aggregate sales prices of the units to be constructed including the closing costs associated with individual units, the builders overhead and profit and the financing fees.
8. VHDA inspects the construction progress and disburses loan proceeds accordingly. The loan is repaid in increments over the term of the loan as units are built and sold.
9. VHDA may elect to provide direct permanent mortgage financing to eligible buyers on those units for which construction financing was provided. Those units for which VHDA does not provide permanent financing may be financed by conventional lenders or other as may be appropriate. If a unit is sold to a family whose income exceeds VHDA's established maximum, the builder/developer is charged a minimum penalty of $600 for each such unit. The charging (or not) of this penalty will be confirmed when the Reservations/Special Programs Manager quotes the c/l payoff. The closing attorney will be required to provide the VHDA permanent loan number for the applicant purchasing the subject lot.

Administration

The administrative responsibility for these loans is within the Single Family Development Division. The loan package is submitted to the pre-closing paralegal area.

LEASE PURCHASE PROGRAM

(We no longer offer this program)

I. Product

With this housing fund program, VHDA lends funds to the task force for the purpose of acquiring and rehabilitating Single Family houses. The houses, after rehabilitation, will then be leased to lower-income families. These families will execute a purchase option and lease agreement upon occupancy. During the first two or three years of the lease agreement, the task force intends to assist these families in obtaining permanent mortgage financing in order to purchase the property. During the period they are tenants, the homeowners will receive counseling from the task force on general homeownership information and establishing a savings program.

II. Procedure

These loans are originated by Single Family Originators (Construction Loan Managers). These loans are closed by the Single family Quality Review Analysts in accordance with the loan commitment. The closed files are received by Single Family servicing from the Single Family Quality Review Department after the loan closing and before the first payment date of principal and interest. **Single Family Special Program** will perform the documentation follow-up. The CLM monitors, inspects and disburses the construction loan proceeds in accordance with the commitment during the construction period, then, confirms to servicing when the unit is 100% complete. If the sponsor sells a unit to an applicant with an income above VHDA's current limits, a penalty fee will be assessed in accordance with the commitment collected by **SF Special Programs**, then forwarded to Finance.

III. Processing

A. The originating processing is as follows:

1. VHDA will use monies from the general fund for these projects.
2. A builder/developer submits a proposal to the Reservations/Special Programs Manager in the Single Family Originations Division.
   a. VHDA staff makes a preliminary review of the site proposed.
   b. If the site and proposal are preliminary acceptable, the proposal is accepted for processing.
   c. Plans and specifications are developed and reviewed.
   d. VHDA or the sponsor orders an appraisal on the site.
   e. If the proposal meets VHDA guidelines, it is taken to Mortgage Loan Committee and the Board of Commissioners for approval. If approved, a construction loan commitment is issued to the builder/developer.
   f. Commitment expires if closing does not occur within 120 days.

VHPRF - HOME PURCHASE REPLACEMENT HOME LOAN AND LEASE-PURCHASE LOAN PROGRAMS
(100% financing is given without Mortgage Insurance)

We no longer offer this program.

Processing

The Project sponsor will locate an applicant who meets the program guidelines. A loan application will be taken and either the project sponsor, a lender, or VHDA will put the loan package together. If VHDA processes the loan, the disclosures and subsequent verifications are handled by **Ann Bolen** or **Doris Taylor**. If a lender or the project sponsor prepare the credit package, then VHDA would only provide the T/L disclosures via fax machine. Please refer to the HCD Processing Manual for specific guidelines.

Underwriting

Ann Bolen is currently underwriting all VHPRF loans. Applicants are evaluated to insure they meet basic mortgage credit standards that adhere to the program income guidelines. The ratios are 32/40 with allowances for loans with compensating factors. The subject property is evaluated to insure it adheres to Section 8 minimum property standards. If the loan meets the program criteria, a mortgage loan commitment is issued. Please refer to the HCD Processing Manual for specific guidelines.

Closing

All closings are handled by the Single Family Quality Review department. DHCD does allow closing costs to be financed as long as total loan does not exceed appraised value. Please refer to the HCD Processing Manual for specific guidelines.

Servicing

All servicing is handled by a loan servicing specialist in Single Family Special Programs.

VHPRF - DOWN PAYMENT AND CLOSING COST ASSISTANCE PROGRAM

(We no longer offer this program)

Program Synopsis

The applicant is able to finance the amount necessary to cover the difference between the cost of the home plus normal closing costs and the amount of the first deed of trust. Total encumbrances should not exceed 106% of appraised value, if using old HCD funds for second, 100% appraised value for Regional Loan Fund Program. All applicants will be required to pay 1% of the sales price towards closing and down payment. Loans will be made with an APR of 3% interest for a 30 year term. Federal Home Funds are also available for downpayment and closing costs.

Processing

The project sponsor will locate an applicant who meets the program guidelines. The VHPRF down payment loan is made in conjunction with an FHA and conventional loan. The PDS lender will send in the usual VHDA/FHA or VHDA/Conventional loan package with a request for the down payment funds on the cover sheet.

Underwriting

Applicants are evaluated to insure they meet basic mortgage credit standards that adhere to program guidelines. The payment of the second is included in the housing debt ratio. The loan is underwritten to VHDA/FHA or VHDA/Conventional credit and property standards. If the loan meets all criteria, a mortgage loan commitment is issued for both the VHDA/FHA or VHDA/Conventional 1st, the VHPRF 2nd or Federal Home Funds.

Closing

All closings are handled by the Single Family Quality Review Department. They will prepare closing packages and checks for both the VHDA 1st and the VHPRF 2nd. Please refer to the HCD Processing Manual for specific guidelines on pre-closing review.

Servicing

The servicing of the VHDA 1st will remain with the PDS Agent as per the PDS Agreement. **VHDA Central Servicing will service the VHPF 2nd**.

HOMEOWNERSHIP EDUCATIONAL PROGRAM

The Homeownership Educational Program is designed to provide first time homeowners vital information related to purchasing a home.

The course is **mandatory** for individuals seeking to obtain a loan under VHDA special allocations. VHDA staff members developed a curriculum and educational materials to meet VHDA's goal of creating a program that would be used to assist potential homeowners in the buying process from start to finish. This **free educational class** is available to anyone interested in participating regardless of income or credit history. The class covers the following topics:

- developing a spending plan
- credit report and credit issues
- choosing a Real Estate Agent
- working with a Lender
- home inspection
- loan closing

Classes are facilitated and taught by professionals who have been qualified through VHDA's training program. Class schedules may be accessed on the Website at www.vhda.com. For additional information call 1-800-227-8432, extension 5749 for Carolyn Coleman, extension 5682 for LaDonna Cruse, extension 5534 for Kelly Gill-Gordon, or extension 5743 for Shawn Washington.

Revised September 2010

Automated Underwriting

VHDA will accept the credit approval of FreddieMac's Loan Prospector (LP) and Fannie Mae's Desktop Underwriter (DU) automated underwriting systems. VHDA will accept the loan determination of loans receiving an "Accept/Accept Plus" or "Approve/Eligible" from LP or DU. This approval will apply to the credit qualifying requirements **only** (i.e. credit, ratios, employment). Originating Agents are responsible for insuring that all other VHDA regulatory requirements are met.

Documentation: Alternative documentation as required by the LP or DU approval is eligible except for the Verification of Employment (VOE). The standard VOE and current pay stub are still required to document the income for maximum income eligibility purposes. Three years tax returns are also still required to document that the applicant meets the first time homebuyer requirement. Since these documents are required, the Originating Agent must thoroughly review to ensure compliance with the *Mortgage Revenue Bond* requirements as well any other information which may effect the data which has been input for the loan approval. Information such as losses from a business, non-reimbursed employee expenses and other expense which appear on the tax returns or other submitted documentation will require an adjustment to the initial data which was input in LP or DU. It is imperative that the data input in LP or DU match the documented information in the file. Originating Agents are also reminded that income used for maximum income eligibility purposes and that used for credit qualifying which is input in LP or DU may be different. Accurate qualifying rates for Step are to be input (FHA lst year rate, VA and Conventional - 2nd year rate).

Property Requirements: Standard VHDA property requirements must be met and a complete interior and exterior report must be prepared. The appraisal must provide adequate documentation of any unfinished area to ensure all mortgage revenue bond requirements related to maximum sales price and acquisition cost limits are addressed. Reduced /limited condo and PUD warranties as allowed by DU are acceptable.

VHDA Flexible Alternative:

Only VHDA's FasTrak system maybe used in conjunction with VHDA's Flexible Alternative Advantage. (FASTRAK no longer available as of 12/15/07)

LP and DU approvals will also be accepted for VHDA's Flexible Alternative with a maximum LTV of 100%. The loans are to be input as either a Flex 100 (DU) or an Alt 100 (LP) loan program. The approval also applies to credit qualifying issues only (i.e. credit, ratios, employment). The following specific program eligibility requirements must still be met:

Maximum income Homeownership Education requirement (97% - lst time homebuyer)

The 1/2 (.50%) reduction in discount point is available only for credit scores of 700 or above (determined by using the middle score of the borrower with the lowest score). The underwriter will need to waive the requirement for mortgage insurance on the Flex/Alt loans (except for mobile homes) since no mortgage insurance is required.

Property Requirements: Stated program property guidelines must be followed. Reduced appraisals will be allowed including Form 2075.

Procedures when using LP or DU approvals: Loan Review: VHDA Approved Delegated Underwriters must review the loan for compliance with all VHDA regulatory requirements and verify that accurate information as supported by the provided documentation was input in the AUS system when obtaining the approval. Loans not receiving an "Accept/Accept Plus or Approve/Eligible must meet all standard VHDA guidelines as well the insurers stated program guidelines. Loans receiving a "Refer" or "Refer with Caution" must be traditionally underwritten and meet all insurer and VHDA guidelines.

Delegated Approval Notice: The approved VHDA Delegated Underwriter must complete the VHDA Delegated Approval Notice in accordance with standard procedures. The Delegated Underwriter is to indicate on the approval notice if LP or DU was utilized.

Documentation: The appropriate approval (LP Feedback Report or DU Findings Report) must be included. These are to be placed on top of the Residential Loan Application (1003) in the loan package submitted to VHDA. The VHDA Delegated Underwriter must sign this approval certifying as to the validity of the information submitted for the LP or DU recommendation. Originating Agents are expected to include the Feedback Report or Findings report for loans which received a "Refer" or "Refer with Caution" but were subsequently approved by the underwriter.

DELEGATED PROGRAM

PROGRAM REQUIREMENTS

General Overview

The Originating Agent will review VHDA loan applications and will approve or deny loans on behalf of VHDA. The agent will also issue loan commitments on behalf of VHDA. In performing these responsibilities the originating agent ensures that all VHDA requirements of the mortgage insurer are met.

Special Allocation, such as the Regional Loan Fund loans may not be reviewed through the Delegated Program unless otherwise approved by VHDA.

Each Originating Agent participating in the Delegated program must execute the Delegated Underwriter Agreement (VHDA Form DU/100). This agreement identifies the special requirements, responsibilities and terms of the program. This agreement must be executed by an authorized officer of the Originating agents organization and returned to VHDA prior to approval for participation in the Delegated program.

Authorized staff

The Originating Agent's authorized officer must provide a list of those individuals who will be designated to act on behalf of the Originating Agent. Each designated individual must attend a VHDA training seminar prior to acting in this capacity. These individuals must be employees of the Originating Agent. These responsibilities may not be contracted to a third party without prior approval by VHDA.

Delegated underwriter requirements

Must possess FHA Direct Endorsement Authority (unless otherwise approved by VHDA and have a minimum 3 years mortgage underwriting experience).

Delegated Closing Review

Must have minimum 2 years mortgage loan closing review experience and be authorized by the Originating Agent to request disbursement of funds.

The Originating Agent will warrant that these qualifications have been met by designating such individuals on Attachment A of the Delegated Underwriting Agreement. Any additions or deletions to the delegated closers must be made in the form of a revised Attachment A or official notification by the Originating Agent.

Insurance Requirements

The Originating Agent must maintain a minimum $500,000 Errors and Omissions Insurance and $500,000 Fidelity Bond Coverage. Unless already on file at VHDA, the Originating Agent must provide a Certificate of Insurance (with original signature) naming VHDA as the certificate holder.

Originating Agent Experience

A minimum of 10 satisfactory submitted loans, closed within a six month period must be reviewed and determined acceptable.

Information to Staff

The Originating Agent will be responsible for informing ALL staff of VHDA procedural changes and requirements. The Originating Agent will designate key contact for receipt of correspondence and will notify VHDA of any changes in the staff contacts or addresses, including email addresses.

Originating Agent Notification of Approval

Once all Originating Agent Delegated criteria is met, the Delegated Underwriter Agreement executed by VHDA will be forwarded to the Originating Agent with notification of approval to participate.

Implementation

Upon receipt of approval and the executed Delegated Underwriter Agreement, the Originating Agent may immediately act as a Delegated Agent. Loans previously reserved or approved may also be approved or closed through the Delegated program.

DELEGATED PROCEDURES

All questions and inquiries to VHDA related to borrower or property eligibility and closing requirements should be directed through the Originating Agent's delegated underwriting and closing review staff.

1. Reservations

All loans will be reserved through the on-line reservation system. Reservation extension requests must be sent directly to VHDA.

2. Loan Underwriting Review

A. Credit documentation should be no more than 90 days old at time of loan review. After processing, loans will be reviewed by the VHDA/Delegated underwriter. After review the underwriter will either approve or deny the loan request. If the loan is approved, the underwriter will complete the VHDA Delegated Underwriter Approval Notice (VHDA Form DU-600). The notice must be immediately forwarded to VHDA.

If denied, a copy of the denial notice along with the $120.00 reservation fee must be forwarded to VHDA.

The loan must be reviewed by the delegated underwriter and VHDA notified of loan approval or denial no later than the reservation expiration date. If the underwriter cannot make a final determination because the loan has been pended for additional documentation, the underwriter must notify VHDA of the circumstances and request additional time to review via a reservation extension. Final decision must be made and VHDA notified of such within 30 days of loan reservation expiration date. The loan will be automatically canceled by VHDA, 30 days after the reservation expiration date.

B. The Delegated Underwriter (DU) Approval Notice may be faxed to VHDA at fax number **(804) 783-6718**. Once VHDA has confirmed the approval, the DU Approval Notice confirmation will be faxed to the Originating Agent. The DU Approval Notice must <u>identify the appropriate fax number for the return of the confirmation</u>. Only one notice will be faxed to the Originating Agent per loan. Underwriters must be sure all information is complete and legible.

The DU Approval Notice confirmation will reflect the commitment date, bond series number, and will confirm the correct P&I figures, origination and discount points. A copy of this notice must be included in the final package to VHDA and to the loan servicer.

Actual P&I figures which appear on the commitment letter and Note may not vary more than $1.00 from VHDA's confirmed figures.

C. Loan Commitment: Upon receipt of the DU Approval Notice confirmation, the delegated underwriter will issue a VHDA loan commitment. The commitment must state the terms which have been confirmed and any VHDA specific conditions. Commitments cannot be released until the delegated underwriter has received and reviewed the confirmed approval notice from VHDA.

D. Loan Amount Changes: Any changes in the loan amount after DU Approval Notice confirmation must be submitted to VHDA by the delegated underwriter on a revised DU Approval Notice. Loan amounts must be carefully reviewed prior to approval notice submission to avoid delays in closing. Submissions for changes in loan amounts will not receive priority and will be reviewed after all original requests. Any changes in the loan amount will require a revised commitment to be executed.

E. The Underwriting Document Checklist is to be completed and included in the final package submitted to VHDA.

3. Loan Closing

A. Document and Instruction. The Originating Agent can print closing documents from the VHDA website. The Originating Agent will forward the appropriate closing documents and instructions to the closing agent.

B. Review: The delegated closer will review preliminary documents and determine that all documentation meets VHDA and any mortgage insurer requirements.

C. Request For Funds: The delegated closer will complete a "Request for Disbursement" (VHDA form DU-700) and fax to VHDA at **(804) 783-6719** along with a copy of the insured closing protection letter. The form will provide instructions for disbursement of funds to the closing agent. The request may not be submitted prior to receipt of DU Approval Notice confirmation by Originating Agent and issuance of the commitment letter by the delegated underwriter. The funds will be disbursed by check or wire. Any discount and tax service fee due VHDA will be netted from disbursement funds. Per Diem is to be collected at closing and forwarded

to VHDA with the final package on loans serviced by VHDA. VHDA will typically issue a check or wire funds on all requests for disbursement on the same day request is received prior to noon eastern standard time. Loans must not close prior to settlement agent's receipt of funds. Loan check will be valid for five (5) business days from the check date. (*updated September 2010)*

D. Changes to Loan Amount: Any changes to the loan amount must be submitted to VHDA for approval by the delegated underwriter prior to requesting funds. The loan must close under the same terms (loan amount, rate, loan program) as approved and confirmed by VHDA.

E. Loans may not close after expiration date of loan commitment without prior approval. Request for extensions are to be directed to Yolanda Dickerson.

4. Post Closing:

The entire loan package (underwriting and closing) must be compiled and forwarded to VHDA within 10 days of loan closing. Documents should be submitted in the order as indicated on the Delegated Underwriting and Closing Checklists.

5. Loan Review:

Loan packages will be reviewed after receipt by VHDA. The Originating Agent will be notified of any errors or omissions which may need to be corrected. **[Non-compliance with required procedures on VHDA requirements may result in suspension from participation in the delegated program as well as penalty or repurchase of the loans.]**

Loan Package Submission and Reservation Procedures

All reservations are converted automatically from Reservation system to Gallagher system.

Submission of the Loan Package

The completed underwriting package with evidence of collecting the $120 reservation fee must be submitted to VHDA within 60 days after receiving the reservation number. After 60 days the funds reserved for an applicant will expire unless the Agent sends a written request and receives a 60 day extension. Loans may receive additional loan reservation extensions on a case by case basis and under extenuating circumstances. The Director of Homeownership Development Programs is authorized to extend these reservations.

Procedures for Logging-in Loan Applications

Loans sent in by the Originating agents arrive through normal mail deliveries or are hand delivered. The loans are then reviewed for completion. The loan amount should match on the reservation form and the application. All of the aforementioned information is then logged in under receipt of loan package.

When a rejected loan is resubmitted, use the same information on the reservation sheet originally sent with the package (a new reservation number is not necessary). The loan is then assigned back to the original loan officer by printing the loan officer's initials beside the social security number along with the word "Resubmission".

Loans are logged in on Gallagher by the Reservations/Special Programs Assistant (or in her absence, the Business Partner Product Manager) and delivered to the assigned Underwriter. The loan is additionally logged into the tracking spreadsheet.

The Reservation Fee

Substitution of applicants, lenders and/or properties is not permitted. We will consider substitution of property if the contract has fallen through under no fault of the borrower. If the original applicant is not qualified or withdraws from processing, the allocation will be recovered by VHDA. In order to reduce the fallout rate on reservations so that eligible buyers will be able to obtain funds without waiting for reallocations, a $120 reservation fee must be collected by the Originating agent at the time of reservation. In other words, if the loan closes, the Originating agent will receive an amount equal to the customary 1% origination fee. If, prior to commitment, the reservation cancels, the $120 reservation fee must be forwarded to Virginia Housing. Any fees collected, except the reservation fee, may be refunded if the loan does not close due to circumstances beyond the borrower's control. If the reservation fee is not received by VHDA within 60 days of cancellation, withdrawal, etc., VHDA will assess a $50 penalty fee for each outstanding reservation fee. Although the reservation fee is for the most part non-refundable, VHDA will consider special circumstances on a case by case basis. If a commitment has been issued and fails to close due to actions by the borrower, all fees collected, must be forwarded to Virginia Housing.

Restriction on Number of Reservations

A purchaser may request a second reservation, but under no circumstances will a purchaser be allowed to change interest rates without approval by Virginia Housing, specifically, the Managing Director of Development or the Director of Homeownership Development Programs. The agent must collect a second reservation fee prior to requesting the second reservation.

Expired, Canceled, or Rejected Reservations

On a monthly basis a report will be generated and letters sent to lenders on all reservations in accordance with the following process:

This process, which generates letters and invoices for expired reservation fees, functions as follows:

Process runs every morning and gets a list of loans that have been canceled, denied or withdrawn and additionally cancels any loans with a reservation expiration date over 30 days old which do not have a commitment date. The above referenced canceled, withdrawn or denied loans are not invoiced to our Lenders until 30 days after those respective dates for several reasons. When a loan is rejected, the Lender has 30 days to provide additional documentation to change the underwriting decision. With loans that have been canceled or withdrawn, we wait 30 days from that date to invoice to avoid overlapping the receipt and processing of checks from the Lenders and invoicing for those outstanding fees when the check has already been received, but not processed.

The process does not add the penalty fee ($50) until 30 days after the original invoice of the expired reservation fee. For example, loan is reserved on 5/11/04, reservation expiration is 7/10/04, loan is canceled by process on 8/9/04, loan is billed to Lender for expired reservation fee on 9/8/04 and if not paid, $50 penalty fee should be charged approximately 10/10/04.

The verbiage of the letter to the Lenders reads as follows:

Please make note that if the reservation fee(s) are not paid within 30 days of their original invoice date, which is not necessarily the same date as this invoice, the reservation fee(s) will incur a $50 penalty fee, which will increase the charges to $170.00. if the fee(s) are not paid in a timely manner, we may suspend your firm from reserving VHDA funds.

The determination of whether to suspend a lender from participating in the program due to overdue reservation fees will now be reviewed by the Managing Director of Development or the Director of Homeownership Development Programs and a decision will then be made based on the individual circumstances concerning the borrower or the lending institution at the discretion of the Managing Director of Development or the Director of Homeownership Development Programs. This information will be provided by the Business Partner Product Manager, on a monthly basis, to the Managing Director or Director with a recommendation as to the course of action to be taken.

The Originating Agent will direct to Sandy Redd in Single Family Development all checks received for the reservation fees. Collection of such fees will NOT be collected by the First Come, First Serve section. It is the Originating Agent's responsibility for forwarding all checks to the Reservations Department. Sandy and/or Yolanda logs each check in Net Oxygen, verifies a cancellation, withdrawal or denied date is entered, verify the fee has not been previously paid and move the loan to the Cancel/Withdrawn activity in Net Oxygen. A copy of the check is made and the check is sent to finance to enter and process. *(Revised September 2010)*

A report from Finance will be sent to Single Family Originations showing the total number of checks received into the system on a monthly basis.

Monthly Reservation Invoices

At the beginning of each month, reservation fees invoices are generated for Outstanding Reservation Fees. These invoices are sent to the lenders after balancing against the Month ending Reservation fees collected report and the Outstanding Fees for Canceled, Withdrawn or Rejected Loans – Non Direct report, both generated from Cognos.

A memo is generated detailing the fees outstanding, the fees collected for the previous month, and lists any Lenders that have fees outstanding in excess of $1,000. This memo is given to Michele Watson. *(Added 6-6-08)*

Waive Reservation Fees

An approval form will be signed and input in Net Oxygen by Michele Watson (Director of Homeownership Development Programs) or Don Ritenour (Managing Director of Development) and returned to Yolanda Dickerson (Reservations/Special Programs Assistant) for filing.

Revised September 2010

Changes to Reservation Status

Any changes to (product, program or points) on an existing reservation will be reviewed by and approved by both the Assistant and the Business Partner Product Manager. The Assistant and Product Manager will review the changes for accuracy in interest rate, loan amount, payment and program type.

Revise December 2009

Procedures for Extending Loan Commitments

A request for an extension of a loan commitment must come from the applicant. If the lender sends a letter requesting an extension without the applicant's signature, call the lender and inform him of the correct procedure. Proceed upon receipt of the applicant's letter.

When letters requesting an extension of a commitment are received:

l. Pull file from the delegated or non-delegated file cabinet.

2. Check to see if an extension was previously issued.

3. If an extension was previously issued, a letter submitted from the Lender and borrower stating why the subsequent extension is required must be submitted to the Managing Director of Development or Director of Homeownership Development Programs for approval.

4. Make sure commitment date has not expired.

5. If everything is in order, the commitment date may be extended for an additional 60 days.

6. Return files to Delegated/Non-Delegated file cabinet.

If unable to locate an applicant's file in Delegated or Non Delegated file cabinet, check Gallagher to ascertain if the file has been assigned to a specific Loan Closing Specialist. The Loan Closing Specialists should be consulted on whether to extend the loan at this point.

Procedures for Logging Into Computer

l. Select VHDA Intranet by clicking on Blue Internet Explorer icon.

2. Click on Single Family Development, Applications we use, Net Oxygen and Select Group Login (ie: Closing, Underwriting, Document Control, etc.)

3. Open file that requires Commitment extension.

4. Select Dates Task.

5. Select Underwriting Tab.

6. Click “Extend Commitment” button.

7. Select from dropdown who authorized the Commitment Extension.

8. Select Address for Originating Agent.

9. Click button “Extend Commitment 60 days” and click “OK”.

10. Letter to Originating Lender and Borrower automatically generated and printed.

11. Letters must be executed by authorizing individual.

12. Send the original letter to the borrower, send lender the copy, and file one copy in the loan file stapled to the front of the commitment along with the borrowers request for the extension.

UNDERWRITING

Refer to Net Oxygen User Guide for Underwriting for procedures related to Receipt of Loans, Access to Gallagher, Approving a Loan, Rejecting a Loan, Changing the Status of a Loan, Recommitting a Loan and Checking Loan Approval Status.

Revised September 2010

THE COMMITMENT

1. Processing Mortgage Loan Commitments

Upon approval of the applicant's package, for loans committed under the non-direct mortgage loan program a Mortgage Loan Commitment and listing of required closing documents is forwarded to the borrower in care of the Originating Agent.

For loan commitments approved under the direct originated loan program, the Processor will mail the mortgage loan commitment directly to the borrower. Other necessary preliminary closing documents are hand delivered to the Closing Paralegal to mail to the closing attorney.

2. Private Mortgage and Pool Insurance

VHDA's policies state "unless the loan is insured or guaranteed by FHA or VA or RD the borrower is required to purchase at time of loan closing full private mortgage insurance (25% to 100% coverage, as the Authority shall determine) on all loans which exceed 80% of the lesser sales price or appraised value" unless the product is a Flex Alt not requiring MI. The Originating Agent is required to escrow for annual payment of mortgage insurance (unless an approved monthly insurance premium plan is obtained.) If VHDA requires FHA or VA insurance, the loan will, at the election of the Authority, (a) be closed in VHDA's name in accordance with the procedures and requirements or (b) be closed in the Originating Agent's name and purchased by VHDA once the FHA certificate of insurance or VA guaranty has been obtained. In the event VHDA purchases a FHA or VA insured loan, the Originating Agent must enter into a Purchase and Sale Agreement.

The Closing area serves as a liaison between the Originating Agent, various PMI companies, and in-house staff members in the explanation of the amount of coverage on loans and what the companies are offering and any discrepancies connected with the case.

3. Adverse Action Letters

If a borrower fails to meet VHDA's underwriting criteria or if the property fails to meet VHDA's property standards, an Adverse Action Letter is initiated by the reviewing underwriter.

The reviewing underwriter will generate an Adverse Action letter addressed to the borrower indicating the reason(s) for denial.

The Underwriter will prepare a copy for the Originating Agent. All Adverse Action letters are mailed within 48 hours after the reviewing underwriter’s decision. Should the borrower's letter be returned for any reasons, i.e., address unknown, the letter will be placed in the rejected file for reference.

For loans denied under the direct originated loan program, the Processing Section will notify the field originator of the reviewing underwriter’s decision before mailing the denial to the borrower. In most cases, the field originator will try to rework the loan and determine alternatives before notifying the borrower.

If the loan is no longer workable, and an Adverse Action letter mailed, the Processor will make sure that any funds not disbursed upon are requested from Finance and refunded to the borrower within a reasonable time. This is on direct loans only.

4. Expired Mortgage Loan Commitments

If a borrower fails to close the loan within the allotted days from the date of the commitment, the loan will expire and thereafter shall be of no further force and effect. VHDA at the present time has suspended the collection of the origination fee at the time of signing the commitment. Should the loan fail to close through no fault of the borrower the origination fee will be waived.

Should a commitment require an extension due to circumstances beyond the control of the Buyer i.e., builder's problems, city ordinance regulations, repairs to subject property, signatures of heirs, title problems, etc., an extension request from the **Buyer** should be submitted prior to the expiration of the commitment. All letters directed to the attention of the Director of Homeownership Development Programs for an approval of a sixty (60) day extension. Once approved the Executive Assistant will mail out a written approval to the buyer and Originating Agent with a copy to the buyer's file.

The sixty (60) day extension will automatically change the original expiration date appearing on the **EXPIRED COMMITMENT REPORT**. Continued monitoring of extended commitments will be maintained by the Direct Originations Area.

Should an extension request be received after the date of expiration, extensions will be granted on a case by case basis. However, the borrower, may request in writing to the Director of Homeownership Development Programs, the option of re-reserving funds. **An additional $120 must be paid by the borrower(s) before obtaining a second reservation whose rate will never be less than the original interest rate, unless approved by the Managing Director of Development or Director of Homeownership Development Programs in extenuating circumstances.** The original $120 reservation fee may be waived by the Director of Homeownership Programs on a case by case basis**.** Once the approval for the second reservation is approved and the necessary fees collected prior to re-reserving, the file is then placed in an "R" status. Once the $120 reservation fee is applied to the lender's account in finance, the file is shown in a cancellation (X) status. At that time, an Adverse Action letter plus Statement of Denial letter is mailed to the Borrower(s) and the Lender canceling the first Commitment. A Borrower cannot re-reserve funds until the first reservation fee is received by the First-Come, First-Serve Section.

The Processing area will receive a daily report created by night batching of all daily expired commitments. The Loan Processor will within three days of identification contact the Lending institution for loan status. The Lender has seven (7) business days to respond. If there is no response within seven (7) business days, the loan is given to a **Loan Programs Underwriter/Business Development Officer** for an Adverse Action Letter. The **Loan Programs Underwriter/Business Development Officer** will reject the loan due to expiration of commitment. The file is then placed in the rejection files with no further action.

For expired direct originated loan commitments, notices are mailed to the borrower(s) and field originator(s), notices are mailed to the borrower(s) and field originator(s). Both the Field Originator and borrower have seven (7) days to respond. If there is no response within seven (7) days, the Closer will give the loan to the **Loan Programs Underwriter/Business Development Officer** for Adverse Action Letter. Afterward, the **Loan Programs Underwriter/Business Development Officer** will forward to the Loan Processors the Adverse Action Letter to be mailed to the borrower(s). Funds not disbursed will be refunded to the borrower by the Loan Processor under separate cover with a breakdown of funds disbursed on their behalf.

CLOSING AND QUALITY REVIEW

DOCUMENT CONTROL CENTER

Purpose

The purpose of the Document Control Center is to serve as the document custodian for the Closing and Quality Review Department. The Center will control, monitor, and safeguard all loan files, incoming and outgoing legal documents, fee checks, original Notes plus Note Packages and the Attorney's Closing Packages.

Processing Incoming Correspondences/Note Packages and Walk-ins

The Document Control Center (DCC) receives federal express packages approximately at 11 a.m. and regular correspondences throughout the work day. The Document Control Specialists (DCS) will receive, date stamp and distribute any incoming correspondences/legal documents, Closing Packages or Notes Packages for either a Closing Specialist or a Quality Review Analyst.

The DCC Specialists will extract **all** fee checks accompanying any original Note Package before assignment to a Quality Review Analyst. The Specialists will make the necessary file copies before hand delivering the Note Packages to the assigned Quality Review Analyst and/or to the Servicing Setup area. In addition, the Document Control Specialist will also check the lobby through out the day basis for walk-ins. The Specialists will also open and date stamp all walk-in documents/correspondences and Note Packages as well before making assignments.

Unidentified Correspondences and Legal Documents

On a daily basis, the Document Control Specialists will alert the Supervisor of any incoming correspondences or legal documents they received with missing crucial information, i.e. Borrower's Name and the VHDA Loan Number(s), etc., on an individual. The Supervisor will research and use every possible internal and external means of communication to identify the name of the potential Borrower. If all attempts fail, the Supervisor will return the incoming correspondence or legal document with a letter of explanation to the sender for further identification.

Flow of Documents and Departmental Reports

The Document Control Specialists will monitor and maintain a steady flow of legal documents, weekly departmental reports and loose correspondences from Title Companies, Settlement Agencies and any other third party person to and from a Quality Review Analyst workstation for review. The Specialists will determine storage requirements for loan files not yet reviewed and assure the documents match the loan files along with pertinent Quality Review checklists.

Note Packages for Closed Loans

The Document Control Specialists will access Net Oxygen to determine whether or not Virginia Housing services the Note Package. For Note Packages serviced by a LSBO (Loans Serviced by Other), the Specialists will immediately assign the package and deliver the package along with the Delegated Disbursement loan file to the respective Quality Review Analyst for review. Currently VHDA services all loan programs.

For Note Packages serviced by the Authority (Servicer #1 loans), the Specialists will extract and review the Servicing Package for accuracy according to items listed on the Servicing Setup Checklist and place in the Servicing Canvass bag for delivery to the Setup area located at Cox Road. Once the Servicing area completes its review of the Servicer #1 loans and properly sets up the loan, a transmittal sheet showing all loans setup is then sent back to the Document Control Center. The Specialists will assign the Note Package to the respective Quality Review Analyst along with delivering the Delegated Disbursement loan file. Subsequent to delivering the packages to either a Quality Review Analyst or to the New Loan Verification Specialist, the Document Control Specialists will extract **all** fee checks accompanying the Note Packages. The Specialists will make the necessary file copies for the loan file and update Net Oxygen remark screen with check information i.e. dollar amount and check number plus date of check.

Attorney Packages for Commitment Loan Files

The Document Control Specialists will date stamp the incoming preclosing package and hand delivers both the closing package and loan file to the Loan Disbursement Coordinator for assignment to a Loan Closing Specialist. The DCC Specialists will hand deliver all preclosing packages to the Loan Disbursement Coordinator. *Revised September 2010*

Welcome Letters

Revised September 2010

This responsibility is handled by the VHDA Servicing Department.

Fee Checks

The Document Control Specialists will extract, secure, and account for **all** fee checks either accompanying a Note Package or received under separate cover during a workday. The Specialists will make the necessary file copies and place them in the file folder for a Quality Review Analyst's review. Afterward, the Specialists will update Net Oxygen remark screen with the dollar amount, date of check and check number. Once a week, the Document Control Supervisor will conduct an audit on the vault to ensure there are no fee checks remaining in the vault for more than 15 days from the date of receipt. If so, the Supervisor will inquire its status with the assigned Quality Review Analyst.

Daily Deposit Report

Each Quality Review Analyst will deliver to the Document Control Supervisor before the end of each workday a copy of their fee checks processed. Each morning before 10:30 a.m., the Supervisor will pull and match the original fee checks with the work file copy submitted by each Analyst. The Supervisor will go into COGNOS and run the Daily Deposit Reports for the previous day's work. The Document Control Supervisor will total the fee checks and compare the dollar amount with the total dollar amount appearing on the Daily Deposit Report. If the Supervisor finds any discrepancies, they will make inquiry with the respective Quality Review Analyst for clarification.

Once the Supervisor has resolved all discrepancies, if any, the Supervisor will stamp **'FOR DEPOSIT ONLY'** on the reverse side of all original fee checks. In addition, the Supervisor will prepare the bank deposit slip and attached two (2) copies plus the calculator tape with the original checks being deposited along with the necessary number of copies of the Deposit Report and hand carry the report along with the original fee checks to the Finance Department for LSBO loans and fee checks for the Cash/Investors Accounting Department for all Servicer #1 loans..

The Finance Department Specialist will re-tally and verify the check totals against the totals appearing on the LSBO Daily Deposit Report and acknowledge acceptance by affixing their signature to the original copy of the LSBO Daily Deport Report. The Specialist will retain 3 copies of the deposit report showing their signature and attach the original fee checks and deliver to the bank for all LSBO deposits before 10:15 a.m. – 4:15 p.m. each day. For Servicer One loans, the Finance Specialist will re-tally and verify the check totals against the deposit slip and deliver to the bank for deposit report for Servicer #1 loans to the Cash/Investors Accounting Department along with the yellow carbon copy of the bank deposit slip delivered to the Finance Department.

Processing of Original Notes

Each Quality Review Analyst will deliver to the Document Control Supervisor before the end of each workday the original Borrower's Notes they processed. Each morning before 10:00 a.m., the Supervisor will pull and review the original Notes furnished to them by the Analyst to verify the loan number, borrower's name, closing date term, step rate information, the first payment due date, and the loan amount, and the plus loan amount, if any, listed on the COGNOS Daily Notes Received for that particular day's work. Afterward, the Document Control Supervisor will hand deliver all original Notes processed from the previous day to the Servicing Records Room Coordinator for storage along with the Note Report.

Shipment of Completed Files and Loose Correspondences

The Document Control Specialists will collect and match all completed loan files to/with the file completed report and ship completed loans to the Records Room every morning. The Quality Review Analyst will purge and place the documents in its proper order before giving the

file to the Document Control Center. The DCC Specialist will deliver before 10:00 a.m. each day the completed files to the Record Room Coordinators.

If the Document Control Specialists receive loose correspondences or legal documents after they have delivered the completed loan file, the Specialists will give the correspondences or legal documents to the Document Control Supervisor if there is need to retain the legal document or correspondence.

Quarterly Loan File Audits

The Document Control Center associates will conduct quarterly loan audits for loan files not yet completed and shipped to the Records Room that still appear in Net Oxygen. The DCC Specialists will account for all loan files and report any discrepancies to the Document Control Supervisor. For commitment loan files still awaiting an attorney's closing package, the Document Control Supervisor will utilize the Expired Commitment Report to identify and account for all loans active or inactive.

Preparation For All Loans That Are In Liquidation Process

The Document Control Supervisor from time to time will receive from the Servicing Records Room request for files that have either paid-off, foreclosed, in a compromise sale or in the process of a lender repurchasing. In addition, the Document Control Supervisor once a month will pull the COGNOS outstanding documents by payoff date report to prepare future and/or anticipated requests from the Records Room. The Supervisor has 10 business days to reply from the date of the request. The Records Room Coordinator will have the DCC Supervisor to extract critical documents from the loan file for shipment. These documents would include the Deed of Trust for both the first and the FHA Plus portion, the Loan Guaranty Certification (MIC, LGC, RD, or the MI) and the Title Policy issued on behalf of the Borrower. The Records Room does not require the remaining documents in the file in any particular order. The DCC Supervisor will purge all trash paperwork, paperclips and staples from the file folder before shipping to the Records Room to the Requestor.

If the Document Control Supervisor finds non-federal documents missing i.e., Deeds of Trust, Title Policies, etc., from the loan file, the Supervisor will contact the Delegated Lender to retrieve the document(s). The Supervisor will advise the Records Room Coordinator and the Requestor of the anticipated date to receive the missing document.

However, if the Document Control Supervisor finds the file missing federal documents i.e., 3 year federal tax returns, Affidavit of Borrower and Affidavit of Seller, the Supervisor will ship the critical documents to the Records Room, but delay the shipment of the file folder. The Document Control Supervisor will coordinate with the Loan Programs Manager and the Closing and Quality Review Manager to make a determination whether to waive the requirement or to have the Lender buy-back the loan due to the missing federal documents. Once the Managers make the determination, the Document Control Supervisor will update the Net Oxygen screens indicating the file has been shipped to the Records Room showing the file being a liquidated loan file.

Fallouts

The Document Control Supervisor will monitor the production pipeline for fallouts loans during any given month. The Supervisor will utilize various COGNOS reports to obtain applicable information and report findings to either the Loan Programs Manager or the Closing and Quality Review Manager for re-distribution of funds. If there is to be a re-distribution of funds, the Document Control Supervisor will discard the original loan file in a proper storage facility.

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LOAN CLOSING

CLOSING SPECIALIST AND LOAN DISBURSEMENT COORDINATOR

Purpose

To establish a relationship with our Originating Agents and develop an understanding of our policies and procedures for closing VHDA's loan products.

Status of Loans

To determine the status of a loan a search can be done on the computer or on the Intranet. The search can be done by Last Name, Loan Number, Lender Name, Reservation Number or Social Security Number. The information screen of an individual loan shows the loan amount, sales price, originating agent, commitment date, expiration date, closing date, etc. and the "status" of the loan.

Processing Mail and Walk-ins

Mail and federal express is received at approximately 11 a.m. The Document Control Specialist signs for each piece of federal express addressed to an individual Closing Specialist and delivers it to that person. The rest of the mail and federal express is opened, date-stamped and matched to loan files that are pulled from the cabinets the same day received. The Document Control Specialist checks the lobby on a regular basis for walk-ins. These packages are also opened and date stamped and distributed. *Revised September 2010*

Preliminary Package

Section Revised September 2010

The Closing Specialist reviews the attorney's preliminary package. The package consists of copies of the deed, note, deed of trust, title insurance binder, settlement statement, homeowner's insurance policy, binder, GFE, and flood determination. They also check for any conditions on the mortgage loan commitment or any special conditions or requirements for FHA, VA or RD. All loans are verified in FHA Connection.

The Closing Specialist makes contact with the lender and goes over corrections or requests additional information or clarification and establishes a closing date. Before the Closing Specialist can authorize closing, the Originating Agent must give verbal approval of all FHA, VA or RD conditions. The name of the person giving this approval must be recorded in the file.

The loan file is retained by the Closing Specialist until all outstanding conditions are received or until the attorney has given evidence that they are forthcoming.

Insured Closing Service

All loan proceeds must be disbursed under the Insured Closing Service of an approved title insurance company, evidenced by a Closing Protection Letter. A copy of the Closing Protection Letter must be retained in each closed loan file until the final title policy is received. The title binder and closing protection letter issued for each loan must set forth the name of the approved attorney or settlement agent, be dated and show the borrower(s)'s name and property address.

Escrows

For **Conventional, FHA, VA** and **RD** loans, VHDA will allow funds to be escrowed for the completion of exterior work or landscaping during inclement weather. A decision on whether or not we will allow an escrow is made on a case-by-case basis. The Escrow Agreement must be signed by the borrower, seller, and the Escrow Agent, who is the closing attorney or settlement agent. The release of the escrow funds is handled by our Originating Agents.

Check/Wire Disbursement

Refer to Gallagher User's Guide Pre-Closing and Disbursement on VHDA Intranet/Development/Procedures.

Voiding Checks

Refer to Gallagher User's Guide Pre-Closing and Disbursement on VHDA intranet/Development/Procedures.

Second Disbursement

A second disbursement may result in instances where an error has occurred during the original disbursement of a loan. The errors are commonly due to:

- a change in loan amount
- an error in points netted from the check
- an incorrect interest credit

The second disbursement could be either a positive (a check issued) or negative (check received for deposit) disbursement.

Files are coded as needing a second disbursement and then given to either the Loan Closing/Quality Review Manager or Loan Closing Supervisor. Necessary information is input into the loan relative to the changes needed to correct the error. A check is generated during the normal batch check run for that day when there is a positive disbursement. A deposit report is generated for a negative disbursement. The deposit report and check are given to the Document Control Center Supervisor and sent to Finance.

Stop-Payment

If a check is lost or if a closing has to be stopped after the check is sent out, a stop-payment must be put on the check. The file copy is taken to Finance for them to request the bank to stop payment. The check must be voided on the computer just as for a voided check. A 24 hour waiting period is required by the bank before another check can be issued. The Closing Specialist must inform the attorney that if the lost check is ever received he must tear the signatures off and return the check to VHDA.

Premium Fee Payments

A report is generated daily from Cognos (Premium fee report) by a Loan Closing Specialist. The report reflects loans closed with 0 origination fee with "note received" date for the previous day. Loan Closing Specialist use this report to request funding of the premium fee in the Originations System.

The check is requested payable to the Originating Agent and a letter disclosing payment is auto printed from Originations System. The checks are generated with the Closing Department daily check run. Checks and letters are matched and mailed to the Originating Agent. A copy of the check and letter is placed in the loan file by Document Control Center. The Loan Disbursement Coordinator in the Closing area retains a copy of the report.

Audit of premium fees is done on a monthly basis generating an audit report for the second month past (ex-April would audit February closings). Loan Disbursement Coordinator manually checks the loans in the Originations System. Any loan due a premium fee and not previously paid is then requested and forwarded to Originating Lender.

SERVICE RELEASE PROCEDURES

Service release reports are run on a weekly basis. Loan Disbursement Coordinator generates reports from the intranet and Cognos. Both reports reflect all loans with a correct note date and all fees paid which a service release fee is due to Originating Agent. The check register is forwarded to Single Family Development Director for signature. The check register with attachments is forwarded to Finance.

Finance generates and mails checks to Originating Agents along with an attachment disclosing loans included for payment. A copy of the check register is returned to the Loan Disbursement Coordinator for input of check number and date into Originations System.

Audit is performed on service release by generating a report from Cognos monthly. The audit report reflects loans that are in incomplete status and without all fees paid date. The loans are manually verified in Originations System by Loan Disbursement Coordinator.

QUALITY REVIEW ANALYSTS

Purpose

Maintain quality control of mortgage loan closings. A complete review is performed on the mortgage loan closing documents, which includes MRB documents, to ensure compliance with all State and Federal Laws, issuing agency's requirements, as well as, VHDA requirements.

Loan Files Received - Funds Disbursed

Files are received daily from the Closing Department and Document Control Center. Closed loan documents are received from our Originating Agents.

Initial Closing Package

The Originating Agent is responsible for submitting to VHDA all documents listed on the Exhibit II (1) and the Exhibit KK. These documents should be delivered within 10 days, if the loan is serviced by VHDA and within 20 days if servicing is held by an outside lender.

Final Closing Documents

Within (90) days after loan closing the Originating Agent is to submit the following to VHDA:

A. Original Recorded Deed of Trust
B. Original Title Insurance Policy
C. Original FHA Mortgage Insurance Certificate, VA or RH Loan Guaranty (if applicable)
D. Any other documents required but not received in the initial loan package

Loan Documentation

All Note information is verified and entered into the computer system. Once the Quality Review Analyst verifies the accuracy and correctness of the original Note, the analyst hand delivers original to the Document Control Supervisor. In turn, the Supervisor will hand deliver the Notes and the COGNOS Daily Note Report to the Records Room staff to immediately store in the fireproof vault for permanent retention.

NOTE: A Reformation Amendment of Note will be sent to the lender for any errors to be corrected. If the errors affect servicing the loan (i.e. late charge, rate or loan amount), the Servicing Department will be notified immediately by copy of the e-mail to the lender.

Revised 6-6-08

Within 60 days after receipt of the loan closing package, each document is reviewed for accuracy and noted on the appropriate checklist.

Original fee checks received with the mortgage loan closing package are copied - original retained by the Document Control Center. Only copies are given to the Quality Review Analyst to review for accuracy and then the Quality Review Analyst inputs the information into the computer. The original check(s) for interest, escrow, discount fees, and buy-down fees (if applicable) are verified and forwarded to the Finance Division and the Cash/Investors Accounting Department on a daily basis using the Daily Deposit reports. **(Note: Interest fee checks for one day less or one day more than the closing date are acceptable).** Fee check(s) which are incorrect or not due the Authority are returned to the Originating Agent with a copy to the borrower loan file. Particular care is taken to ensure that all required funds are received. The Daily Deposit Report (s) are prepared by Document Control Center.

The Deed of Trust, Title Policy and guarantee certificate and any other late documents are reviewed for completeness and accuracy. Incorrect documents are returned to the Originating Agent for correction.

Follow-Up Correspondence

The Originating agent is contacted weekly via telephone to request overdue closed loan packages, outstanding fees, and notes that have been returned for correction.

Any unusual problems are forwarded to the Quality Review Supervisor for immediate action.

Suspense letters are sent to the Originating Agent immediately after review of the closed loan package, notifying the Agent of any corrections to be made and additional documents required to complete the loan file. Normally, the initial review is performed within 60 days of receipt of closed loan package.

Normally reports reflecting incomplete loans are sent to the Originating Agents every 90 days. VHDA may impose penalties on the Originating Agent or require the Originating Agent to purchase any loan that is not completed within one year after the closing date. Penalties are imposed twice a year. Penalty reports are sent monthly.

Loan Completion

When the file is complete, the date of completion is entered into the computer system and the file is forwarded to the Central Records Room area for permanent retention. A notification letter is sent to the Originating Agent once the file is complete.

Note: See the Net Oxygen QRA User's Guide for detailed procedures related to this systems use.

LATE CHARGES FOR DELINQUENT DELIVERY OF DOCUMENTS

A late fee of $1,000 will be charged to Originating Agents for each incomplete loan file that has been closed over 12 months. If a late fee was previously charged, but documentation to complete a file is not received by the next billing cycle, additional $1,000 fees will be charged at six (6) month intervals until the file is complete.

Net Oxygen identifies loans that are subject to penalty and reflects them on a report that is attached to the invoice. The invoice instructs Originating Agent to send Delinquent Document Fees directly to VHDA's Accounting Department. Accounting will input receipt of fee into specific loan in Net Oxygen.

Authorizations for waivers of delinquent document fees is documented in the Authority's Authorized Officer Matrix.

Revised 11-13-08

Procedure for handling Lap Top Computers

The Process for Securing Computers and Inventory has been assigned to the ITS Department.

Single Family Origination System

Security

When changes to personnel (i.e. termination, promotion, change in job responsibility, reassignment, etc.) are made in Single Family the manager/supervisor will submit a Work Order through the ITS intranet page and enter the required information (see attachments following this page) in the notes section. This Work Order will be routed to the single Family Application Manager and ITS for changes to security in the system.

The System Administrator will also verify security for users is correct every 90 days.

Employee Termination Checklist

- Need to get notification from one of the following sources
    - Security
    - HR
    - Employee's manager or supervisor
    - RM

Regular Outgoing Employee

- Manager submits Work Order
- Questions for manager
    - What do we need to do with the P drive (Burn CD)
    - What do we need to do with Email
    - What do we need to do with C drive (PC)
        - If manager would like access to PC add managers account to PC DO NOT RE-ENABLE old employee account
    - What do we need to do with Voicemail
    - What do we need to do with Phone ext
    - Any portables (who takes care of this HR or HD) Property removal pass (HD)
- Disable network accounts
- Remove group membership
- Remove from Email Distro lists
- Remove PC
- Perform Telecom items
- DBA for removal access
- Unix removal
- Pat Oliver for intellidesk removal
- Remove extranet account
- Remove access to asp's
- Remove access to support access for software
- Hide email address in global address list

- For people who do not use Work Orders add to notes for Audit
- Access to email account maximum of 30 days
- Terminate account @ 60 days from end of employment

New Employee Work Order Template

- **Assign Help Desk Assoc, Data center Assoc, DBA, Pat Oliver, Telecom Analyst**

- Have the telecom analyst create phone number first, and then give to admin to put into exchange.

Needed from the requesting employee

- First Name
- Last Name
- Middle Name (or Initial)
- What Name does the person go by?
- Start Date
- Who is their Supervisor or Manager
- If they hold the position Supervisor or Manager
- What applications will be needed
- Does this person need to be a user or power user?
- What Department
- Which Division
- Location of Setup
- What would be their default printer
- Perm or Temp employee
- What calendars or mailboxes will they need access to in Outlook
- Will Desktop faxing be needed
- Do they need speakerphone?
- Do they need any additional lines or extensions added to phone template?
- Do they need to be added to a hunt group or acd group?
- Should the phone be setup to mimic another phone if so what extension?
- Do they need a modem\analog line?
- Office Number or Cube Number (Jack #)

Needed from the Datacenter

- Username
- Password
- What GG group
- What local group
- Novell Context

Need from Desktop Services

- PC model
- Printer setup
- Telephone number
- Fax number (if needed)

Collections/Loss Mitigation
(SW VA/Wytheville Office)

(1) Cliff Millirons is responsible for any and all funds collected from SW VA loans. A lock box (fireproof safe) has been obtained for safeguarding VHDA monies. It is expected that only checks will be collected.

If cash is received a bank check made payable to VHDA would be obtained.

Collected funds would, immediately be transferred to VHDA Richmond.

(2) Michael Locking and Barbara Hounshell will have READ ONLY access to the Fidelity Collections/Loss Mitigation computer screens. (DLQ 1, FOR 1, FOR 3, LMT 1 and LMT 3)

(3) Cliff Millirons will be given access to DLQ 1 to make actual direct entries as t our efforts, including the date and amount of funds collected. This will provide a constant tracking system of our work, satisfying the need of “record keeping" from an audit perspective.

S/W Office staff will be allowed to monitor the performance of our loans, which is valuable within itself as an "educational tool".

Guidelines & Internal Procedures For Utilizing the Southwest Office to Accept Funds And Perform Property Inspections

Overview

On a case-by-case basis, VHDA's Southwest office will be requested via e-mail or phone call to perform property inspections on properties located in their designated areas of Southwest Virginia. The request for these inspections will be made on loans in which the Richmond office has been unsuccessful in contacting the borrower. This will allow VHDA to more effectively leverage available resources in terms of accomplishing certain servicing operational goals and to protect the Authority from unnecessary liabilities in the event the property is vacant or in a high vandal area. It is not intended for the Southwest office to perform any actual collection activity or offer any type of loss mitigation options to the customer unless otherwise specified by the Richmond office.

Time requirements for performing the inspections

The Southwest Office of Virginia Housing will be responsible for following the procedures when requested to perform a property inspection:

- Perform the property inspection within 2-7 business days.
- Once the inspection has been performed, report the results via e-mail within 24-48 hours to the respective associate who requested the inspection. Note: This is a critical step as the property may be vacant or vandalized. The Richmond office will immediately take steps to place the proper insurance coverage and have the property secured.
- If the property inspection cannot be completed within this time frame, notify the Richmond office as to when it can be done. If the insurer/guarantor's time frame does not allow for additional time to inspect the property, then the Richmond office will pursue having the property inspected through other sources.
- A reasonable amount of photos should be taken, especially in cases where there is damage to the property, high grass, etc.
- Inspections will be performed in the designated areas as provided by the Southwest office. (See attached report of areas.)

Performing the Inspection

The Southwest office will follow the procedures listed below when performing the actual inspection:

- If possible, knock on borrower's door. If the borrower is there, make the necessary introduction and proceed to find out what's going on with them. If the borrower does not answer the door, then a business card should be left to have them contact the Richmond office. (We can provide business cards if necessary.)
- At no time should the Southwest office place themselves in a dangerous situation when trying to perform the inspection.

Performing the inspection (cont'd)

- If customer is having financial hardship, call the Richmond office and discuss account with our loss mitigation department. The Southwest office will not provide any type of recommendations or directions to the customer until they have fully discussed this with the Richmond office and have obtained further instructions from the Richmond office. (This will eliminate confusion on the customer's part.)
- If customer attempts to give you a check, contact the Richmond office prior to taking any funds to ensure the insurer/guarantor will allow the acceptance of the funds and to determine the correct amount the customer should be tendering to you.
- The Southwest office should not be accepting any cash payments from the customer. Request a check or certified funds and provide the customer with a receipt.
- Within 24 hours of receipt of the funds, the Southwest office will mail to VHDA to PO Box 4627, Richmond, VA 23220-8627 Attention: Loss Mitigation Department or the appropriate persons named unless otherwise instructed to do something different.
- Until the funds can be mailed, they will be held in a fireproof box for security purposes.
- If the Richmond office does not receive the funds within 72 hours after they have mailed it, a follow-up call to the Southwest office should be immediately made to ensure proper delivery of the funds.
- To track a follow-up if necessary, the collector/loss mitigation officer will place a tickler date on the system. Once the 72 hours pass, the loan will automatically appear in the follow-up queue (Queue 0) to be called on.
- If for some reason the payment is lost in transition, the Richmond office will contact the borrower to place a stop payment on the funds and reissue another check or certified funds. (We may, if the customer has no telephone request the Southwest office to handle this for us.)

Direct Origination Mortgage Loan Program

Mobile Mortgage Field Originator

VHDA Mobile Mortgage Field Originator(s) are responsible for the operation of assigned mobile office and for identifying potential customers. They answer prospective borrowers' initial inquiries, process pre-qualification requests and complete formal loan applications. Mobile Mortgage Field Originator(s) operate in underserved areas of Virginia or as assigned.

Pre-qualification Process

*Identify the potential borrower(s) needs.
*Help the potential borrower(s) choose the loan product that suits his or her needs
*Answer borrower(s) questions and identify objectives.
*Initiate pre-qualification process with determination as to eligibility and application readiness.

Application Process

*Complete the loan application.
*Initiate and have the borrower(s) sign the initial documents needed to process the application.
*Explain any governmental regulations pertaining to the loan program that the borrower(s) apply for.
*Give the required disclosure information and forms to the customer(s)
*Explain the loan cycle to the borrower(s).

Prepaid fees

At the time of application, the field originator will collect fees from the borrower(s) to cover payment for the credit report, flood certification, appraisal and reservation fee. The fees must be in the form of a personal check, bank check or money order and must be submitted with the loan package to the Direct Origination department.

Reserving Funds

Field Originator(s) must reserve the loan through the VHDA on-line reservation system (see SF reservation procedures) or by FAX if the loan is a special program. Such as: SPARC.

Field Originator(s) are responsible for submitting the completed loan package to Direct Origination by overnight carrier service. The standard loan package contains the following documents:

1. Sales Contract
2. Prepaid fees
3. VHDA reservation & confirmation forms
4. 1003 Uniform Residential loan application
5. Form 4506 T Request for transcript of tax return
6. Exhibit E VHDA Program disclosure & Affidavit of Borrower
7. Exhibit F VHDA Affidavit of Seller
8. Borrower signature authorization
9. Consent for disclosure of personal information
10. Quality control disclosure & authorization
11. Good faith estimate & truth in lending
12. RESPA servicing disclosure
13. Provider List

In addition to the standard loan documents, additional documents may be necessary for FHA, VA & RHS loans.

Loan Processing

Upon receipt of the loan file, the prepaid fees will be recorded in the Net Oxygen origination system by the Direct Origination Coordinator (see Net Oxygen procedures) and the original check will be sent to finance for processing. The file will be reviewed for compliance with the specified loan program type FHA, VA, RHS, Conventional and for verification or additional information needed. An updated credit report will be ordered at this time (if required).

The balance of the borrower(s) information will be added to the Net Oxygen origination system by the loan processor (see Net Oxygen procedures) in order to complete the application and required forms for underwriting.

To order a property appraisal the loan processor will request direct assignment of an appraiser from the VA online system or select an appraiser off of the VHDA appraisal listing for conventional, FHA, RHS loan programs. Upon receipt of the appraisal the loan processor will submit the appraiser's invoice with a check request for payment to the SF Director. A copy of the signed check request will be kept in the borrower's file for reference. The SF Director will forward the original for payment to the finance division. All checks are mailed directly to the payee from the finance department.

Revised September 2010

Loan submission to underwriting

Upon completion of the processing of the loan, the loan processor will prepare the file for submission to an underwriter. The underwriter will review the direct originated loan and render a final decision, either issuing a formal loan commitment or an adverse action letter. The loan processor will notify the borrower(s), originator & realtor(s) of the loan decision. The loan processor will forward the loan commitment to the borrower(s). The file will be sent to the closing specialist who will begin the closing paperwork (see closing specialist procedures). It is the loan processor's responsibility to track all commitment conditions to ensure their completion prior to closing.

Insufficient funds for prepaid fees:

Finance will notify the loan origination co-ordinator of prepaid application fees that did not clear. The loan origination co-coordinator will contact the borrower(s) to have them replace the funds with a bank or certified funds check within 7 days of the notice. If the borrower(s) does not respond within that time, the loan will be automatically denied.

Cancelled or withdrawn loan files:

If the borrower(s) cancels their loan application, we will need the cancellation/withdraw request in writing. Any funds not disbursed from the original prepaid fees will be returned to the borrower(s), except the non-refundable reservation fee.

Direct Originations Subsidiary Ledger is balanced on a monthly basis against Finance's deposit report, disbursement report & analysis report.

Direct Originations Coordinator performs the balancing of the Direct Originations subsidiary ledger on a monthly basis.

The Direct Originations Manager will compare the Direct Active Report and the Daily Direct Loan Transaction Deposit Report against the Direct Originations monthly subsidiary ledger to ensure all funds collected have been deposited and timely refund of fees to borrowers have been made.

Direct Originations Manager will perform a documented monthly reconciliation of the funds received per the Net Oxygen system report referred to as "Daily Direct Loan Transaction Deposits with Date Range" to the amounts deposited per the Finance Department's PART system reports. This procedure should provide an adequate monitoring and verification mechanism to ensure all loan related application funds are deposited as required.

Loan Assumptions

Section Revised September 2010

ASSUMPTION PROCEDURES

Policy: VHDA loans are assumable based on certain qualifications. A written request for an assumption package needs to be received from the borrower(s).

Procedure: If the property is being sold, obtain a copy of the Sales Contract.

If there is a change in marital status, obtain a copy of the Property Settlement Agreement (PSA) and/or divorce decree.

The borrower(s) will send in a request for an assumption. The SF Servicing Department will send a "Pre-qualification for Assumption" to the party wanting to assume the loan on the property, together with a cover letter.

Upon receipt of the **Pre-qualification documents**, the processor will:

1. Pull a credit report
2. Obtain a loan snapshot from the Alltel System (Fidelity)
    - Go to SER1 screen
    - PL02
    - Get loan information with balance, payment amount, interest rate and loan type
3. Go into the Byte System and enter as a new loan assumption and input information from the pre-qualification documents, including income from the pay stub and W2s and debts from the credit report. Calculate the debt ratios.
    - If they do not qualify, send a denial letter.
    - If they do meet pre-qualification requirements, you need to send out an Assumption package.

    **Good customer service is to call the borrower assuming the loan and let them know if they qualify or not and answer any questions they may have.

The Assumption package to the qualifying borrower is to include the following:

1. A Good Faith Estimate prepared by the processor from Byte
2. Prepare a Truth in Lending from Byte
3. Prepare a cover letter with information on application fees and documents required for the assumption. Request that the documents be returned to VHDA within 10 days.

Once the processor received the documents back from the borrower the following steps are required:

1. Should have check in package for the credit report and flood certification in the amount of $29 for single applicant and $33 for two applicants. Prepare Assumption Deposit for Finance from Word document and attach check to the bottom of Deposit, and take to Finance, keeping a copy for the file, and a copy for SF Direct Originations Bookkeeping. (Fees will be entered under #265003-90 for Credit Report and #265004-90 for Flood Certification.) You will balance Assumption Fees at month end with the SF Direct Originations General Ledger account under SF#265003-90 and SF#265004-90.
2. Review all documents for signatures/initials as requested
3. Ensure all required documents are received, including the Property Settlement Agreement, Sales contract (if needed), pay stubs, bank statements, borrowers authorization for verification of employment, the IRS form 4506T, any required FHA forms, any required VA forms, Affidavits of Seller/Borrower if a purchase and any other documentation requested in the cover letter.
3. Enter all information from documentation received into Byte (income, assets, debts, etc. not already entered).
4. Request copies of the Note, Deed of Trust, Appraisal and Flood certification from the Records Room.
5. Pull a current payment history from the Alltel (Fidelity) System.
6. Request a VOE from the borrower's employer(s) for the last 2 years.
7. Request any other information needed from the borrower.

Note: We will not move forward without receipt of funds for the credit report and flood certification.

Complete processing the loan and prepare it for the Underwriter's review.

Submit the loan to the Underwriter.

- If the Underwriter denies the loan, send a denial letter to the borrower.
- If the Underwriter approves the loan call the borrower and get the closing agent's name, phone and fax #s.

The Closer will prepare preliminary closing instructions and fax/email them to the Closing Agent, requesting items needed for review prior to preparing documents for settlement. The Closer will request a payoff from the Servicing Department – Lisa Peatross at extension 5760 - and will supply that information to the Closing Agent. It should reflect the amount being assumed and a breakout of the escrows which are to be reflected on the HUD I when the purchaser is 'buying' the escrow account from the seller.

Upon satisfactory review of requested documents, the Closer will prepare the closing package and instructions to the closing agent:

1. Deed and Assumption Agreement (form provided to the closing agent; it is the closing agent's responsibility to prepare the document, completing where necessary)
2. Certificate of Assumption (form provided to the closing agent; it is the closing agent's responsibility to prepare the document, completing where necessary)
3. Servicing Information Sheet
4. Cover Letter

The Closing Agent is to fax a copy of the completed copy of the HUD I Settlement Statement, a copy of the completed Deed and Assumption Agreement and a copy of the completed Certificate of Assumption for the Closer's review. The HUD should reflect a transfer of escrowed funds (if the parties have agreed that the escrow account will be transferred) and fees as shown on the attached fee sheet. Three business days must be allowed for documents to be reviewed and for the Closer to overnight (at the closing agent's expense) the original, executed (by VHDA) Deed and Assumption Agreement. The Closer will give written approval to the Closing Agent to proceed once everything is reviewed and the Closing Agent has the original Deed and Assumption Agreement in hand.

Once the closed package is received from the closing agent, the closer is to remove the Processing fee check and give it to Direct Originations as it is their income. Direct Originations will complete an Assumption Deposit Form. Fill in the new borrower's name and staple the check to the bottom of the form. Make 2 copies: a copy for assumption file and a copy for Direct Originations for bookkeeping purposes for that particular month, so Direct Originations can balance with Finance.

The closer is to review the documentation to be retained, purge any unnecessary papers and send the following to Servicing, Arlene Williams-Brown, Servicing Dept, VHDA, VHC:

Servicing Information Sheet and Certificate
Copy of the Deed
Copy of the front page only of the application
Copy of the check to VHDA (processing fee)
Copy of the release of liability in the file
Copy of new insurance

Mark the file closed in the Byte System. Servicing will change the borrower's name on the Alltel (Fidelity) System and order coupons for the new borrower. The Deed and Assumption Agreement goes to the Records Room.

Please note: if the loan is a VA loan, a copy of the completed file should be mailed to the Veterans Administration. **Divorced veterans are to go through the VA directly.

The servicing assumption paralegal is responsible for pre-qualifying the borrower(s) and preparing the good faith & TIL. The file is forwarded to loan processing where it goes through the Direct Origination loan processing and underwriting procedures. The file is returned to servicing for closing.

MILITARY GRANT FOR ACCESSIBLE MODIFICATIONS

Grants are available to servicemen or women who sustained injury during service in a combat theatre of operations. Each grant is to be limited to $4,000 per property. Properties eligible include homes and apartments in Virginia.

GRANTING FREEDOM POLICIES AND PROCEDURES

When grant application is received, we review the following:

- Name, address, and phone number.
- Look for the loan amount requested and if the property is rented or owned.
- Next look for the modification needed.
- If the property is rented, applicant needs to obtain written approval by the landlord and attach it to the application.
- Then look for the VA Certification. The application must be certified by a physical therapist, social worker, or doctor at one of the VA hospitals or Rehab Centers; with their name printed, signed by the person giving the authorization, their phone number and title.
- At the bottom the applicant must sign the application with their rank and date it.

After the Application has been reviewed and approved, we will send out a Grant Confirmation within 10 business days.

- The applicant's name, address, phone number, e-mail address (if available) and fax number (if available) with the loan amount and property address to be filled out.
- Give a date of 120 days from the date of the confirmation for the period of time the funds will be available, and sign the Confirmation.
- Mail to the applicant with a W-9 federal tax form (Request for Taxpayer, Identification Number and Certification), together with a letter requesting the W-9 be returned with a copy of the cost estimate of the work for the modification. The W-9 is to be filled out by the contractor or person doing the modification(s).
- Post the total of the grant on the EXCEL Spreadsheet where applicable.

Once we receive the Cost estimate and notification that the work has been completed by the Applicant:

- We need to schedule an inspection to make certain all the work has been completed. We can use someone from VHDA, VFW posts, American Legion posts, RD Offices, or Appraisers willing to do it pro bono, etc.
- Inspection Report needs to have the address of the property, the modifications made and completed, the inspector's signature, title, date, name of agency and phone number in case we need to call for any reason.
- The applicant must sign the inspection.

- The Inspection Report is to be mailed back to the Grant Administrator.
- If we have not received the cost estimate by the third (3rd) month or within 90 days from the date of the Confirmation, we need to send a reminder to the Applicant.
- The Applicant can obtain **one** 60 day extension.

When we have received the inspection report:

- We will fill out a **blue** check request form for Finance (Suzanna Stallings), and attach the W-9 to the check request.
- Finance (Suzanna) will send the check out to the contractor or person listed on the W-9 and Payee on the Check Request within 10 days.
- Finance (Suzanna) will deliver a copy of the check to the Grant Administrator to place in the file.

All papers are stapled together and the file is then closed.

We need to provide a monthly report to Greg Shelton of the Veterans Administration in Roanoke to keep track of who is receiving the grants.

Greg's address: 210 Franklin Road, Roanoke, VA 24011
E-mail address: www.greg.shelton@vba.va.gov

CDR Dave Julian of Military Severely Injured Center would also like to be given a courtesy copy of the report each month. His address is:

CDR Dave Julian
Military Severely Injured Center
1525 Wilson Boulevard, Suite 225
Arlington, VA 22209
e-mail address: www.david.julian@militaryonedource.com

Approving New VHDA lenders

1. Sandy Redd will be the point of contact for new Lenders inquiring about participation in the VHDA Program. Contact may be by phone or e-mail.

   The Application, Origination Agreement and Information Security Agreement are available on-line under "Becoming a VHDA Lender".

   Sandy and Lender Committee will screen the prospective lender directly and determine whether they are a broker or a Lender. A broker only originates loans and performs no underwriting, closing or post-closing duties. If the applicant is a lender then we will determine if they have a DE underwriter and are VA automatic (they can approve FHA and VA loans directly in-house). We will then advise the prospective lender of the following:

   a. Lenders/Brokers will need to complete an application (there are different applications for lenders and brokers) and sign a VHDA Originations agreement (for lenders) or VHDA Broker agreement (for Brokers).
   b. Lenders/Brokers will need to complete and sign an Information Security Amendment.
   c. VHDA will need a copy of their most recent audited financial statements; as well as, proof of current Fidelity Bond and E&O insurance.
   d. VHDA will need all other information requested on the application form.
   e. Once approved Lenders/Brokers will have to complete VHDA training before they can reserve and originate loans.
   f. Advise Lenders of the difference between delegated and non-delegated approval.
   g. They must be licensed to do business in the state of Virginia.

2. Sandy Redd will be responsible for the review of the application package to determine that it is complete, all contracts are signed properly, financials look good (at least $ 500,000 net worth), insurance is current, etc. If additional information is needed, Sandy will contact the lender and obtain the necessary information. Sandy will check FHA Connect via Neighborhood watch and view their report on the lender to ensure the Lender is in good standing with FHA. She will also check that he has all of the managers' names, branch managers, addresses, etc. If the applicant is a broker then Sandy will work out a process to determine if packets are mailed to Brokers. We will consider location, area of specialty, etc. when making the determination and discuss with Managers whether or not we want to approve any additional brokers. Normally we do not approve new brokers but we may want to consider it in some cases (i.e.- minority broker, underserved area, etc.).

3. Staff will meet at least once a month to review potential applicants. Sandy will make copies of application and route to Michele, Janice, Pat Hunter and Yolanda. Once everyone responds that they have no issues with the Lenders/Brokers, Sandy will generate the Approval Letter subject to training. Copies of the Origination Agreement and Information Security Agreement will be sent with the approval letter.

4. Sandy will send the Lender their approval letter, a copy of their Originating Agreement if included in the original package and a blank Administrative Training Contact form. Also copies of the approval letter should be distributed to Janice Burgess, Sheila Pollard and Michele Watson.

   Yolanda will set up the file and maintain the approval documentation.

5. The file should be maintained in a "Holding" Status until the training has been completed. The BDO will send an e-mail to Janice, Sandy and Yolanda once training has been completed.

6. Once training has been completed Yolanda will send an e-mail to SF Support with a copy to SF Originations and Recipient's of Originators memo with the completed Lender Form attached. The e-mail should give them the VHDA lender number and what type of approval they have (non-delegated vs. delegated) and what types of loans they are approved to originate. Sandy will complete the Lender information form and e-mail it to Yolanda. The e-mail should also state that the new lender needs to be set up in Gallagher and put on the VHDA Internet site (VHDA.com).

7. Yolanda (with back up of Sandy) will enter the Financial , Fidelity bond and E&O insurance information into the Net Oxygen compliance tracking system. The original signed Originations agreement should be filed with the others and kept in a secure, locked filing cabinet. The original Information Security Amendment is then delivered to the Legal Department (Fred Bryant) with a copy attached to the original originations agreement.

8. For Annual Compliance responsibilities, Yolanda will receive the letters printed annually requesting updated Financials, Fidelity Bond and E & O insurance. This letter is sent out three times in 30 day intervals. If there is no response we will need to develop a suspension letter which informs them that failure to send in the necessary information will result in their inability to participate in the program.

9. For the time being Sheila has agreed to manage the Mergers and Acquisitions. We will develop a set of procedures which must be followed by Staff to ensure continuity for the Lender. This should include development of a letter and a report to track acquisitions in progress.

Next Steps:

a. Note: the location of the printer will need to be modified to accommodate Yolanda's terminal for the annual letters.
b. We will need a report from Cognos for Yolanda and Sandy to check on outstanding Lender documentation for the annual re-certification.
c. We will also need to develop the suspension letter if the Lender fails to respond to our request for Annual Financials, E & O, and Fidelity Bond insurance.

Business Systems

Inactivation of Lenders

Inactivating Lenders in Net Oxygen is used for 2 different reasons.

If a lender is extremely behind with post closing documents, Pat Hunter, with approval from Michele Watson, may request a Lender be inactivated in the reservations system. To accomplish this, SF Support inactivates the lender in Gallagher at the Lender level and the branch level, but leaves lender contacts active so they will receive product updates. The intention is to re-activate the lender once they have resolved their post closing issues.

The second scenario is Lenders that need to contractually be inactivated due to lack of production. Annually, SF Business Data Reporting Analyst will run a report indicating which lenders have not met the contractual production numbers and forward that list of lenders to Sandy Redd, Janice Burgess and Michele Watson. Sandy and Lender Committee will make the decision about which lenders should receive a letter canceling their contract with VHDA. Yolanda Dickerson will prepare the letters for Sandy's signature. The letter will give the lender 30 days to respond. It the Lender responds, Sandy and committee will determine the validity of the response and make the decision on cancellation of the contract. If the lenders do not respond within 30 days, Yolanda will send an email to ITS SF support to inactivate the lender.

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