


FirstHome Program Guidance for Closers

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FirstHome Loan Process

- 
1. Loan application by Lender
 2. Loan reservation by Lender via Lender Online
 3. Pre-closing MRB Compliance by Lender
 4. Delegated credit & property review by Lender (or contracted/correspondent)



5. Loan closed by Lender & shipped w/in 10 d. to IFA & USBHM
6. Post-closing MRB Compliance by IFA
7. Post-closing mortgage purchase review by USBHM





IFA Homeownership Programs

(very brief overview)

FirstHome Program:

- Mortgage – FirstHome & FirstHome Plus
- FirstHome Plus: \$2500 grant for DP, Clsg costs & prior approved repairs

Military Home Ownership Assistance:

- \$5,000 grant for DP & Closing costs
- Prior approval required

*For program details: www.iowaFinanceAuthority.gov
For Lenders & Realtors*



MRB Forms

**Must be lender certified true copies
(or single page sheet listing
documents with lender
certification thereof)**

- *MRB 02 Notice of Recapture
- *MRB 03A Notice to Buyers of FHA Insured Home
- *MRB 03B Notice to Buyers of Conventional or RD Homes as to Non-Assumable Loan
- *MRB 03C VA Guaranty Applicant's Certificate of Understanding and Consent

- *MRB 05 Affidavit of Purchaser
- *MRB 06 Seller Affidavit and Certification
- *MRB 14A FHA/VA Rider to Mortgage
- *MRB 14B Conventional/RD Rider to Mortgage
- MRB Recapture Disclosure Notice (provided by IFA)

➤ *Lender obtained forms





MRB Closing #1

MRB documents:

- MRB 02, 03, 05, 06 & 14
- correct doc/loan product
- MRB 14 – attached to & recorded w. mortgage
 - 14 A – FHA/VA
 - 14 B – Conventional/LRD;
- Doc's signed by buyer or seller & notarized if applicable; if not by seller or buyer, authority to do so provided.
- notary date same as signature date

Title Guaranty insurance required

- Rapid Certificate – final in weeks!!!!
- Free Home Owner's coverage

Homebuyer Education: Required on all conventional loans

Truth-in-Lending – Assumable:

- FHA/VA – yes
- RD/Conventional – no

Mortgage may not include financing for non-attached personal property* (document value and ensure not included in mortgage)

Sale price (purchase) limits:

Targeted Area = \$289,000 (86 counties)

Non-targeted = \$237,000

Exception to purchase

- Refinance of interim loan of less than 24 months.

Borrowers to occupy within 60 days of closing



MRB Closing #2

HUD I: Reasonable & Customary Transaction Costs

Allowed third party fees include:

- RE broker: commission, buyer & seller administrative/settlement,
- In connection with the loan: credit report, appraisal, appraiser re-inspection, flood certification & monitoring fees, DO/DU/LP to Fannie/Freddie & HBE
- Paid in advance: interim interest, insurances/guaranty premiums,
- Reserves: taxes & insurance/guarantee
- Title charges: Title Guaranty (only), settlement agent, title services (attorney, abstracting)
- Recordation and documentary stamp fees
- Termite, plat survey

Transaction costs to buyer or seller!!

Allowed but not funded by IFA assistance:

- Home Warranty, inspections not required by appraiser, any repairs or work escrows

Allowed lender fees:

- up to \$250 if lender is settlement agent
- Tax Service fee \$80 (if not shown as payable to USBHM)
- Secondary Market Fee if conventional – per reservation (if not shown as payable to investor)

Lender fee income is limited to IFA servicing release premium (>1.75% or \$1,000) and the allowed \$250 closing fee.

Not Allowed:

- No origination, commitment, processing, and underwriting (except LP or DU) fees or discount points





MRB Closing #3

HUD I continued

Tax pro-ration:

- ___ Yes, all tax periods accounted for on HUD I – prior fiscal year (July – June) & current year (July – clsg)
 - ___ If charge to seller & credit to buyer not shown on HUD I, need documentation of pro ration for each
- ___ No: Re-assessment - does non-tax pro-ration seller benefit + sale price exceed IFA SP limits?
 - ___ adjusted SP on MRB 05 & 06 (re-executed documents)

IFA DPA/Closing Cost Assistance:

- Restricted to down payment &/or closing costs not paid by another source (Plus – prior approved repairs)
- Pro rated taxes from seller fund the tax escrow
- Closing costs paid by seller can not be included
- Other grant funds will be deducted
- May not be used for principal reduction
- Non-allowed fees will be deducted (commitment, origination, discount points or other not allowed fees).



“Subsidy” Reimbursement Calculation “one example”

#1. Calculate “gross” down payment	SP (line 101)	54,000
	Loan (line 202)	<u>(55,600)</u>
	<u>Net DP</u>	- 1,600
#2. Cost paid by borrower less contribution from others or non-allowed fees	Cost (line 103)	2,979
	Tax escrow	<u>- 250</u>
	<u>Net Costs</u>	2,729
#3 Add Net DP & Net Costs		
Less not allowed fees:		
\$629 is reimbursable	-1,600 + 2,729 =	\$1,129
	- 500 (cmt fee) =	629





MRB Form Instructions

- Most common error – not lender certified copies
- Second most common error – borrower/seller signature and notary dates not the same date
- MRB 05 (purchaser affidavit)
 - Section 1a., b, &/or c. not completed properly
 - Section 3 – income shown as monthly
- MRB 06 (seller affidavit)
 - No documentation signatory represents seller
- MRB 14A – wrong rider/not attached & recorded w. mortgage
- Borrower gets married & spouse MRB eligibility not documented
- Income not recalculated with new YTD pay stubs



MRB 05 – Affidavit of Purchaser

- Section 1. a. should always be checked unless borrower is exempt from FTHB as a veteran.
- Section 1. b. borrower is a qualifying veteran (checked & completed) & attach DD 214
- Section 1. c. Also checked (& completed) if borrower is a disaster victim
- Section 2. If borrower did not file tax return – initial and written explanation from borrower why did not file tax returns.
- Section 3. Total gross ANNUAL household income
(Non-applicant living in house income must be included!)
- Section 4. Total acquisition cost (purchase price + completion + any benefit to the seller)





FirstHome submitting to IFA

- Lenders submit pre-closing & post-closing packages to IFA via:
 - IFA web, Lender Online (secure lender portal), Edocument:
- Edocument packages:
 - Pre-closing - questions, need IFA opinion)
 - Post-closing - one package includes reimbursement request of Plus, MHOA or REOHome
 - REOHome – final documents needed for reimbursement
 - MHOA – pre-approval request and final documents needed for reimbursement
- Post-closing MRB Compliance Package to IFA
 - Due to IFA (& USBHM) within ten days following closing –
 - subject to repricing

MHOA – Military Home Ownership Assistance



USBHM – Quick Reference

Hazard Insurance loss payee

clause:

U.S. BANK N.A.

its successors and or assigns as their interest may appear.

c/o U.S. Bank Home Mortgage

P.O. Box 7298

Springfield, OH 45501-7298

Deductibles:

- Gov. loans maximum > \$1,000 or 1% face amount
- Conv. Loans: Maximum deductible 5% dwelling coverage (applies to all perils)

Borrower Payment Address

U.S. Bank Home Mortgage

P.O. Box 468002

Bedford, OH 44146-8002

- (800) 240-7890
- www.usbankhomemortgage.com

Note endorsed/Assignments to: U.S. Bank N.A

- MERS lender use MERS ID#1000212





Post Closing Documentation to master servicer

Within ten days of closing original loan file:

Deliver to: U S Bank Home Mortgage / Operations Department
17500 Rockside Road
Bedford, Ohio 44146-2099

Within 120 days - Follow-up documentation (Recorded Mortgages,
Assignments, Riders, Title Guaranty Certificate, MIC, LGC, LNG)

Deliver to: U S Bank Home Mortgage / Document Control Department
17500 Rockside Road
Bedford, Ohio 44146-2099



FirstHome Recapture

- FirstHome - federally subsidized by tax exempt bond financing
- Work with their tax preparer (IRS form 8828)

May be subject to a “recapture tax” **IF**

- | | | |
|--|-------|----|
| – Sold home within first 9 years; | • Yes | No |
| – Incomes >5%/year above the guidelines in effect when the FirstHome mortgage closed; AND | • Yes | No |
| – Have gain on the sale of the house. | • Yes | No |

Need 3 “Yes’s” for Recapture to apply!!!!!!





FirstHome Recapture

- “maximum recapture” is lesser of
 - (A) adjusted 6.25% schedule
 - or (B) 50% gain on Sale
 - Mortgage X 0.0625 X year adjustment X income % (adj. personal income/ adj. income cap) = (A)
 - Sale price – original purchase price – improvements + sale costs = gain on sale X 0.50 = (B)
- 6.25 adjustment schedule:**
- 1st year: 20%
 - 2nd year: 40%
 - 3rd year: 60%
 - 4th year: 80%
 - 5th year: 100%
 - 6th year: 80%
 - 7th year: 60%
 - 8th year: 40%
 - 9th year: 20%
 - 10th year: - -0-



MRB Compliance Pre-closing Request



IFA Loan #: _____ Contact: _____
 Mortgagor: _____ Email: _____
 Lender: _____ Phone: _____

Pre-closing MRB compliance review by IFA is optional. Delegated MRB compliance review by Lenders is strongly encouraged. IFA will review only the compliance item(s) which the Lender needs assistance or is “marginally close” to MRB guidelines. Please allow 5 business days for IFA response.
 Post-closing MRB Compliance by IFA is required even with Pre-closing Reviews. Please submit (resubmit) all documentation with post-closing review packet even if previously submitted.

Indicate which “Compliance” item(s), Lender would like IFA to review and submit applicable documents to make the determination. Document list provided are suggested documents but additional documentation should be included if needed.

Three Year Requirement: Home buyer has not had real estate ownership interest in principal residence for last 3 years (to date of closing). First-time home buyer requirement is not applicable for Targeted Areas or eligible Veterans (honorable discharge not more than 25 yrs. and previously not used MRB program.) (Preliminary 1003, Tax Returns, VOR, Credit Report, model home title, divorce decrees, Veteran’s papers, other??)

Lender question: _____

Sale Price (total cost): \$289,000 Targeted or \$237,000 Non-Targeted Areas. New construction don’t include land if owned more than two years. Family sweat equity exempted for completion. Cost to make home complete and habitable to be included. Non-tax proration or other incentive to seller including excess funds to purchase personal property must be included in sale price calculation. (Preliminary 1003, purchase agreement & attachments, appraisal, cost proposals, copy of original deed, other??)

Lender question: _____

Household Income: Check against Targeted/Non-Targeted area lists. All income – annualized projection. (Preliminary 1003, VOE, pay stubs, tax returns, W2’s, 1099’s, profit & loss, divorce decrees & stipulations, other??)

Lender question: _____

Other. Lender question: _____

**MRB
Compliance
Pre-closing
Request**

**3 YR
Requirement**

Purchase

Income

Other



Post-Closing Document Transmittal



IFA Loan #: _____ Lender Contact: _____
Mortgagor: _____ Email: _____
Lender: _____ Phone: _____

Post-closing MRB Compliance Transmittal

1. Upload scanned documents to IFA via Lender Online Edocuments w/in 10 days following closing.
2. Using USBHM Transmittal, submit original loan documents to USBHM w/in 10 days of closing.

- MRB 02 Notice of Recapiture: Lender certified copy
MRB 03A (FHA); 03B (RD/Conv.) or 03C (VA): Notice to Homebuyer/Certificate of Understanding: Lender certified copy
MRB 05 Affidavit of Purchaser: (section 1. (a) or (b) should always be "X" Lender certified copy
MRB 06 Seller's Affidavit and Certification: Lender certified copy
Pay stubs - all borrowers with jobs: w.YTD pay, within 60 days of closing
Non-applicant occupant 18 years of age: provide income documentation & include in household income
Federal Tax Returns with all attachments (1040; 1040A; 1040EZ; IRS letter filed A or EZ; or IRS Transcript)
Recorded divorce decree, separation papers, etc.
MHOA - additional documentation: Agreement & Certification, Recorded Warranty Deed, Certificate of Occupancy/Occupancy Permit, Title Guaranty Certificate
REOHome - additional documentation: Certified true copy of Deed Restriction sent for recordation



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