

## 2 – TERMS AND CONDITIONS

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**Home Advantage FHA/VA/USDA loans must be delivered to Lakeview Loan Servicing.**

**Home Advantage Fannie Mae Conventional Loans must be delivered to Idaho Housing and Finance Association.**

**Each Loan must be eligible for a Ginnie Mae or Fannie Mae pool and satisfy the following terms and conditions:**

### ***LOAN TYPES***

Fixed rate FHA 203(b), 234 (c), HUD 184, FHA Limited 203(k), VA, USDA Rural Development, and Conventional loans listed below may be originated under the Program. Qualifying Mortgage Loans must be FHA Insured, or VA or USDA Rural Development and eligible for securitization by Ginnie Mae or Conventional Mortgage Loans eligible for purchase by Fannie Mae.

<b>Fannie Mae Products</b>	<b>Special Feature Code</b>
HFA Preferred	741
Community Land Trust	054
Community Seconds	118
Jumbo Conforming Loans	808

Conventional conforming HFA Preferred loans are eligible up to 97% LTV with 18% MI coverage. For conventional manufactured homes max 95% LTV with 16% MI coverage, and no loan level pricing adjustments.

FHA High Balance Loans or Fannie Mae Jumbo Conforming Loans are allowed in high cost areas. Please call the Commission for pricing **before** reserving funds. Follow agency guidelines for LTV/CLTV. Please see Appendix III for more information on HFA Preferred loans.

Non-Conforming loans are not permitted under the program.

### ***LOAN UNDERWRITING***

#### **Idaho Housing and Finance Association:**

For conventional loans, Fannie Mae Desktop Underwriter (DU) with Approve/Eligible findings or Freddie Mac Loan Product Advisor (LPA) with Accept/Eligible recommendations are allowed.

Manual underwriting is permitted with Fannie Mae Conventional loans in the following cases:

- The loan received an Approve/Eligible findings but requires a downgrade **OR** Refer w/Caution findings,
- Subject to the following requirements:  
Using Desktop Underwriter (DU) only, follow agency guidelines.

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

Manufactured homes are permitted with Fannie Mae Conventional loans. 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%. Per agency guidelines, manual underwriting for conventional manufactured home is not permitted.

### **Lakeview Loan Servicing:**

For government loans, Fannie Mae Desktop Underwriter (DU) with Approve/Eligible or Freddie Mac Loan Prospector (LPA) with Accept recommendation or GUS with Accept/Eligible findings is required. Other customized automated underwriting systems are not permitted.

Manual underwriting is permitted for FHA in the following cases:

- The loan received an 'Approve/Eligible' finding but requires a downgrade due to additional information not considered in the AUS decision that affects the overall insurability or eligibility of the loan, **or** Refer/Eligible findings,
- All downgrades and manual underwrites must meet the following requirements:
  - Minimum 660 FICO for all borrowers who have a FICO score
  - Maximum 43.00% DTI.

VA and USDA loans manual underwriting is not permitted.

FHA manufactured homes are permitted in the following cases:

- Double-wide or larger.
- Minimum 660 FICO.
- Approve/Eligible only.

A copy of the appraisal for the manufactured home must be in the loan Pre-closing Compliance file.

Single-wide, manual underwrite and Leaseholds are not eligible under the program.

USDA Manufactured Homes are permitted in the following cases:

- Loans must meet Lakeview and USDA manufactured home guidelines.
- Purchase only.
- Minimum FICO 660.
- Double-wide or larger.

- Unit must not have had ANY alterations or additions since construction in the factory.
- Leaseholds and Community Land Trusts are not eligible.
  - If New manufactured unit, follow USDA 7 CFR 3550.73 for full program guidelines. Must have AUS Approve/Eligible findings.
  - If Existing manufactured home pilot and in order to qualify as a “pilot” manufactured home the following guidelines apply:
    - Manufactured home must have been constructed on or after January 1, 2006 in conformance with the Federal Manufactured Home Construction and Safety Standards.
    - Manual underwrite required for this program only. Must utilize USDA stacking order checklist for Manual Underwrite and follow all USDA Manual Underwriting guidelines.
    - No Credit exceptions permitted.
    - Debt ratio waivers permitted per USDA guidelines.
    - Unit must have an additional inspection, utilizing either Form HUD 309 **OR** a certification from a licensed professional engineer or registered architect.

A copy of the appraisal for the manufactured home must be in the loan Pre-Closing Compliance file.

FHA Limited 203K loans will be purchased by Lakeview Loan Servicing 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.
- Lenders must handle all disbursements and are responsible for release of escrow and closing out the loans in FHA Connection.
- Manufactured Homes are not eligible under the program.

***LOAN TERM FOR FIRST MORTGAGE***

30 years/360 months, with amortizing payments.

***LOAN TERM FOR SECOND MORTGAGE***

Interest Rate – 0% simple interest, payment deferred

Loan Term – 30 years

Maximum Loan Amount – up to 4% or 5% (conventional loan only) of 1<sup>st</sup> mortgage total gross loan amount, rounded down to the nearest dollar.

Repayment – Due at the time of sale, transfer, refinance, early payoff of the first or 30 years, whichever comes first.

**-OR-**

Borrowers may use other downpayment assistance programs offered at the Commission instead of the Home Advantage Downpayment Assistance Program. Check the manuals on the Website for program availability. Further restrictions apply.

### ***NEW FINANCING***

Home Advantage Loans must be new loans. Payment of costs other than the initial acquisition cost of the property and related closing costs is prohibited. Debt and/or collection payoffs required by the underwriter must take place outside of escrow or be clearly identified in the closing disclosure or settlement statement as coming from funds provided by the Borrower for that specific purpose.

### ***TOTAL DEBT TO INCOME RATIO RESTRICTION***

The total debt to income ratio cannot exceed 50.00% (no exception).

### ***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 an occupant borrower(s) meets the minimum credit score requirement, subject to AUS findings and Mortgage Insurance approval.

For FHA Only: Use of non-traditional credit is permitted:

- 43.00% maximum DTI.
- All borrowers with a credit score must meet minimum 660 FICO.
- Manufactured homes are not permitted.

VA and USDA use of non-traditional credit is not permitted.

Use of non-traditional credit is permitted for Fannie Mae conventional loans, if borrower meets agency guidelines.

## ***TAX LIENS***

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

## ***DOCUMENT VERIFICATION***

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 TRANSCRIPTS***

### **Idaho Housing and Finance Association:**

Follow Fannie Mae guidelines.

### **Lakeview Loan Servicing:**

For FHA and VA, W2/W9 transcripts will not be required for a borrower when all income for that borrower is derived from W-2 wage earner and/or 1099 fixed income sources. (*Specialty Downpayment Assistance programs still require tax returns or tax transcripts*).

Tax transcripts **are** required in the following circumstances:

- When tax returns are used to qualify a borrower. The number of years provided must be based on the DU findings. Income verified via tax returns includes, but is not limited to:
  - Self-employment income
  - Commission Income  $\geq$  25%
  - Rental Income
  - Employment by Family Members
  - Other Income Sources (i.e. Dividend, Interest, Capital Gains, Alimony etc.)
- When a written VOE form 1005 is used as stand-alone income verification.

## ***INTEREST RATE***

The Commission announces the Mortgage Interest Rate for conforming loan amounts on the Commission's Web site at <http://www.wshfc.org>. The Interest Rates may vary and are subject to

daily changes. Conventional loans will have higher interest rates than loans with an FHA, VA, or USDA Rural Development underlying first mortgage.

FHA High balance loans or Fannie Mae Jumbo Conforming loans are subject to different pricing. Please contact the Commission to individually price these loans **before** loan is reserved. Non-conforming loans are not permitted under the program.

### ***BUYDOWNS (TEMPORARY)***

Temporary buydowns are not permitted under the Program.

### ***PROPERTY 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***

The Master Servicers 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 Home Advantage 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 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 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.

### ***FLOOD INSURANCE POLICY***

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 Home Advantage FHA/VA/USDA mortgage policies, binders, and certificates of insurance must show:

Lakeview Loan Servicing, LLC c/o LoanCare, LLC ISAOA/ATIMA  
PO Box 202049  
Florence, SC 29502-2049

The mortgagee clause on all Home Advantage Fannie Mae Conventional 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.

The Master Servicer 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. The Master Servicer will purchase the loans prior to completion of repairs. Loans with outstanding escrow repairs must not impact the Master Servicer’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 the Master Servicer 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 premium.

### ***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 the income requirements in place at the time of the assumption. Such Mortgage Loans must continue to be insured or guaranteed by FHA, VA, or USDA. Please note that conventional fixed rate mortgages are not assumable per Fannie Mae guidelines with limited exception.

### ***SUBORDINATE FINANCING***

All subordinate financing closed in conjunction with a Home Advantage 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 the Master Servicer 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.