

2 – TERMS AND CONDITIONS



All House Key loans must be delivered to Idaho Housing and Finance Association. All loans must be eligible for a Fannie Mae or Ginnie Mae pool.

Each House Key Program Mortgage Loan must satisfy the following terms and conditions:

LOAN TYPES

Fixed rate FHA 203(b), Limited 203(k), 234 (c), HUD 184, VA, USDA Rural Development, and Conventional loans listed below may be originated under the Program.

Fannie Mae Products	Special Feature Code
HFA Preferred	741
Community Land Trust	054
Community Seconds	118

Conventional HFA Preferred loans are eligible up to 97% LTV with 18% MI coverage, if conventional manufactured home max 95% LTV with 16% MI coverage, and no loan level pricing adjustments. Please see Appendix III for more information on HFA Preferred loans.

LOAN UNDERWRITING

Fannie Mae Desktop Underwriter (DU) with Approve/Eligible or Freddie Mac Loan Prospector (LPA) with Accept recommendations are required. GUS with Accept/Eligible findings are required.

Manual underwriting is permitted for FHA, VA, USDA and Fannie Mae Conventional loans in the following cases:

- The loan received an Approve/Eligible findings but requires a downgrade **OR** Refer/Eligible or Refer w/Caution findings,
- Subject to the following requirements:
 - Using only Desktop Underwriter (DU) for FHA/VA or Conventional, follow agency guidelines. GUS must be used if USDA loan, follow agency guidelines.

Manual underwriting using Freddie Mac Loan Product Advisor (LPA) is not permitted.

Manufactured homes are permitted for FHA, VA, USDA and Fannie Mae Conventional loans. Follow investor guidelines. Conventional loans must be underwritten by DU as required in Fannie Mae's selling guide. However, the lender may disregard any DU message that the loan casefile is ineligible because the CLTV exceeds 95%. Manual underwrite for conventional manufactured home is **not** permitted under the program. Manual underwrite is allowed for FHA, VA and USDA manufactured homes, follow agency guidelines.

FHA Limited 203K loans will be purchased by Idaho Housing and Finance Association prior to the completion of repairs with the following parameters:

- May only be used for minor remodeling and non-structural repairs.
- The total rehabilitation cost must not exceed \$35,000. There is no minimum rehabilitation cost.
- All improvements to existing structures must comply with HUD's Minimum Property Requirements and meet or exceed local building codes.
- Time frame for completion of repairs not to exceed six months.
- Work completed must be on the 203K Limited Eligible Improvement/Repairs list.
- Follow FHA Handbook 4000.1, 203K Limited guidelines regarding reason, type of improvements, time to complete, quality, and post-closing documentation.
- IHFA must handle all disbursements still owing post-purchase.
- Manufactured homes are not eligible under the program.

LOAN TERM

30 years/360 months, with amortizing payments.

NEW FINANCING

House Key Loans must be new loans. Payment or refinancing of other than the initial acquisition cost of the property and related closing costs as part of the Mortgage Loan or within the Mortgage Loan transaction is prohibited. Payoffs required by the underwriter must take place either outside of escrow or be clearly identified in the closing statement as coming from funds provided by the Borrower for that specific purpose.

TOTAL DEBT TO INCOME RATIO RESTRICTION

In general, the total debt to income ratio cannot exceed 50.00% (no exceptions).

CREDIT SCORE

All borrowers with a credit score must meet the minimum representative credit score of 620. A borrower with no credit score may be acceptable provided that the other occupant borrower(s) meets the minimum credit score requirement, subject to AUS findings and Mortgage Insurance approval.

Use of non-traditional credit is permitted for FHA, VA, USDA and Fannie Mae Conventional loans, if borrower meets agency guidelines.

VERIFICATIONS OF INCOME

Follow AUS requirements.

IRS FORM 4506-T

An IRS Form 4506-T must be signed, completed, and dated at application and closing by all Borrowers.

TAX RETURNS

Federal tax returns for the last three years are required under the program.

TAX TRANSCRIPTS

Follow agency guidelines.

PAYOFF OF INTERIM FINANCING

Program loans may be used to refinance new construction interim financing with a term not exceeding two (2) years. Refinancing an existing loan utilizing Program funds is permitted only under the following conditions:

- The construction loan (interim financing) cannot exceed 24 months.
- The construction financing cannot be contingent upon the Borrower's qualification for a Mortgage Loan, therefore, the Mortgage Lender's construction financing rate is independent. The permanent (take-out) financing will be at the Program rate.
- The Pre-Closing Compliance Review file requires a typed 1003 (unsigned) that reflects the Program rate.

INTEREST RATE

The Commission announces the Mortgage Interest Rate via Program Announcements and the Commission's Web site at <http://www.wshfc.org>. The Interest Rates may vary for each issue and are subject to change.

BUYDOWNS (TEMPORARY)

Temporary buydowns are not permitted under the Program.

FHA FLIPPING

Follow specific investor guidelines (Fannie Mae, FHA, VA or USDA).

HOMEBUYER EDUCATION

All Borrowers to be listed on the Note and Deed of Trust must attend a Homebuyer Education seminar that has been registered through the Commission and meets standards as set in the Homebuyer Education Section of this Program Manual.

ALLOWABLE FEES

Origination and Discount Fees:

The Borrower may pay the total origination and discount fee permitted by the Program as listed on the Website. The loan fee and discount points together cannot exceed the amount shown on our Website except when using conventional mortgages with loan level pricing adjustments or single premium MI programs. The seller is not obligated by Program guidelines to pay any fees typically charged to the Borrower on any other loan program.

Other Allowable Fees:

The fees charged by the lender for loan processing, underwriting, document preparation, etc. may not exceed **\$1,500**. Any fees charged exceeding this amount will need to be refunded to the appropriate party prior to purchase of the loan. Financing costs and other fees allowable by FHA, VA, USDA Rural Development, or Fannie Mae may be charged if such fees are usual and customary settlement costs.

Fees

Idaho Housing and Finance Association will collect the following fees upon loan purchase:

Tax Service Fee \$85.00

Flood Certification Transfer Fee \$10.00

Electronic Upload Fee \$40.00

Program Application fee for downpayment assistance (if applicable) \$40.00

These fees will be netted out upon loan purchase.

NON ALLOWABLE FEES

The following fee is not allowable:

·amortization schedule –available for free. If charged, the Mortgage Lender will be required to provide evidence of a refund for the amount prior to loan purchase.

Furthermore, Mortgage Lenders cannot charge additional lender fees on any down payment assistance program offered through the Commission.

MORTGAGE INSURANCE

All conventional Mortgage Loans with a loan-to-value exceeding 80% must have private mortgage insurance coverage provided a Fannie Mae approved mortgage insurer.

Eligible plans include Monthly MI, Financed MI, Split Premium MI or Single Premium MI. No Lender Paid MI.

The required percentage of MI coverage is determined by the type, term, and LTV of the loan. All loans require standard MI Coverage according to loan type.

Single premium MI programs are acceptable under the House Key Program using the Fannie Mae products listed on page 2.1. The Lender must also verify that the loan meets all of the mortgage insurance companies' underwriting requirements prior to closing. All single premiums must be disclosed on the Closing Disclosure statement and not reflected as an increase to the rate. When using this option, the lender will pay the loan level pricing adjustment to the mortgage insurance company at closing and obtain the Mortgage Insurance Certificate for inclusion in the loan purchase file to be submitted to the Master Loan Servicer.

TITLE INSURANCE

The title policy must follow all guidelines for the underlying FHA, VA, Fannie Mae, HUD, or USDA Rural Development mortgage. The title policy should reference the property address.

FLOOD AND HAZARD INSURANCE POLICIES

A flood determination must be completed prior to each loan closing. Flood insurance is required on all properties in a designated flood zone. If flood insurance is required on a loan, the Mortgagor shall obtain the flood insurance. The Mortgagor's property or portion of the property may be located in a designated flood zone; however, the improvements (physical dwelling/home) may be on an elevated site making flooding unlikely. In such cases, the Mortgagor may request a Letter of Map Amendment (LOMA). If Federal Emergency Management Agency (FEMA) issues the requested LOMA, the Mortgagor may terminate its flood insurance. All Hazard and Flood Insurance policies must follow guidelines in accordance with the underlying first mortgage underwriting guidelines.

A \$10 transfer fee will be required.

HAZARD INSURANCE POLICY

Hazard insurance coverage must equal the lesser of 100% of the insurable value of the improvements as established by the property insurer or the unpaid principal balance of the first and second (if applicable) mortgage loan amount, as long as it equals the minimum amount—80% of the insurable value of the improvements—required to compensate for damage or loss on a replacement cost basis.

The mortgagee clause on all mortgage policies, binders, and certificates of insurance must show:

HomeLoanServ, a division of Idaho Housing and Finance Association ISAOA
PO Box 7899
Boise, ID 83707

Deductibles:

The maximum hazard insurance deductible allowed is 5% of the face amount of the policy. For Flood insurance the maximum allowable deductible is the maximum deductible available from the NFIP (currently \$10,000).

POWER OF ATTORNEY

A Specific Power of Attorney is acceptable for the Borrower and Seller if the Specific Power of Attorney references the property, and authorizes the attorney-in-fact to enter into a real estate transaction and to mortgage the property.

The Power of Attorney must:

- indicate clearly that the mortgagor is appointing an attorney-in-fact;
- precisely identify who is being appointed;
- be signed and dated by the borrower;
- be notarized; and
- be recorded prior to, or concurrent with, the security instrument.

A complete legible copy of the Specific Power of Attorney must accompany the Post Closing Compliance Review Mortgage Loan file.

ESCROW HOLDBACKS/REPAIR ESCROW

Escrow repairs are permitted in accordance with all Commission loan program guidelines.

Escrow will be allowed for outstanding minor repairs for incomplete construction or for alterations and repairs that cannot be completed prior to loan closing provided the subject property is habitable and safe for occupancy at the time of closing.

IHFA has no overlays with respect to the timeframe for completion of repairs for weather related non-critical repairs.

“Approve/Ineligible” findings are permitted for a repair escrow when the cause of the “Ineligible” is due to the escrow holdback: Minimum 620 FICO and maximum 50.00% DTI.

Follow investor guidelines regarding reason, type of improvements, time to complete, quality, disbursements, and post-closing documentation. IHFA will purchase the loans prior to completion of repairs. Loans with outstanding escrow repairs must not impact IHFA’s ability to deliver/sell the loan to Ginnie Mae or Fannie Mae.

The lender or designated escrow company will be responsible for managing and disbursing the escrow funds. The lender shall deliver loans that were originated in accordance with the first mortgage investor guidelines. The lender or designated escrow company will retain the escrow funds until all improvements have been completed.

Lender to provide IHFA confirmation of all work completed and that escrow funds have been released.

INTEREST CREDITS

Follow specific investor guidelines (Fannie Mae, FHA, VA or USDA).

RESERVE/ESCROW ACCOUNTS

All Mortgage Loans must have a reserve/escrow account for the collection of hazard insurance, taxes, mortgage insurance premiums and/or risk-based premiums.

PREPAYMENT PENALTY

Mortgage Loans may be prepaid at any time without a penalty.

ASSUMPTIONS

All first Mortgage Loans originated under the Program may be assumed by a qualified Borrower meeting First-Time Homebuyer requirements and income and Acquisition Cost restrictions in place at the time of the assumption. Such Mortgage Loans must continue to fully comply with Section 143 of the Internal Revenue Code of 1986, as amended and continue to be insured or guaranteed by FHA, VA, or RHS. Please note that conventional fixed rate mortgages are not assumable per Fannie Mae and Freddie Mac guidelines with limited exceptions.

SUBORDINATE FINANCING

All subordinate financing closed in conjunction with a House Key Program Mortgage Loan must meet the underwriting guidelines of the first mortgage type. It is the Mortgage Lender's responsibility to review the Program Description, Note and Deed of Trust for community seconds compliance. The underwriter must show the name of the community second program and verify the program is an approved community second program on the 1008 or HUD 92900-LT.

Maximum CLTV is determined by the first mortgage loan type's underwriting guidelines and is subject to mortgage insurance availability as applicable.

SERVICING

All Mortgage Loans must be sold servicing released to the Master Loan Servicer.

QUALITY CONTROL

The Commission and IHFA from time to time at their sole discretion may request additional documentation from Mortgage Lenders. The Commission will monitor Mortgage Lenders for timely cancellation of reservations, total production levels, length of time to close and deliver eligible Mortgage Loans, participation in Homebuyer Education, level of Borrower complaints, compliance with Program Guidelines and other factors the Commission, at its sole discretion, considers necessary to evaluate effective Program participation.

REPEAT PROGRAM USERS-BORROWERS WHO HAVE PREVIOUSLY BENEFITTED FROM COMMISSION PROGRAMS:

If the Borrower wishes to use Commission programs (Home Advantage, MCC, or House Key) and has an outstanding Home Advantage or House Key loan, the Borrower must pay off the first and second mortgage in full prior to using another Commission program loan.

If the Borrower has an outstanding MCC and wishes to use Home Advantage or House Key, the Borrower is no longer eligible for the MCC credit and must sign a notarized affidavit stating the Borrower understands that the Borrower is no longer eligible for the MCC credit and agrees to no longer claim the MCC credit.

If a Borrower's current or prior home was financed through a Commission program loan and is/was subject to a short sale, foreclosure, bankruptcy or deed in lieu, and the Commission suffered or expects to suffer a loss, the Borrower is not eligible to obtain another Home Advantage, House Key or MCC Commission program loan until the down payment assistance obligation and any unpaid amount, regardless of whether such amount was discharged, is repaid to the Commission, and all other program requirements have been met.