

CHAPTER 1

BECOMING A LENDER

Section 1.1 Application Agreement Package

From time to time the Housing Development Fund will solicit applications from persons who desire to become a qualified participating lender. This will be done by providing prospective applicants with an application agreement package containing the following forms and request for information:

1. Application to Participate (Form ALS-1 or Form ALS-C-1 for Correspondent Lenders).
2. Certificate of Resolution (Form ALS-2 or Form ALS-C-2 for Correspondent Lenders).
3. Counsel's Opinion (Form ALS-3 or Form ALS-C-3 for Correspondent Lenders).
4. List of Authorized Signatories (Form ALS-4 or Form ALS-C-4 for Correspondent Lenders).
5. Program Loan Purchase Agreement (Form AL-5).
6. Executed list of Authorized Signatories to assign file to the Housing Development Fund (ALS-C-5 for Correspondent Lenders).
7. A complete listing of any and all suspensions, sanctions, debarments, probationary status, or any other action imposed by any federal, state, or local authority.

The above package is available upon request and should be completed and returned to the Housing Development Fund's Single Family Program Department, along with two years current financial statements, a copy of the lender's West Virginia business license and, if required, a copy of the lender's license or letter of exemption from the State Division of Banking and any fees that may be required by the Housing Development Fund. The Housing Development Fund will notify applicants of their acceptance, rejection, or status within 30 days from the receipt of the package. In the event of acceptance, the Housing Development Fund will execute and return one copy of the Program Loan Purchase Agreement (Form AL-5 or ALS-C-5). The Program Loan Purchase Agreement establishes the principal legal obligations of the Housing Development Fund and/or participants in the program.

The Housing Development Fund, however, is under no obligation, legal or otherwise, to do business with any entity in regard to any Housing Development Fund program. The Housing Development Fund reserves the right in its sole discretion to select and or terminate its program participants.

FOR THOSE INTERESTED IN BECOMING A CORRESPONDENT LENDER REFER TO CHAPTER 15 FOR ELIGIBILITY AND RESPONSIBILITY REQUIREMENTS.

Section 1.2 Participating Lender Eligibility Requirements

To be approved as a Housing Development Fund lender, the lender must meet and maintain the following qualifications:

- Submit, and be approved, under the Application Agreement Package in Section 1.1.
- Be approved as an originator by a private mortgage insurer acceptable to the Housing Development Fund, or approved by Federal Housing Administration (FHA), Veterans Administration (VA) or Rural Development (RD).
- Be knowledgeable of Fannie Mae's current Selling Guide regarding mortgage eligibility, underwriting, and appraisal and property guidelines. These guidelines are available at <http://www.allregs.com/efnma/>.
- Maintain an office within West Virginia that generally complies with the following requirements:
 - A minimum of 250 square feet in size.
 - Outdoor sign bearing company name.
 - Accessible to the general public, including individuals with a disability. Generally, lenders must provide services or accommodations that are equal to those provided to others. This includes measures to remove barriers that prevent the disabled from receiving the same level of service as others.
 - A West Virginia mailing address.
 - At least one full time employee assigned to the office.
 - A minimum of 15 posted hours per week during normal business hours, during which time the office will be open and manned. If the hours are less than the normal 40-hour week, a handout must be given to the applicant at the time the application is taken. This handout must state the posted hours and a telephone number where the lender can be reached during the business hours that are not covered by the posted hours in the West Virginia office.
 - A West Virginia telephone number.
 - Computer hardware and software compatible to the Housing Development Fund (to be implemented at a later date).
 - An answering machine or voice mail.
 - Have internet access to obtain rate sheet and details about the Housing Development Fund's programs as well as make loan reservations.

- Underwriters and closing employees must attend training sessions provided by the Housing Development Fund.
- Must have full-time staff experienced in single-family mortgage loan origination, processing, underwriting, closing and post-closing.
- Meet all federal, state, and local laws and regulations.
- Provide bonds in the name of the Housing Development Fund if required.

Section 1.3 Maintaining Lender Approval

After initial approval, participating lenders will be required to meet the following requirements to maintain their status as an approved lender:

- Provide complete annual financial statements within 90 days of the lender's fiscal year end.
- Provide copies of annual license renewals required in the Application Agreement Package (Chapter 1, Section 1.1).
- Provide written notice to the Housing Development Fund of any major organizational changes, including but not limited to:
 - Resignation or replacement of senior management personnel.
 - Resignation or replacement of designated Housing Development Fund delegated staff.
 - Mergers, acquisitions or corporate name change.
 - Any reorganization, which centralizes or decentralizes a primary function (i.e., underwriting, closing or post-closing).
 - Opening or closing of offices originating Housing Development Fund loans (include address, phone number, fax number and branch manager's name).
- Advise the Housing Development Fund immediately of any suspensions, sanctions, debarments, probationary status, or any other action imposed by any federal, state or local authority. The Housing Development Fund will notify any federal, state or local authority of any similar action taken by it.
- Maintain compliance with the Housing Development Fund's policies, procedures, rules and regulations as stated in this guide and subsequent notifications. Comply with terms and conditions contained in the Program Loan Purchase Agreement.

Section 1.4 Approved Lender Options and Responsibilities

Lenders will be approved based on the option in which the Housing Development Fund feels they have the expertise and capacity to complete the required functions along with repurchase ability. The lender is responsible for originating, processing, and underwriting when the lender is approved as a delegated lender, closing and post-closing all Housing Development Fund loans in accordance with the guidelines and procedures covered in this guide, the appropriate insurer requirements, and all regulatory requirements of the following: RESPA, Regulation X, ECOA, Regulation B, FCRA, TILA, Regulation Z, Fair Housing Act, Homeowners Protection Act of 1998 and Flood Act and any other applicable federal and state laws and regulations.

Section 1.5 Participating Lender Duties

A participating lender has the following general responsibilities:

- Loans must be made only to eligible borrowers, with all borrowers required to take title to the property.
- Loans must be made only to finance eligible dwellings.
- Loans must be secured by a valid first lien on the eligible dwelling, or second lien for the Home Ownership Assistance Program.
- Loans must be subject to adequate insurance coverage as set out in this procedural guide and the Fannie Mae's Seller's Guide.
- Loans must satisfy required loan conditions.
- Proper loan closing procedures must be utilized.
- Loans must otherwise be an eligible loan in accordance with the Procedural Guide, the Fannie Mae's Seller's Guide, and the requirements of FHA, VA, and RD programs, as applicable.
- On Qualified Mortgage Bond (QMB) and Qualified Mortgage Bond Plus (QMB Plus) loans, assure compliance with all requirements of Appendices B-1 and B-2 and regulatory compliance as outlined in Chapters 4 and 5 of this guide.
- Loans must comply with all federal, state, and local laws, rules and regulations applicable to mortgage transactions, including, but not limited to, truth-in-lending laws, licensing laws, Homeowners Protection Act of 1998, Reg B and usury laws.

Section 1.6 Lender Representations

The participating lender represents and warrants to the Housing Development Fund the following:

- The lender will at all times maintain adequate capital and personnel for the proper transaction of its business and the performance of its obligations in connection with this procedural guide.
- The lender is not under any cease and desist order or other order of a similar nature, temporary or permanent, of any federal, state, or local authority, nor are any proceedings pending, or to its knowledge contemplated, which would, if successful, lead to the issuance of such order.
- The lender will have all consents, licenses and approvals required for making of loans in accordance with this guide.

Section 1.7 Loan Warranties

The participating lender represents and warrants every loan purchased by the Housing Development Fund pursuant to this guide as follows:

- The loan will be made to an eligible borrower to finance an eligible dwelling, secured by a valid first lien, all in accordance with the Program Standards and this guide.
- The lender has no knowledge of any material misstatement or omission in the documents and information provided by or on behalf of the borrower or the lender in connection with the loan.
- That all hazard, title, and mortgage insurance policies will be obtained pursuant to the guide or within the normal processing time after closing.
- The lender will not advance funds (directly or indirectly induced or solicited any advance of funds by another person) for the payment of principal, interest, or escrow payments required to be made pursuant to the loan.
- All documents required to be recorded or filed in a public office to perfect the lien securing the loan will be duly and timely filed or recorded by the lender in the proper public office to give constructive notice thereof to all subsequent purchasers or encumbrances.
- The loan is not subject to any existing security interest, assignment, or pledge. The lender has good title thereof and full right and authority to assign and transfer the same and to endorse and deliver all required documents, free and clear of encumbrances.
- On the delivery date, the lender will meet all eligibility requirements provided in this guide.
- No payment required by the loan is delinquent, no event of default is continuing, and no event has occurred and is continuing which would with the passage of time or giving of notice thereof constitute an event of default.
- If the loan is a Qualified Mortgage Bond (QMB) loan, it complies with each and every requirement of the Internal Revenue Code, and the regulations issued pursuant thereof.

Section 1.8 Participating Lender's Compensation/Premiums

Unless otherwise stated in specific program guidelines, the participating lender may not charge or collect any fees or discount points, in excess of those stated herein. The participating lender may collect fees for reimbursement of costs incurred, such as credit reports, appraisals, or flood certification fees as applicable.

Qualified Mortgage Bond (QMB) and Qualified Mortgage Bond Plus (QMB Plus) Program

- Origination Fee – The participating lender will be compensated an origination premium on QMB and QMB Plus Program loans up to 1.5% of the loan amount upon closing/funding. The program summary in effect at the time of loan lock-in, will indicate the amount paid by the loan applicant and/or the Housing Development Fund. This amount is also available on the rate sheet from the day the loan was locked in with the Housing Development Fund. The participating lender cannot cut or refund this amount to the borrower.
- Service Release Fee – All servicing rights must be sold and transferred to the Housing Development Fund. A service release premium will be paid to the participating lender on QMB and QMB Plus loans. The service release premium will be reflected on the program summary, effective the date of loan lock-in, as well as the rate sheet. Service release fees are paid to the participating lender when all post-closing documents are received and accepted. The participating lender cannot cut or refund this amount to the borrower.
- “Other” allowable fees - On QMB and QMB Plus loans a participating lender may collect from the borrower up to \$350.00 for other reasonable customary charges made by the participating lender under its general residential mortgage lending policy including, without limitation, fees associated with the processing, underwriting and closing of the loan as permissible by the insuring and/or licensing agency.
- Annual Bonus – See Chapter 12, Section 12.8 for details on the payment of a bonus.

Secondary Market

- Yield Spread Premium – On Secondary Market loans the rate lock and price will indicate the amount that will be paid by the Housing Development Fund. The Housing Development Fund's daily rate sheet will establish the yield spread premium, which is all-inclusive.
- Service Release Fee – All servicing rights must be sold and transferred to the Housing Development Fund. The service release fee is included in the yield spread premium.

- On Secondary Market loans “other” allowable fees are not capped by the Housing Development Fund, but must comply with any applicable state or federal regulations/laws.

Section 1.9 Participating Lender Underwriting Fees

The fees associated with loans underwritten by the Housing Development Fund are:

- On QMB and QMB Plus loans, an underwriting fee of \$125.00 will be imposed and deducted from the lender’s Service Release Fee.
- On Secondary Market loans, an underwriting fee of \$50.00 will be imposed. This fee will be deducted from the lender's proceeds at time of loan funding.

Section 1.10 Participating Lender Non-Compliance Remedies

Non-compliance with Housing Development Funds policies, procedures, program guidelines or rules and regulations may result in the following remedies: imposition of fees or penalties, the required repurchase of specified loans, suspension from any activity as a participating lender (including new reservations) or termination of program participation. The following outlines the fee structure:

- Late Delivery Fees – The Housing Development Fund may impose penalties for failure by the participating lender to submit required loan documents within the required time period.
 - Closed loan packages, including the complete credit package, must be submitted to the Housing Development Fund within 10 business days of the loan closing on QMB, QMB Plus and Secondary Market loans. Loan packages not received within this time frame may be subject to a late fee based on the following schedule:
 - 11th business day to 30th calendar day: 1/8% of loan balance
 - 31 days to 60 calendar days: 1/4% of loan balance
 - **Loans beyond 61 days are subject to repurchase by the participating lender. If an extenuating circumstance exists the lender should contact the Housing Development Fund to discuss other arrangements.**
 - On Secondary Market loans delivered 11 days past the note or closing date, the loan is subject to repricing. Repricing will be determined by the lowest of lock-in price or price in effect the day of delivery of the loan to the Housing Development Fund.
- Repurchase of Loans – a repurchase request for any loan will be for an amount equal to the unpaid principal balance of the mortgage loan, plus accrued interest and costs incurred by the Housing Development Fund, delivery fees and any service release premium paid to the participating lender for the loan along with

any amount of the Home Ownership Assistance loan which also may have been provided to the borrower. Repurchase may be required, but not limited to, the following:

- Non-compliance with QMB or QMB Plus requirements.
 - Non-compliance with required documentation.
 - Failure to comply with federal or state regulations.
 - Misrepresentation or misstatement.
 - Incorrect documents.
 - Failure to provide all loan documents within required time frames.
 - Non-compliance or breach of the purchase agreement with the Housing Development Fund.
- Late deferred document fees for QMB, QMB Plus and Secondary Market loans are as follows and will be deducted from future payment of fees:
- File completed within 0-90 calendar days 0
 - File completed within 91-120 calendar days 1/4% of loan balance
 - File completed within 121-150 calendar days 1/2% of loan balance
 - File completed within 151-180 calendar days 5/8% of loan balance
 - File completed over 180 calendar days subject to repurchase
 - For loans more than 180 days past closing, the lender will be requested to repurchase the loan. Repurchase requests will be mailed to the lender within 30 days of the loan reaching 180 days past closing. Under extenuating circumstances, an extension may be granted to the lender at the discretion of the Housing Development Fund. There will be an extension fee due and payable by the lender at the time the extension is granted that will be equal to 25 basis points of the original loan amount. This extension will be for a period of 90 days, after which the loan will be required to be repurchased, if not complete.
- Quality Control Fees
- Any Quality Control finding that requires restitution to a borrower that has not been resolved within a two week period of notification will be deducted from premiums due the lender and credited to the borrower's account as a principal reduction.
- Collection of Fees
- Any fees due the Housing Development Fund from the participating lender will be deducted from the weekly payment of service release premiums. In instances that fees exceed the premiums being paid to the lender, an invoice will be generated for the remaining portion. Prompt payment of the invoice is expected. Failure to pay the invoice will result in future premiums being reduced to cover outstanding invoices.