



West Virginia Housing  
Development Fund

# **SINGLE FAMILY PROGRAM PROCEDURAL GUIDE**

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# INTRODUCTION TO THE WEST VIRGINIA HOUSING DEVELOPMENT FUND

The West Virginia Housing Development Fund (the “Fund”) is a public body corporate and governmental instrumentality of the State of West Virginia created pursuant to Chapter 31, Article 18 of the West Virginia Code to provide safe, decent, and affordable residential housing for West Virginians. The Fund offers a variety of loan programs to meet the needs of low to moderate income homebuyers, including: (1) Homeownership Program; (2) Movin’ Up Program; (3) Down Payment and Closing Cost Assistance; and (4) Secondary Market Program. These loans are originated primarily through the Fund’s lending partners.

This guide is designed to provide our lending partners with the information needed to facilitate the origination, processing, underwriting, closing and delivery of our loans. **The Fund reserves the right to amend this procedural guide from time to time as necessary and will provide notification of any modification to all lenders.** Amendments to this procedural guide will be made by means of program bulletins, lender memos and by the update of our website-maintained guide.

This guide will be used in conjunction with the guides and announcements from Fannie Mae, the Federal Housing Administration (FHA), the Veterans Administration (VA), and the United States Department of Agriculture Rural Development (RD) where appropriate.

## **CONTACTS AND PHONE NUMBERS**

The Fund’s Website: [www.wvhdf.com](http://www.wvhdf.com)

Fannie Mae Selling Guide: [www.efanniemae.com](http://www.efanniemae.com)

Single Family Phone Numbers: 304-391-8600 or Toll Free 1-800-933-9843

<b>Name</b>	<b>Area</b>	<b>Phone</b>
Jon Rogers	Senior Division Manager – Single Family Lending	304-391-8743
Patti Shamblin	Division Manager – Single Family Lending	304-391-8729
Kay Bowe	Underwriting Manager	304-391-8734
Julie Diehl	Funding and Deferred Documents	304-391-8610
Bob McCarty	Initial Lock-in Reservation	304-391-8726
Justin Hylbert	Lender Support and Business Development	304-391-8677
Loan Servicing	Customer Service	800-933-1272

## **FAX NUMBERS**

Third-Party Originator	304-391-8765
Payoff Requests/Loan Servicing	304-391-8750

## CHAPTER 1

### LENDER APPLICATION APPROVAL PROCESS

West Virginia Housing Development Fund (“WVHDF” or “Fund”) program loans are originated, processed, and closed by a network of approved participating lending institutions (“Participating Lenders”). The loans and servicing rights are then purchased by the Fund following settlement. The Fund may also receive program loan applications through assignment from a network of approved third-party originators (Third-Party Originators (TPOs)) that perform certain loan origination services for loans closed by the Fund. This Chapter covers the eligibility requirements and general duties for Participating and Third-Party Originators.

#### **LENDER APPLICATION AND APPROVAL PROCESS**

The Participating and Third-Party Originator application packages are available by contacting Justin Hylbert at [jhylbert@wvhdf.com](mailto:jhylbert@wvhdf.com) or 304-391-8677. Prospective lenders must meet eligibility requirements set forth below and submit the appropriate application package along with all required documentation via email to Justin Hylbert at the address above or mail to WVHDF Attn: Justin Hylbert 5710 MacCorkle Avenue, SE, Charleston, WV 25304. The Fund will notify lenders of their acceptance, rejection, or status within 30 days from receipt of the package. After review and approval, the Fund will execute and return one copy of the Loan Purchase Agreement or Third-Party Originator Agreement. These Agreements establish the principal legal obligations of the Fund and/or participants in the program.

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

### PARTICIPATING LENDER

#### **ELIGIBILITY REQUIREMENTS**

To be eligible as a Participating Lender, the prospective lender must satisfactorily complete the Lender Application, provide all items requested with it and meet the following qualifications:

- Authorization to do Business. Be a properly licensed and legally organized bank or savings and loan whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC), or a credit union with deposits insured by the National Credit Union Administration (NCUA); or a currently licensed West Virginia Residential Mortgage Lender.
- Insurance Requirements. Have and maintain a fidelity bond and mortgage errors and omissions coverage.

- Insurer Approvals. Be approved as an originator by a private mortgage insurer acceptable to Fannie Mae or be an FHA, VA or RD approved mortgagee.
- Mortgage Loan Originators. Mortgage Loan Originators must be licensed or registered as required by federal and/or state law.
- Experienced Staff. Must have full-time staff with demonstrated ability and experience in single-family mortgage loan origination, processing, underwriting (if applicable), closing and post-closing.
- Quality Control Plan. Provide a copy of company's quality control plan that meets all insurer/guarantor/investor requirements as they apply to loans originated.
- Performance Record. Must have a record of satisfactory performance with other mortgage lenders or insurers which can be demonstrated by the submission of three letters of recommendation (or agency approval).
- Hiring Procedures. Provide a copy of company's hiring procedures for checking all employees, including management, involved with the origination loans against the GSA Exclusionary List and HUD LDP List.
- Required Training. Originators, Processors, Underwriters (if applicable) and closing employees must attend required training sessions provided by the Fund.
- Other Qualifications. Must meet such other qualifications as the Executive Director shall deem to be related to the performance of its duties and responsibilities.
- Required Loan Purchase Agreement. Execute the Fund's Loan Purchase Agreement.

### **DELEGATED UNDERWRITING APPROVAL**

To be approved to participate as a Delegated Underwriter, the Participating Lender must meet the following requirements:

- **Experience:** Participating Lender must have experience in the Fund's programs with a minimum of 12 loans satisfactorily delivered in the preceding calendar year.
- **Qualified Designated Staff.** Participating lenders who are interested in attaining delegated underwriting status must submit a letter of request signed by an officer of the company that includes the name(s) of qualified designated staff to underwrite Fund program loans and an acknowledgement that the lender accepts responsibility for the underwriting decisions. A resume for designated staff must be submitted along with the letter of request.
- **Required Training.** Lender training must be completed by designated staff.
- **Test Cases.** A specified number of satisfactory test cases must be submitted prior to loan closing for review by the Fund's Underwriting Manager. The number of files will be set on a case by case basis.
- **Withdrawal of Delegated Status.** Low submission of loans, inactivity or consistent Quality Control or compliance violations may result in withdrawal of delegated underwriting status.

## **MAINTAINING APPROVAL**

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

- Insurance Requirements. Maintain required fidelity bond and errors and omissions insurance. When requested, the Participating Lender will provide the Fund with a certificate from the insurance provider confirming that the fidelity bond and mortgage errors and omissions insurance is still in effect.
- Quality Control Plan. Provide annual certification that Quality Control Plan meets applicable insurer, agency and/or investor guidelines.
- Organizational Changes. Provide written notice to the Fund of any major organizational changes, including but not limited to:
  - Resignation or replacement of senior management personnel.
  - Resignation or replacement of the Participating Lender's designated delegated underwriting staff for Fund loans.
  - 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 the Fund's loans
- Contact Information. The lender must advise the Fund, in writing, of any changes to their primary business contact information including main mailing address, phone/fax numbers, email addresses and ACH account information within five (5) business days of the event.
- Satisfactory Rating/Good Standing. Maintain a satisfactory rating by or good standing with applicable regulatory agency or agencies and applicable governmental mortgage insurers or guarantors. Advise the Fund immediately of any suspensions, sanctions, debarments, probationary status, or any other action imposed by any federal, state or local authority.
- Appraisal Management Companies. Lender must inform the Fund of any change in the Appraisal Management Companies (AMCs) it utilizes during the course of its business with the Fund. This notice, which must include contact information for the AMC, must be sent to Fund management no less than 30 days prior to the addition or deletion of any AMC.
- Delegated Underwriting. To maintain delegated authority, the approved underwriter(s) must attend all refresher courses held by the Fund and maintain a satisfactory record of performance. Files will be routinely reviewed for compliance to underwriting guidelines and regulatory requirements.
- Compliance with Fund Requirements. Maintain compliance with applicable state and federal laws, rules and regulations and the requirements of this Procedural Guide and the Loan Purchase Agreement including any subsequent amendments thereto.

## **RESPONSIBILITIES**

Approved Participating Lenders are generally responsible for originating, processing, closing, post-closing and delivering all loans in accordance with this Procedural Guide and any other

applicable guidelines referenced herein. Participating lenders with delegated underwriting authority are also responsible for underwriting.

To participate in the Fund's loan programs, Participating Lenders must comply with the certifications, representations, warranties and requirements contained in the Loan Purchase Agreement, which is incorporated herein by reference, and this Procedural Guide and any subsequent amendments thereto. The Fund may immediately terminate a lender's participation in the Fund's loan programs if the lender fails to observe or perform any covenant, obligation or agreement in the Loan Purchase Agreement or this Procedural Guide.

### **COMPENSATION, PREMIUMS AND FEES**

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.

A \$100 Administration fee payable to West Virginia Housing Development Fund is required on all loans. This fee will be net funded at purchase of the loan.

### **Homeownership and Movin' Up Programs**

- Origination Fee – The Participating Lender will be compensated an origination premium on Homeownership and Movin' Up Program loans up to 1.85% of the first loan amount with a minimum of \$1,500 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 Fund. This amount is also available on the rate sheet from the day the loan was locked in with the Fund. The Participating Lender cannot reduce or refund this amount to the borrower without written consent from the Fund.
- Service Release Fee – All servicing rights must be sold and transferred to the Fund. A service release premium will be paid to the Participating Lender on Homeownership and the Movin' Up 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 reduce or refund this amount to the borrower.
- "Other" allowable fees - Participating Lender may collect from the borrower up to \$650.00 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.
- A \$100 Administration fee payable to West Virginia Housing Development Fund is required on all first deed of trust loans. This fee will be net funded at purchase of the loan.

Compensation and fees may be changed or eliminated at the discretion of the Fund.

## Secondary Market

- Pricing – On Secondary Market loans, the rate lock and price will indicate the amount that will be paid by the Fund. The Fund’s daily rate sheet will establish the pricing, which is all-inclusive.
- Service Release Fee – All servicing rights must be sold and transferred to the Fund. **The service release fee is included in the price.**
- “Other” allowable fees - On Secondary Market loans “other” allowable fees are not capped by the Fund but must comply with any applicable state or federal laws/regulations.

## NON-COMPLIANCE AND REMEDIES

Non-compliance with the representations, warranties and requirements contained the Loan Purchase Agreement and this Procedural Guide and any other applicable guidelines referenced therein 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 delegated underwriting authority) or termination of program participation.

- Late Delivery Fees – The 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 Fund within 10 calendar days of the loan closing on Homeownership, Movin’ Up and Secondary Market loans. Loan packages not received within this time frame may be subject to a late fee.
  - 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 Fund.
- Late deferred document fees for Homeownership and Movin’ Up 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	.25% of loan balance
○ File completed within 121-150 calendar days	.50% of loan balance
○ File completed within 151-180 calendar days	.625% of loan balance
○ File completed over 180 calendar days	.65% of loan balance
- For loans more than 180 days past date of initial review, the lender may be requested to repurchase the loan. Repurchase requests will be mailed to the lender within 30 days of the loan reaching 180 days past the date of initial review. Under extenuating circumstances, an extension may be granted to the lender at the discretion of the Fund and a fee may be imposed.
- 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 Fund, delivery fees and any service release premium paid to the Participating Lender for the loan along with any amount of the Down Payment and Closing Cost Assistance loan which also may have been provided to the borrower. The following may result in repurchase:

- Non-compliance with applicable Program requirements.
- Non-compliance with documentation requirements.
- Failure to comply with federal or state laws, rules or regulations.
- Misrepresentation or misstatement.
- Incorrect documents.
- Failure to deliver good title.
- Failure to provide all loan documents within required time frames.
- Non-compliance or breach of the purchase agreement with the Fund.
- Any loan which, within the first four payments of principal and interest due under the Note, the loan becomes two months or more in arrears as to principal and interest, or otherwise in default which, after any required notice and any cure period or regulatory waiting period, would give the Fund the right to foreclose.

The grounds for and terms of repurchase are more fully set forth in the Loan Purchase Agreement.

## **THIRD-PARTY ORIGINATOR**

**Third-Party Originator Eligibility Requirements** - To be eligible as a Third-Party Originator, the company must meet the following qualifications:

- **Authorization to Do Business.** Be a properly licensed and legally organized bank or savings and loan whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC), or a credit union with deposits insured by the National Credit Union Administration (NCUA); or a currently licensed West Virginia Residential Mortgage Lender or Broker.
- **Mortgage Loan Originators.** Originators must be licensed or registered as required by federal and/or state law.
- **Experienced Staff.** Staff must demonstrate ability and experience in single-family mortgage loan origination and be knowledgeable of the Fund's program eligibility requirements and all applicable federal and state laws, rules and regulations.
- **Required Training.** Originators must attend required training sessions provided by the Fund.
- **Other Qualifications.** Meet such other qualifications as the Executive Director shall deem to be related to the performance of its duties and responsibilities.
- **Required Third-Party Originator Agreement.** Execute the Fund's Third-Party Originator Agreement.

## **GENERAL DUTIES**

- Ensure compliance with all applicable state and federal laws, rules and regulations and the requirements set forth in this Procedural Guide and in the Third-Party Originator Agreement, which is incorporated herein by reference.
- Ensure adequate staff both in terms of numbers and experience/knowledge to fulfill duties under Third-Party Originator Agreement.
- Protect the Fund against fraud, misrepresentation or negligence by any parties involved in the origination process.
- Communicate with each borrower all the requirements of the applicable home loan program(s), the status of the mortgage loan application and answer questions pertaining to the Fund's programs.
- Perform the requisite services as set forth in the Third-Party Originator Agreement and in accordance with the requirements of this Procedural Guide, applicable insurer/guarantor requirements and applicable federal and state laws, rules and regulations pertaining to mortgage transactions.

## **MAINTAINING APPROVAL**

After initial approval, Third-Party Originators will be required to meet the following requirements to maintain their status as an approved lender:

- Organizational Changes. Provide written notice to the Fund of any major organizational changes, including but not limited to:
  - Resignation or replacement of senior management personnel.
  - Mergers, acquisitions or corporate name change.
  - Any reorganization, which centralizes or decentralizes a primary function.
  - Opening or closing of offices originating the Fund's loans (include address, phone number, fax number and branch manager's name).
- Satisfactory Rating/Good Standing. Maintain satisfactory rating by or good standing with applicable regulatory agency or agencies. Advise the Fund immediately of any suspensions, sanctions, debarments, probationary status, or any other action imposed by any federal, state or local authority.
- Compliance with Fund Requirements. Maintain compliance with applicable state and federal laws, rules and regulations, the requirements of this Procedural Guide and the terms and conditions set forth in the Third-Party Originator Agreement and any subsequent amendments thereto.

## **REQUISITE SERVICES AND PAYMENT**

For each closed loan that the Third-Party Originator performs the requisite services described below and timely submits the application to the Fund, the Fund will pay the Third-Party Originator the amount of \$575.00. This amount may be changed at the discretion of the Fund.

A. Services - to become eligible to receive payment, the Third-Party Originator must perform at least six (6) of the following services:

1. Obtain information from the borrower and deliver a complete FNMA 1003 application to the Fund, including all liability account numbers, signatures of all borrowers and the loan originator, the originator NMLS/NMLRS number and the originating company NMLS number (This service is required);
2. Analyze prospective borrower qualifications and determine eligibility for Fund programs;
3. Educate the prospective borrower in the home buying and financing process by advising the borrower about the types of loans available and explaining how closing costs and monthly payments could vary under various loan types;
4. Collect financial information (pay stubs, W2s, tax returns, bank statements) and other related documents that are part of the application process;
5. Assist the borrower in understanding and clearing credit issues;
6. Maintain regular contact with the borrower, realtors, and the Fund between application and closing to update them on the status of the application and gather any additional information or documentation as needed; and
7. Participate in the loan closing.

B. Timely Submission of Application

1. A complete copy of any loan application that the Third-Party Originator desires the Fund to consider MUST be submitted within 24 hours of taking of the application. If the loan application is for a purchase, the sales contract must be attached and if the loan application is for a refinance, a copy of the current deed must be attached. If the loan application is not submitted within 24 hours, the Fund will not accept the application. A loan application missing required documentation or complete information will not be accepted until such time as all required documentation and information have been timely received.
2. Payment to the Third-Party Originator will be issued by check within thirty (30) days after the closing date.
3. Third-Party Originator shall have no direct or indirect ownership interest in any property acting as security for the Mortgage Loan, or affiliation or relationship with any other party having a financial interest in the Mortgage Loan or the Mortgage Loan transaction unless prior written consent is obtained from the Fund.
4. Payment to the Third-Party Originator will be issued by check within thirty (30) days after the closing date.

C. Program Loan Terms. The maximum interest rate and term for Program Loans shall be specified and communicated to the Third-Party Originator by the Fund from time to time.

## **PROCESSING PROCEDURES**

Loans originated and processed under the Fund's Homeownership, Movin' Up Program and Secondary Market Program are to follow specific program requirements as described within this guide.

## **RATE SHEET**

Each day a rate sheet is delivered via e-mail providing information on the program rates and terms available for that day. This rate sheet may be revised from time to time during a business day. It is the Originator's responsibility to ensure that they have the most current sheet available when they reserve a loan.

## **LOCKING IN A LOAN**

To reserve funds, a Third-Party Originator Registration/Lock-In Form, FNMA 1003 Application (with income information, liability account numbers and executed by borrowers and loan officer), Executed Assignment of Loan, Borrowers signature authorization, and executed Sales Contract (if applicable) are faxed to the processing center at (304) 391-8765.

The loan documentation and registration form will be reviewed and executed by the processing center with notification to the lender by phone or fax.

## **LOAN REVIEW**

The Fund's processing staff will review and analyze the initial documentation to match potential candidates to a product based on the applicant(s) eligibility and qualifications. The Fund's staff will complete and mail all initial disclosures to the applicant(s) along with a request for any additional documentation. Simultaneously, the file will be submitted to underwriting for preliminary approval. Appraisals will be ordered by the Fund's staff when preliminary approval is given.

Approval and any conditions will be faxed/e-mailed to the Third-Party Originator. The processor will transmit approval conditions to the applicant and obtain documentation for loan approval. The title search will be ordered by the Fund's staff and preliminary closing date determined.

## **LOAN APPROVAL**

Upon receipt of the executed initial documents, the appraisal and all required conditions, the loan is submitted to the Fund's underwriting department for final approval. After receipt of final approval, the lender and borrower are notified with any required closing conditions.

## **LOAN CLOSING**

Upon receipt of the required closing conditions, the Fund's processing staff will schedule closing with the applicant, attorney and lender.

The Fund's Closing Staff will prepare and deliver the closing documents to the Closing Attorney and request funds for disbursement and conduct post-closing follow-up with the applicant and the lender as necessary.

## CHAPTER 2

### LOAN PROGRAMS – OVERVIEW AND GENERAL ELIGIBILITY REQUIREMENTS

#### GENERAL ELIGIBILITY REQUIREMENTS

Loans must comply with the respective program-specific eligibility requirements, as well as applicable underwriting and processing guidelines and federal guidelines depending on the loan type (FHA, VA, RD). In cases where the federal underwriting or eligibility guideline is stricter than that of the Fund, the federal guideline shall be followed.

- The Fund will generally only accept Qualified Mortgages as defined under the temporary Qualified Mortgage provision of the Consumer Financial Protection Bureau’s Ability to Repay and Qualified Mortgage Rule (12 C.F.R. 1026.43(e)(4)) and the final rules adopted by HUD, VA and USDA under the authority granted in 15 U.S.C. 1639c. In limited circumstances, the Fund will accept loans that meet the manual underwriting and approval requirements set forth in Chapter 3.
- Higher Priced Mortgage Loans, as that term is defined in 12 C.F.R. 1026.35, are ineligible for delivery to the Fund.
- All loans must follow the processing, underwriting and closing procedures provided in this manual.
- Loans must be secured by a valid first lien on the eligible dwelling or second lien for the Down Payment and Closing Cost Assistance Loans (DPCC).
- Loans must be subject to adequate insurance coverage in accordance with this Procedural Guide, the Fannie Mae’s Seller’s Guide and the requirements of FHA, VA, and RD programs, as applicable.
- Loan conditions must be satisfied.
- Proper loan closing procedures must be utilized.
- The Fund requires lenders to remit an Administrative Fee of \$100.00 on all loans.
- Loans must be eligible loans in accordance with this Procedural Guide and Fannie Mae FHA, VA, and RD guidelines, as applicable.
- Homeownership Program loans must comply with all requirements outlined in this Procedural Guide as well as the current income and house price limits, which are located on the Fund’s website.
- Movin’ Up Program loans must comply with all requirements outlined in this Procedural Guide as well as the current income and house price limits, which are located on the Fund’s website.
- Secondary Market loans must comply with Fannie Mae guidelines as set forth in the current version of Fannie Mae’s Selling Guide, available at [www.efanniemae.com](http://www.efanniemae.com).

- Loans must otherwise comply with all applicable federal and state laws, rules and regulations, the provisions of this Procedural Guide and the terms and conditions of the Loan Purchase Agreement.
- For rates, refer to the daily rate sheet for the applicable program.

### **HOMEOWNERSHIP PROGRAM**

The Homeownership Program offers 30-year fixed rate mortgages to eligible homebuyers, providing up to 100% financing terms for qualifying applicants. These loans are processed and underwritten to Fannie Mae, FHA, VA and RD Guidelines as applicable. The Underwriting and Eligibility Requirements Chapter provides detailed guidelines on this program and the requirements the borrower(s) must meet in order to qualify for this program.

The Homeownership applicant(s) must be provided the Single-Family Mortgage Brochure, which outlines in detail pertinent guidelines. The Brochure is available on our website at [www.wvhdf.com](http://www.wvhdf.com).

There is no minimum loan amount on this program and maximum loan amount is controlled by the House Price Limits located on the Fund's website, required down payment and compliance with this guide. The loan must be secured by a valid first lien on the eligible single-family dwelling being financed.

Prior ownership restrictions may apply, depending on the county in which the borrower is purchasing. Refer to underwriting section in Chapter 3 for specific guidelines.

### **MOVIN' UP PROGRAM**

The Movin' Up Program offers 30-year fixed rate mortgages, providing up to 100% financing terms for qualifying applicants. No first-time buyer restriction applies. These loans are processed and underwritten to Fannie Mae, FHA, VA and RD Guidelines, as applicable. The Movin' Up program accomplishes the specific objective of providing funds for long-term mortgage financing of residential housing to qualified persons. Through the Movin' Up program, the Fund increases the availability of funds for housing by purchasing loans from Participating Lenders that meet these requirements and otherwise comply with the eligibility and underwriting guidelines found in the Chapter 3.

There is no minimum loan amount on this program and maximum loan amount is controlled by the House Price Limits located on the Fund's website, required down payment and compliance with this guide. The loan must be secured by a valid first lien on the eligible single-family dwelling being financed.

## **SECONDARY MARKET PROGRAM**

The Secondary Market Program provides 10 to 30-year, conventional fixed rate mortgages for all income levels, providing up to 97% financing for the purchase of a primary residence. This program also provides refinancing opportunities for qualified applicants as well as financing for the purchase of second homes and investment properties.

Secondary Market loans must be processed, underwritten and closed in accordance with Fannie Mae guidelines and loan eligibility requirements to be eligible for purchase by the Fund.

When registering Secondary Market loans in an amount of \$250,000 and higher, the lender must submit the DU findings indicating that it is in an Approve/Eligible condition. Further, the compensation on loans of \$250,000 and higher will be reduced by 25 basis points from the price posted daily by the Fund on our Rate Sheet. This reduction will be reflected in the price confirmed by the lock desk. There is not a minimum loan amount and maximum loan amounts are determined by Fannie Mae. You may access Fannie Mae's Selling Guide at [www.efanniemae.com](http://www.efanniemae.com).

## **DOWN PAYMENT AND CLOSING COST ASSISTANCE (DPCC) PROGRAM**

The Fund offers low interest rate Down Payment and Closing Assistance loans to aid qualified borrowers in the purchase of their home. This loan closes in the name of the Fund, and Fund designated trustees are named on the Deed of Trust. The DPCC loan must be secured by a valid second lien position on the eligible dwelling. This program is available for Homeownership and Movin' Up program loans only under the following terms and conditions:

- Refer to the daily Rate Sheet for loan amounts and terms.
- The maximum combined loan to value will be dictated by the insuring agency but in no instance can it exceed the Fund's maximum CLTV of 105%.
- For LTV/CLTV determination, the Fund requires total loan amount to be used for these calculations. The Fund allows the actual calculation versus the FNMA guidelines of rounding. LTV's below 90% or LTV's of 90% and above determine the available amount of the 2<sup>nd</sup> Deed of Trust loan.
- Payment amount is included in the ratios for repayment.
- Loan is not assumable.
- Loan must be paid in full if the property is refinanced or sold.
- Funds are to be applied first towards any standard closing cost that the borrower is obligated to pay and then any remaining balance can be applied as down payment. Funds used as down payment can also be considered the borrower's funds to cover personal property on the Homeownership Program.
- Borrowers can be reimbursed for approved items that they have paid outside of closing and documented. Approval is at the Fund's sole discretion.
- Any unused proceeds are to be returned to the Fund with the closing package in the form of a check to be applied as a principal reduction to the Down Payment and Closing Cost (DPCC) Assistance loan.



- Standard FNMA documents are to be used for the Note and Deed of Trust.
- It is mandatory that the Fund provide the funds for this loan at the closing table. Loan proceeds must be requested from the Fund by 2:00 p.m. the business day prior to the loan closing. The loan has to be approved and cleared for funding by a Fund underwriter prior to the funding request being processed in our office.
- Note that this program requires a Loan Estimate and a Closing Disclosure with the Fund named as the lender. The deed of trust recording fee is the only fee that should be reflected on the Closing Disclosure.

## CHAPTER 3

### UNDERWRITING AND ELIGIBILITY REQUIREMENTS

The Fund offers a variety of loan options. The eligibility and underwriting guidelines specific to the Fund's programs will be found in this guide. All loans delivered to the Fund require an Approve/Eligible or Accept finding from appropriate automated systems. The HFA Preferred loan product should be selected when inputting loan information in DU. The lender is responsible for providing evidence of satisfactory, enforceable mortgage insurance when applicable.

**Conventional loans** – Conventional loans originated and processed under the Fund's Homeownership and Movin' Up programs are to be generally underwritten to follow FNMA guidelines. Program specific requirements outlined in this guide will take precedence in the case of conflict. Secondary Market loans will follow FNMA guidelines found in the selling guide on their website [www.efanniemae.com](http://www.efanniemae.com). All conventional loans are required to be processed through Desktop Underwriter. An Approve/Eligible is required for loan to be eligible for purchase. For loans receiving an Out of Scope, refer to the section for Manual Underwriting.

**VA and FHA Insured Loans** –The Participating Lender is responsible for obtaining VA or FHA approval on the Homeownership and Movin' Up programs. The automated system findings must be in the file receiving an Approve/Eligible or Accept/Eligible decision. VA and FHA loans that require a manual downgrade to a Refer status per AUS findings are not acceptable for delivery to the Fund. When underwriting a FHA or VA insured loan that is to be financed under our programs, use FHA or VA credit documentation guidelines, unless specified otherwise within our guidelines. The LTV and CLTV calculations are to be determined using the total loan amount (face amount of the note). The loan amount cannot exceed the appraised value, with the exception of the VA funding fee, and in no case may the loan amount exceed the house price limits. Secondary Market loans insured by FHA or VA are not eligible for delivery to the Fund.

**RD Insured Loans** – RD insured loans must be submitted and approved through GUS, with all conditions of the automated system and matrix guidelines satisfied. The Participating Lender is responsible for underwriting and obtaining the approval of RD guarantee on the loan. When underwriting a RD insured loan that is to be financed under our Homeownership or Movin' Up Programs, use RD credit documentation guidelines, unless specified otherwise within our guidelines. The LTV and CLTV calculations are to be determined using the total loan amount (face amount of the note).

With the exception of the Homeownership Program, the RD guarantee fee and closing costs can be included in the loan amount in accordance with RD guidelines; however, the final loan amount may not exceed the Fund's house price limits. The loan amount may exceed the appraised value only by the RD guarantee fee. The maximum LTV/CLTV of 105% applies.

The Homeownership program prohibits the inclusion of the closing costs. Other guidelines apply as previously stated.

Special programs that provide down payment assistance (i.e. HOME Consortium, Federal Home Loan Bank, Northern Panhandle, etc.) should be submitted to the fund for review and acceptance prior to taking loan applications on our programs using this type of assistance.

## **UNDERWRITING OPTIONS**

All documents should be submitted through the Fund's Lender Portal with appropriate upload type selected. Refer to the Portal chapter for more details.

### **File Review by the Fund**

- This option should be utilized for all conventional loans submitted by non-delegated participating lenders. The following documents are required for initial review and conditional approval:
  - Initial, fully executed 1003
  - Fully executed sales contract/purchase agreement including all addendums
  - Current Deed (on refinance transactions)
  - 1st couple of pages of Credit report reflecting borrower name and scores (if issued by Factual Data)
  - Any pay stubs, VOE's, VOD's, Bank Statements, Court Orders, etc. that may have been received at application. Full credit and collateral documentation may be submitted as PTC (prior to closing) conditions.
- Documents should be submitted using the Lender Portal with the following selections:
  - *Initial UW Submission* >for initial review only
  - *Underwriting PTCs* > all conditions for underwriting review)
  - *Appraisal* →Only appraisals (or compliance inspections with photos) must be sent through this separate upload type so that report stays in PDF form. All other documents pertinent to the appraisal are to be sent as an Underwriting PTC
- The Fund will attempt to review the file within 2-4 business days of receipt. The lender will receive loan decision through the portal as a download. Email notification will be sent to any persons who have uploaded documents. Approval, rejection, and listings of pended items can be printed from the download file.
- All conditions of the loan approval must be met prior to or at closing. A Final Approval/OK to Fund must be obtained prior to closing with any closing conditions provided in the closed loan package submitted to the Fund.

### **Delegated Underwriting (DE)**

The Participating Lender will underwrite files utilizing its on-staff Fund approved DE underwriter. After a lender has obtained delegated status, the lender's staff should direct underwriting questions to its delegated underwriter.

The DE underwriter will submit issues that need to be addressed by the Fund to the Fund's Underwriting Department. DE Underwriters are fully responsible for the credit and collateral decisions. Deficiencies found in the loan underwriting may result in repurchase of the loan.

- The DE Underwriter will complete an Underwriting Compliance Sheet based on final loan approval information and send to the Fund for review utilizing the Lender Portal.
  - *UW Compliance Sheet* – Any waivers should accompany this sheet through this option.
  - *Appraisal* – The appraisal is to be sent at the same time as the UW Compliance Sheet.
- Upon satisfactory review, the Fund underwriter will sign off on the UW Compliance Sheet and return through the Lender Portal. If corrections that are required, they should be made on the same form and returned to the Fund through the UW Compliance Sheet portal delivery option.
- Loans are not to be closed prior to the Fund's underwriter signing off as approved. The complete credit package including federal compliance documents must be delivered to the Fund after the loan is closed.

### **Federal Compliance Review**

This option is for the non-delegated participating lenders in submitting government loans. The Lender's government approved/delegated underwriter will review and render decision for credit and collateral, based on the insuring agencies guidelines. The lender takes full responsibility for this decision. Deficiencies found in the loan underwriting may result in repurchase of the loan.

- Submission of Federal Compliance documents only are required. Any missing documents will be requested as a prior to closing condition. The remainder of the credit and collateral file should be sent with the closed loan package after closing.
  - *Initial UW Submission* > for initial review only.
  - *Underwriting PTCs* > any conditions requested to complete review
  - *Appraisal* > appraisals only are to be sent using this option to retain report in PDF form. Documents pertaining to the appraisal are to be sent with PTC conditions.

### **MANUAL UNDERWRITING**

**Homeownership and Movin' Up** Conventional loans may be eligible for manual underwriting when they receive a Refer w/Caution finding if they meet the eligibility requirements set forth below and have a minimum of one (1) of the compensating factors listed below. Loans underwritten by the Fund that receive a Refer w/Caution finding will be reviewed for manual underwriting eligibility. If requirements are met, this option will be noted on the rejection letter sent. Additional review will be made upon receipt of a full credit file including supporting documentation of the eligibility and compensating factors.

Delegated underwriters reviewing Refer w/Caution loans for manual underwriting eligibility must note their recommendations and send file to the Fund for final review and approval to override

a Refer w/Caution finding. Manual approvals require signature of the Fund's underwriting manager or senior division manager. Secondary Market and Government Insured loans are not eligible for this review.

#### *Eligibility Requirements*

- Minimum Credit Score of 640
- All non-medical collections and charge offs with individual balance of \$200 or aggregate of \$1,000 must be paid prior to closing. All liens and judgements must be paid prior to closing.
- Disputed accounts must be resolved with new credit report obtained to reflect resolution.
- Maximum Debt to Income (DTI) of 41%
- Reserves of 2 months PITIA
- Mortgage Insurance provided if applicable

#### *Compensating Factors*

- Previous housing experience documented with 12 months satisfactory payment with payment shock not exceeding 1 ½ times current payment without savings to offset. (VOR from management company, not from an individual landlord; or 12 months cancelled checks)
- Equivalent savings pattern as substitute for previous housing
- Residual income 150% of VA Table
- Additional income received for a minimum of 12 months but less than 24 months that is not acceptable for DTI qualifying

**Secondary Market** – loans receiving an Out of Scope DU Finding may be eligible for manual underwriting following FNMA's guidelines for non-traditional credit. Full credit files (excluding appraisal) should be submitted for review by the Fund.

### **BORROWER ELIGIBILITY REQUIREMENTS**

#### **Homeownership, Movin' Up and Secondary Market Programs**

- All borrowers must take title to the property and meet all compliance requirements.
- Be a resident or intend immediately to become a resident of West Virginia.
- Comply with all underwriting requirements as applicable.
- Only U.S citizens and permanent, resident aliens (green card holders) are eligible for a Fund loan.

#### **Homeownership and Movin' Up Programs**

- Satisfy the applicable income and house price limits required of the Program (found at [www.wvhdf.com](http://www.wvhdf.com) ).
- Not use any portion of the program loan to refinance or replace an existing mortgage, except for the construction period financing which does not exceed 24 months.

- Must be a primary residence.
- Income toward federal limits will continue to be determined by persons taking title to the property. However, family size will be determined by the number of persons expecting to occupy the subject property as their primary residence within 60 days of closing. In cases where there is shared custody of a dependent, the borrower must have 50% or greater custody for the dependent to be included. If the family size matches the information on the 1003, no further documentation is necessary. If the family size differs from the application, the additional household members should be identified and documented by a signed statement from the borrower.
- Income calculation details for federal compliance limits are found in the underwriting guidelines under Federal Compliance Income and the Single-Family Brochure.

### **Homeownership Program**

- Homeownership loans may only be made to title holders who had no ownership interest in their principal residence at any time during the three-year period ending on the date the program loan is closed. This requirement does not apply to residences located in targeted areas or where the borrower is an eligible veteran under the Heroes Earnings Assistance and Relief Tax Act of 2008. Refer to the current income and house price limits for list of non-targeted counties. (Eligible veterans include any veteran who has not previously received financing for a home through a Mortgage Revenue Bond program.) In assuring that this requirement is met, the Participating Lender must obtain and review the following:
  - Satisfactory Application Affidavit
  - 1003 application residency and declarations section with three (3) years residency information disclosed (address/residency type/landlord name & address as applicable)
  - Signed federal income tax returns for previous one (1) year
  - Credit reports from each of the areas/countries/locality in which any borrower(s) has resided in the past three years

Ownership interest for this program includes, but is not restricted to:

- A fee simple interest
- A joint tenancy, a tenancy in common, or a tenancy by the entirety
- The interest of a tenant shareholder in a cooperative
- A life estate
- A land contract, under which possession and the benefits and burdens of ownership are transferred although legal title is not transferred until some later time
- An interest held in trust for the eligible borrower (whether or not created by the eligible borrower) that would constitute a present ownership interest if held directly by the borrower
- An interest in a manufactured housing unit permanently attached to real property. For these purposes permanently attached is defined as the unit being permanently anchored to real property and has had the wheels and other components used in transportation removed.

Interests which are not considered ownership interests include: A remainder interest, a lease without regard to any purchase option, a mere expectancy to inherit an interest in a principal residence, the interest that a purchaser of a residence acquires upon the execution of a purchase contract, and an interest in other than a principal residence during the previous three years.

## **Secondary Market**

WVHDF follows FNMA selling guide for this program.

## **PROPERTY ELIGIBILITY REQUIREMENTS**

**Homeownership and Movin' Up Programs** – The Fund will finance single family dwellings located in WV and used as a principal residence. This includes 1-4 units with borrower required to owner occupy one of these units, condominiums, townhouses, modular and new manufactured homes (double wide). Single wide manufactured homes are not eligible.

The dwelling must be structurally sound, functionally adequate, in compliance with all applicable zoning requirements, housing codes and the standards set forth by the Fund in the Appraisal Requirement Section.

The acquisition cost of the dwelling must meet the applicable purchase price requirement of the program.

**Homeownership Program** - Loans are subject to the following additional requirements:

**Maximum Lot Size.** The land appurtenant to a residence shall be considered as part of the residence only if such land is typical for the area and reasonably maintains the basic livability of the residence and does not provide, other than incidentally, a source of income to the mortgagor. This must be supported by similar comparable. In no instance can the land exceed five acres.

**Use of Property.** A principal residence does not include any residence which can reasonably be expected to be used: (a) primarily for a trade or business, except for a two to four family residence, in which case the borrower shall be permitted to rent or lease the non-owner-occupied unit(s), (b) as an investment property, or (c) as a recreational or second home. Not more than fifteen percent (15%) of the total living area of a residence may be used in a trade or business which would permit any portion of the costs of the dwelling to be deducted as an expense for Federal Income Tax purposes (except in the case of a two to four family residence, in which case the borrower shall be permitted to deduct for Federal Income Tax purposes the costs associated with the non-owner-occupied units).

Refer to the Appraisal section for additional details.

**Movin' Up Program** – There is no acreage restriction for this program, however comparables must support site size. Refer to the Appraisal section for additional details.

**Secondary Market Program** – New and used manufactured homes and modular homes are eligible (refer to Fannie Mae selling guide). New or used singlewide mobile homes are not eligible for delivery to the Fund. Refer to FNMA selling guide for other property guidelines.

### **UNDERWRITING GUIDELINES**

**Acquisition Cost** - Purchase transactions for all programs have the price established by a sales contract. Homeownership and Movin' Up programs have specified house price limits, referred to as "acquisition cost", which is the cost of a completed residential unit. No portion of the proceeds of the Homeownership loan can be used to acquire furniture or other personal property not permanently affixed to the residence. When a sales contract or the appraisal references personal property, the down payment amount needs to cover the value of the personal items to ascertain that Homeownership dollars are not financing these items. In the event that the property is a newly constructed home with appliances, or appraisal indicates a newly renovated kitchen with appliances, then the actual invoice must be used for the value. The Fund allows for \$50 per used appliance for value pertaining to calculations of personal property. Personal property other than appliances will need to have a value established by a qualified person with the file containing documentation to support how the value was derived. The acquisition cost of a residence does NOT include:

- Usual and reasonable settlement and financing costs (settlement costs include title and transfer costs, title insurance, survey fees and other similar costs, and financing costs include credit reference fees, legal fees, appraisal expenses, "points" which are paid by the purchaser[s], or other costs of financing the residence; such amounts must not exceed the usual and reasonable costs which otherwise would be paid where financing is not provided by Qualified Mortgage Bonds);
- The imputed value of services performed by the purchaser or members of his/her family, which include only the purchaser's spouse, brothers and sisters, ancestors, and lineal descendants in construction or completing the residence; or
- The cost of land owned by the purchaser(s) for at least two years before the date on which the construction of the residence begins.

The Fund follows FNMA for all loan programs in calculation of sales concessions and financing concessions over allowable financing by interested party contributions (IPC's).

### **APPLICATION AND SELLER AFFIDAVITS**

The **Homeownership Program** requires a completed Application Affidavit executed by each eligible borrower(s) and/or persons taking title to property; and a Seller Affidavit executed by the seller(s) must be delivered to the Fund. These forms are included in the Single-Family Mortgage Brochure and are available online at [www.wvhdf.com](http://www.wvhdf.com). The borrower must receive the brochure in its entirety, and then complete the affidavit as required.



Family size for determination of income limits is addressed under Borrower Eligibility.

In situations where there is more than one seller, multiple Seller Affidavits may be obtained. In no case should changes be made to these forms. The form must be fully completed, signed and notarized. Any corrections should be initialed.

The Seller Affidavit requires the property address to be provided; however, the section at the bottom should reflect the seller(s) current address.

Application and Seller Affidavits are not required for the **Movin' Up and Secondary Market Programs**.

### **APPRAISALS**

The Fund requires an independent appraisal of the subject property in accordance with Fannie Mae's appraisal guidelines (or FHA, VA or RD as applicable) to be included in the loan credit package. Fannie Mae's appraisal guidelines are available at [www.efanniemae.com](http://www.efanniemae.com) within the Selling Guide and include information on the selection of an appraiser, information the lender needs to maintain on file, and review of the appraisal. Both the lender and the appraiser need to be knowledgeable of the requirements set forth in Fannie Mae's and the insuring agency's appraisal guidelines. Appraiser comments should be provided to support adjustments; narrative is extremely helpful in determining acceptability of the property and report.

The Fund also requires the Participating Lender and the appraiser to be aware of and comply with state and federal laws, rules and regulations concerning real estate appraisers and appraisals. On all loans submitted to the Fund, the appraisal must be uploaded into Fannie Mae's Uniform Collateral Data Portal (UCDP) and the Document File ID number provided at the time of the appraisal submission. An appraisal with full inspection specific to property type (Fannie Mae Form 1004, 1004C, 1073 or 1025) with all attachments is always required on loans for the Fund EXCEPT when Secondary Market loans receive the option of a Property Inspection Waiver through Desktop Underwriter. Lenders must provide the appraisal to the Fund by email in pdf format.

**Comparables** -- Comparables must support that the subject amenities are common and customary. Examples of this would be if subject only has a ¾ bath, one bedroom, no bedroom closets, or below grade, then the comparable used should be the same.

**Dwelling** -- The appraiser is to report any OBVIOUS items or areas that affect the safety, livability and marketability of the property. Correction of these items will be required to be addressed prior to loan closing regardless of insuring agency's requirements.

- If the appraisal indicates evidence of wood-boring insects, dampness, or abnormal settlement, the appraisal must comment on the significance of these items, if an additional inspection is required and on the effect of the value and marketability of the subject property. If an inspection is required, the lender must either provide satisfactory

evidence that the condition was corrected or submit a professionally prepared report indicating, based on an inspection of the property, that the condition does not pose any threat of structural damage to the improvements. Copy of acceptable credentials should also be provided.

- Roof – A roof inspection must be provided by a licensed contractor when required by the appraisal, sales contract or underwriter upon knowledge of potential problems. When a roof inspection is required, the Fund requires a 2-year minimum remaining life. Metal and slate roofs are acceptable and must meet the same guidelines.
- To be counted as a bedroom there must be an operable window and not be a captured room (pass-through one room to get into the other).
- The appraiser must comment that the square footage or number of bedrooms within the unit is common and customary to the area and must support the comment with similar comparables in the appraisal report.
- Unique floor plans/building structures must meet FNMA guidelines.
- Electrical – Each unit must have an electrical system of adequate size for the unit, but in no case can the service be less than 100 amps.
- Smoke Detectors – smoke detectors are required to comply with West Virginia law.
- Utilities are required to be on and inspected. If not on at the time of appraisal inspection, the Fund will accept compliance inspection by appraiser, licensed contractor or home inspector.
  - Heating – Each system shall be designed as a heat supply for the entire dwelling. All units shall be equipped with a central automatic thermostat and safety cut-off switch. Heating units are to be located in an area designed for safe and proper use.

- All floor furnaces and circulating heaters will require certification from a licensed heating contractor. They must be common to the area, UL approved, installed in conformance with the manufacturer's recommendation, and be of sufficient size and located in a position to provide adequate heat without the use of space heaters.

- Individual space heaters are not acceptable.

**House site** – For all sites being considered for financing under the Homeownership Program, the program allows for only one home site, with maximum of 5 acres and supported by similar comparables. Refer to Property Eligibility for more details.

**Manufactured Homes** – Manufactured homes are built in the controlled environment of a manufacturing plant and are transported in one or more sections on a permanent chassis (metal beams). If the unit has the metal beams it is to be treated as a manufactured home and the appropriate manufactured unit appraisal forms are required. A manufactured home is built to the Federal Manufactured Home Construction and Safety Standards (HUD Code) and must display a certification label on the exterior of each transportable section as well as the required Data Plate Refer to FNMA guidelines for additional information.

We will accept new or used manufactured units (depending on the program, refer to eligible dwelling/residence section) when the remaining economic life of the units meets or exceeds the loan term. These units must be placed on a permanent foundation in accordance with the local zoning and building codes and assumes the characteristics of site-built housing thus becoming part of the real property. Homes must be on original set up site. The foundation is not required to be brick or block skirting; vinyl siding will be sufficient. The Fund requires that wheels, axles, and the trailer hitches be removed when the unit is placed on its permanent site and that both the perimeter and pier foundations have footings located below the frost line. Units must be installed per the manufacturer's recommendations. Anchors must be provided where required by state law. Certificates of title must be retired.

For additional information on the titling of manufactured home units refer to the closing chapter.

**Multiple lots** – The Fund follows FNMA guidelines on contiguous requirement.

**Repair Compliance Inspection Certification** is required to verify any/all required repairs have been 100% completed. (Use Fannie Mae's Appraisal Update and/or Completion Report or the Fund will accept FHA/VA forms if applicable).

- Must include all repairs, including any required by the Fund.
- Must include date and signature of an approved appraiser (if proposed construction, should be the same one that appraised the property based on plans and spec sheets).
- Must include photos per Fannie Mae guidelines.
- If construction or major repairs are underway at the time of the appraisal, the appraiser must make a compliance inspection following the completion of the work. If the appraiser is not professionally or by experience qualified to evaluate the completion of construction, a professional qualified in the particular construction area must be retained. A reasonable charge for the compliance inspection may be added to the appraiser's fee. Items inspected by the appraiser or other professionals must be listed on the compliance inspection report or attached sheet. On repair items that lenders feel comfortable inspecting, we will accept a lender's certification (letter format) stating that repairs have been completed along with a photo(s) of the repairs. Examples of these repairs might include handrails, scraping and painting, and seeding of lawn.

**Repair Escrow** – Repairs are required to be completed prior to closing. The insuring agencies certificate of insurance must be in place and effective when the Fund purchases the loan. Repairs that weather prevents being completed will be considered on a case by case basis.

**Streets** -- The property should face a publicly dedicated and maintained street that meets community standards and is generally acceptable to area residents. If it appears that the property is located on a street that is not typical of other streets in the community, the appraiser should include comments on any effect that being on that street could have on the property's marketability and value.

If the property is located on a community-owned or private street, the report should indicate whether there is an adequate enforceable agreement concerning the maintenance of the street. Recorded documentation for the maintenance of the street must meet Fannie Mae or the insuring agencies guidelines.

## **CONSTRUCTION LOANS**

For construction to permanent loans, the loan file needs to be accurately documented with total acquisition cost by a turn-key construction contract utilizing a licensed contractor. A copy of the construction Note, Closing Disclosure and the Deed are required to be submitted. On new construction of manufactured homes (doublewide only), a copy of invoice from manufacturer to dealer and dealer to borrower is required. The dealership must act as general contractor and be licensed for 100% turn-key set up.

Under the Homeownership or Movin' Up Program, a borrower cannot roll other expenses into the construction loan (closing costs, payoff of other debt, etc.) above the acquisition cost and can only payoff the construction loan that is structured with short-term financing and no permanent financing rollover language.

On both the Homeownership and Movin' Up Programs, when the deed is already in the borrowers name the borrower cannot occupy the home until the permanent financing with WVHDF is closed due to being considered a refinance transaction with Right of Rescission documentation required.

## **CO-SIGNERS/NON-OCCUPANT BORROWERS**

**Homeownership and Movin' Up Programs** - The Fund does not accept co-signers/non-occupant borrowers on its loan programs. In the instance that FHA, VA or RD may accept co-signers, the Fund's policy of no co-signers/non-occupant borrowers will prevail.

**Secondary Market Program** - The Fund will follow Fannie Mae guidelines.

## **CREDIT POLICIES**

The Fund does not accept paying off revolving debt to qualify. Revolving credit is considered a lifestyle and must be used in qualifying borrowers. Installment loans paid off or paid down should be carefully considered. Satisfactory, sufficient funds must be verified, and loan must be documented paid in full. Desktop Underwriter (DU) will determine if derogatory credit must be paid; any omitted debt must be addressed with satisfactory documentation.

Frozen credit reports or accounts are required to be made accessible to the Fund and our Participating Lenders throughout the mortgage application process.

## **CREDIT REPORTS**

When information is being received from a borrower to complete the application process, it is important that you ask the borrower to provide a list of all their debts including account numbers, payment amounts and estimated balances. Do not auto populate the liabilities on the loan

application from the credit report without verifying debt with borrower. By signing the application (1003) borrower is stating populated debt to be accurate.

The Fund does not accept credit “rescoring” as a means to eliminate or reduce loan level price adjustments (LLPA) or to obtain loan approval.

The Fund will accept a lender’s credit report for use in underwriting when the following criteria are met:

- Report is ordered through Factual Data;
- Report is less than 45 days old at time of submission/deliverance;
- Report has not already been imported into an automated system; and
- Pages with Factual Data reference/computer id number and credit scores are provided.

For the Homeownership program, any reported mortgages should be addressed when borrower is purchasing in non-targeted counties. Documentation is required to support borrower has not had ownership in a primary residence for prior three (3) years.

### **ELECTRONIC SIGNATURES**

The Fund will accept electronically signed loan documents with the exception of the Affidavits, Note and Deed of Trust. Electronic signatures must comply with the ESign Act of 2000, UETA, and any HUD, RD, VA or FNMA guidelines as well as all applicable state requirements.

### **ESCROW REQUIREMENTS**

**Homeownership and Movin’ Up Programs** – All loans are required to have established escrow accounts for the payment of hazard insurance, real estate taxes, private mortgage insurance, and flood insurance if applicable to the loan.

**Secondary Market Program** – Loans are required to have established escrow accounts for the payment of hazard insurance, real estate taxes, private mortgage insurance, and flood insurance if applicable to the loan unless a waiver has been granted at the time the loan was underwritten. Qualifications for the waiver are:

- LTV at or below 70%
- 6 months’ reserves after funds needed for loan closing and/or required reserves
- Waiver fee of .25% of loan amount (will be included with the Loan Level Price Adjustment/LLPA)
- Flood insurance may not be waived (per FDIC’s final rule effective January 2016)

To receive this waiver, the lender is to submit a waiver request form along with the completed Waiver of Escrow Payments and Disclosure form fully completed and signed to the underwriter. Note that even though escrows may be waived, information must still be disclosed on the

application (1003) and used in calculating debt to income (DTI) for accurate Desktop Underwriter findings.

## **FEDERAL TAX RETURNS**

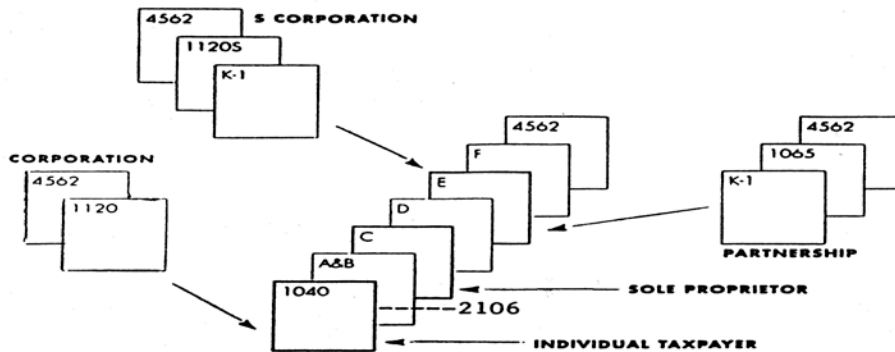
Returns marked COPY DO NOT FILE are not acceptable unless prepared by a third party. A Tax Return Transcript or Record of Account are acceptable alternatives to the actual returns. These must be obtained from the IRS. An Account Transcript is not an acceptable alternative as it provides only limited information. IRS tax forms (1040, 1040A, 1040EZ) are to be signed on the signature line provided, alternative documentation used to confirm tax information must be signed by the borrower(s) on first page only. Complete returns include all schedules with W2's. Loans submitted for approval after April 15 must be accompanied by the previous year's federal tax return. Extensions for the filing of the tax return with the IRS are not acceptable. The Fund will not proceed with the loan until the required tax returns are filed with the IRS. Tax transcripts may also be required in these cases for verification of filing. When the previous year's federal return is available prior to April 15, it should be included in the loan package.

**Federal Compliance** - In regard to the Homeownership Program in non-targeted counties, executed copies of the previous one (1) year federal income tax returns are to be included in the credit file when three (3) years residency is clearly disclosed on the 1003 application. When three (3) years residency, type of residency and landlord information is not disclosed on the 1003, tax returns for the previous 3 years will be required. For borrowers who were not required to file a federal income tax return for the previous year(s), a completed Income Tax Affidavit (WVHDF form) is required stating the reason tax returns were not filed with IRS. Tax returns must be reviewed for any evidence that the borrower may have claimed deductions for property taxes or for mortgage interest deduction for a primary residence.

Tax returns for the Movin' Up Program and Secondary Market are only required as they relate to income determination.

**Qualifying Purposes** – Personal federal tax returns for the previous two years are required for calculation of income if the applicant is self-employed. Other employment situations following Fannie Mae guidelines or FHA, VA or RD if applicable may also require tax returns (commissioned, employed by family, trust, rental, etc.). If a slow or declining economy exists, tax returns for the current year will be required prior to IRS's April 15<sup>th</sup> filing date. Tax returns are to be signed on the signature line and include all forms and supporting schedules. In most instances, applicants will be required to provide two years' business tax returns also to further support their income.

The following diagram outlines the required tax return forms:



**NOTE** – Copies of State Tax Returns are not required and should not be submitted. A fully completed and signed 4506T should be submitted to the Fund. The form is located on our web site, [www.wvhdf.com](http://www.wvhdf.com), under Lender Forms.

### **FLOOD DETERMINATION CERTIFICATIONS**

Flood Determination certifications are required on all loans. If flood insurance is not available in certain flood hazard areas because the community does not participate in the National Flood Insurance Program, the Fund will not purchase mortgages secured by properties located in those areas. Review the certifications with care; the properties that are located in non-participating communities appear on the Flood Determinations as “NO” not in a flood prone area.

### **FORMS**

Each Homeownership, Movin’ Up and Secondary Market loan must be executed on forms approved by the Fund, and by Fannie Mae, FHA, VA, and RD where appropriate. The forms specific to the Fund are available on our website at [www.wvhdf.com](http://www.wvhdf.com).

### **HOMEBUYER’S EDUCATION COUNSELING**

At least one borrower signing the Note must complete an acceptable homeownership education program meeting FNMA guidelines on conventional loans under the Homeownership and Movin’ Up Programs. On government insured loans, follow the insurer’s guidelines for counseling requirements.

Specialized programs may require counseling and will be noted in the program summaries, as they are made available. The program summary will indicate if classroom participation is required to satisfy the counseling requirements. The classroom instruction is to be provided by an approved Fund non-profit agency or the private mortgage insurance company.

## INCOME LIMITS

Applicable income limitations are set forth for both the fund Homeownership and Movin' Up Programs. Income limits are to determine eligibility for projected income of the next twelve months from the date of closing.

Annualized gross income is determined by multiplying gross monthly income by 12 for all parties as outlined below. Gross monthly income is the sum of monthly gross pay, reflected on a current pay stub reflecting a minimum of 30 days year to date earnings, plus any additional income from: overtime, part-time employment, bonuses, dividends, interest, royalties, pensions, VA compensations, rental income and other income (such as alimony, child support, public assistance, sick pay, social security benefits, unemployment compensation, income received from trusts, and income received from business activities or investments, workers' compensation, and disability insurance, etc.). History of other types of payment such as bonus, commission, overtime, etc. must also be taken into consideration.

On monies received in a lump sum type of payment, such as inheritance, insurance settlement, lottery winnings, etc., we will consider these funds as an asset. Borrower should be qualified using a 2% interest factor on funds not being used toward the purchase of subject property. Only the interest amount will be considered toward Federal Income Limits.

Rental income on currently owned homes is calculated by using net rental plus depreciation from tax returns. On properties purchased in the current year, a signed lease should be obtained and 75% of rent used to qualify. On retained homes (when allowable), 75% of market rent is to be used, verified by an appraiser, realtor knowledgeable in rent management or acceptable website rent providing rent estimate.

For self-employed persons, income is the total of income shown on the last year's personal tax return plus depreciation. A year to date profit and loss statement is needed if the application is dated 120 days or more after the tax year. In the cases of "S" corporations, income used on their tax schedules must be included in addition to all requirements listed for self-employed borrowers.

When the income documentation submitted indicates that any applicant has reduced the number of hours scheduled to work and/or has resigned a job merely to qualify under the income limitations for the program the loan will be rejected.

- **Homeownership and Movin' Up Program** – Household Income is the gross annual income of all parties taking title to the property. Supporting documentation for the income calculation is required. For these programs, it is mandatory that all borrowers qualifying for the loan take title to the property.
- **Secondary Market** – There are no income limits on these loans.



## **MORTGAGE INSURANCE**

Conventional loans that exceed 80% loan to value (LTV) based on the lesser of sales price or appraised value must carry private mortgage insurance coverage provided by a Fannie Mae approved company. Acceptable providers are listed on Fannie Mae's website at [www.efanniemae.com](http://www.efanniemae.com). This insurance is obtained under the Participating Lender's name and then assigned to the Fund.

FHA, VA or RD loans are required to have the appropriate default insurance as provided by those agencies.

Lenders are responsible for providing the insuring agency with correct and current information and for obtaining a certificate with no outstanding conditions.

**Homeownership and Movin' Up Program** conventional insured loans require the following coverage amounts:

- 95.01% - 97.00% LTV            18% coverage
- 90.01% - 95.00% LTV           16% coverage
- 85.01% - 90.00% LTV           12% coverage
- 80.01% - 85.00% LTV           6% coverage
- 0% - 80.00% LTV                0% coverage

Note that special programs that may be offered from time to time can require higher coverage amounts, which will be disclosed in the program summaries provided as available.

- **Secondary Market** conventional insured loans follow the higher coverage amount requirements from the Desktop Underwriting findings for required coverage or Fannie Mae Selling Guide.

## **PERSONAL PROPERTY**

Personal property other than appliances must have a value provided by a person/company with acceptable credentials. Personal property cannot be included in financing of real estate property and is considered a sales concession. Follow FNMA guidelines for calculating LTV/CLTV. If sales contract is renegotiated to remove personal property, value of items must still be provided with expectation of sale price being lowered by same amount. Refer to Acquisition Cost for guidelines specific to the Homeownership Program.

## **POWER OF ATTORNEY**

Power of attorney (POA) documentation may be acceptable when the parties to the transaction are unavailable to execute the closing documentation. The responsibility for ensuring that the POA properly allows for the sale and/or purchase of real estate and incurring debt on behalf of the party shall reside with the lender and their closing attorney.

On loans in which the Fund is the underwriter, the POA for the buyer must also be provided to the underwriter as a prior to closing condition.

All POA documents utilized (both buyer and seller) to facilitate the transaction must be recorded and a copy of the recorded document must be submitted in the final loan documentation submitted to the Fund.

### **PRE-APPROVALS**

Pre-Approval submissions are available for participating, non-delegated lenders. This review is offered only on conventional transactions. Registration is required using TBD as the property address. Do not lock the loan at this time.

Submit the following documents through the Portal using the PL – Initial UW Submission delivery option:

- A fully completed and signed 1003 with TBD as property address
- Credit Report
  - Must be issued by Factual Data
  - Cannot have been reissued through any AUS or other system prior to coming to the Fund.
  - Must be a tri-merged report.
  - No other credit documents will be reviewed and should not be submitted.

Upon the Fund receiving an Approve/Eligible finding through DU, a pre-approval letter will be issued to the Lender conditional to satisfactory verification of information on the application and the DU Findings. This pre-approval will expire after 30 days and changes in the rates, product eligibility as well as changes in the borrower's information may affect approval.

Lenders are encouraged to accurately disclose this information to the borrower. The pre-approval letter is to the Lender and may not be forwarded to the borrower.

Upon receipt of a signed sales contract, the lender will update loan information in the Fund's registration system. The updated, signed 1003 should be submitted as a new submission to underwriting, using the same loan number. This is the one exception to uploading a second time to the PL- Initial UW Submission in the portal delivery.

### **UNDERWRITING FEES**

On Homeownership and Movin' Up loans, the underwriting fee payable to the Fund is \$145 and on Secondary Market loans the fee is \$75.

On delegated underwriting loans, there is no Fund underwriting fee.

## CHAPTER 4

### DOCUMENT DELIVERY

#### LENDER PORTAL

Lenders are required to upload files electronically through WVHDF's Document Upload Portal called VirPack. For Multi-function devices and scanners, the below settings will need to be made standard so that the quality of scanned files is optimal:

- 300 dpi
- Black & white (not grayscale as that will create significantly larger image files)
- Auto-Sense Page Size or different size pages
- TIFF Images
- No Page Scaling
- Do not compress and zip files

If you have any questions, please contact your technical support staff.

Each Lender will be required to designate a Portal Administrator who will approve and manage lenders users for the lender portal. This portal is to deliver documents to the Fund in a paperless manner. Once the Administrator has been set up by Fund personnel, the lender's staff may begin to self-register via our website [www.wvhdf.com](http://www.wvhdf.com) > Lending Partners > Document Delivery > Document Upload Portal > Not a Member? Register Here. Information must be fully completed, and users must provide the Group Request Token provided by their Administrator. The VirPack Originator Portal 3.2 User Manual is available on our website under Document Delivery.

For purposes of this portal, only the loan for the 1<sup>st</sup> Deed of Trust will be used. The loan for the 2<sup>nd</sup> Deed of Trust should never be selected. This includes the request for documents and funding of the 2<sup>nd</sup> Deed of Trust; these are to be requested using the loan number of the 1<sup>st</sup> Deed of Trust loan.

Portal Options are below:

Underwriting Compliance Sheet	This option is for Delegated Lenders Only. The UW Compliance Sheet and any waivers should be sent using this option.
Initial UW Submission	For submission of <i>initial</i> underwriting review only – subsequent conditions are to be sent through different option.
Underwriting PTCs	Prior to closing conditions use this option to delivery to the underwriter.

Appraisal	The original appraisal report in color form must be sent in pdf form to this option. Compliance reports may also be uploaded to this option when color photos are being sent. All other supporting collateral documents should be sent with Underwriting PTCs.
2 <sup>nd</sup> DOT Requests	To request early OR closing disclosures/documents on our 2 <sup>nd</sup> Deed of Trust (DAP) loan.
Funding Requests Closed Loan Package	Use this option to request funds for the 2 <sup>nd</sup> Deed of Trust Delegated Lenders -will upload the entire file <i>except</i> for the appraisal (both underwriting & closed package). Non-Delegated Lenders-Conventional loans – will upload the initial disclosures with the closed loan package. (The underwriting file with appraisal will already have been received and should not be resent.) Non-Delegated Lenders-Government loans – the remaining portion of the underwriting file, initial disclosures along with the closed loan file. (The Federal Compliance file and appraisal should not be resent.)
Post-Closing Conditions QC Conditions	All post-closing (deferred) conditions. Any items requested as a result of q QC review (Pre-Fund or Post-Closing)

Documents will be returned from the Fund to the Lender as a Download through the Lender Portal. An email notification will be sent to all persons who have uploaded documents on the particular loan.

Reminders:

- Always load documents to the loan number for the 1<sup>st</sup> Deed of Trust. Under no circumstance should documents ever be uploaded to the 2<sup>nd</sup> Deed of Trust loan number.
- The appraisal must be sent separate from the file in original/color pdf form using the appraisal option.
- Scan and upload documents in black & white except for the appraisal.
- Do not upload duplicates, ineligible copies and additional documentation not required. When sending in original documents, scan and upload prior to mailing.

## CHAPTER 5

### LOAN LOCK IN POLICIES AND PROCEDURES

Loans may be locked by Participating Lenders for specific programs, applicants and properties. The interest rate is locked after loan application and the lender has determined that the borrower meets the eligibility requirements and guidelines for the loan program. The Participating Lender may request changes, extensions and cancellations through the automated Lock System. A change in the loan program will require the loan to be re-locked at different terms. The only changes that are required to be made through the registration system are Program changes, rate extensions, rate changes or cancellations.

The Fund offers rate locks of 60 days for existing home purchases in the Homeownership and Movin Up Programs and 210 days for new construction. For Secondary Market Program loans, rate locks ranging from 10 days to 60 days are available.

If the rate lock expires prior to the loan closing, generally borrowers will be required to accept the worst-case scenario. For example, if rates have fallen, the rate will be extended at the current rate. If rates have increased, the rate lock must be extended at the higher rate. Generally, the only exceptions offered to this policy are when the Fund can be shown to have contributed to a delay in the loan closing.

We will consider requests to extend an existing lock on Homeownership and Movin Up Program loans on a limited basis when a rate increase results in a previously approved loan application to be denied due to the higher payment resulting from the rate increase.

When registering Secondary Market loans in an amount of \$250,000 and higher, the lender must submit the DU findings indicating that it is in an Approve/Eligible condition. Further, the compensation on loans of \$250,000 and higher will be reduced by 25 basis points from the price posted daily by the Fund on our Rate Sheet. This reduction will be reflected in the price confirmed by the lock desk. There is not a minimum loan amount and maximum loan amounts are determined by Fannie Mae. You may access Fannie Mae's Selling Guide at [www.efanniemae.com](http://www.efanniemae.com).

**The Fund uses an automated Loan Lock-in System called Path.** Please refer to the Lock-in System User's Guide for procedures in accessing and using this system on the Fund's website at [www.wvhdf.com](http://www.wvhdf.com). The easy-to-use system guides you through the lock process.

## CHAPTER 6

### CLOSING DOCUMENTS AND REQUIREMENTS

All Fund loans are subject to the closing requirements contained in this chapter unless otherwise specified by a particular Fund Program. Accuracy of the borrower's name, property address, and legal description must be confirmed and consistent on all documents throughout the loan file. Any inconsistencies must be legally certified and documented in the submitted loan file. All loan documents must be completed and executed in accordance with the Loan Purchase Agreement and all applicable laws, rules and/or regulations.

All underwriting conditions required by the commitment letter, conditions of the appraisal, or insurer requirements must be satisfied prior to closing.

- The closed loan package is to be submitted to the Fund within ten (10) calendar days after closing. Documents are to be uploaded into the Lender Portal in the "Closed Loan Package" drop down box in the order they appear under the Checklist of the Post Closing Compliance Sheet. The original signed, endorsed Note, original signed Second Note (if Down Payment and Closing Cost Assistance loan utilized), original recorded deed(s) of Trust, and original recorded Assignment must be delivered to the Fund by mail or express mail. The current version of the 4506 T (available on our website) is required to be submitted prior to the completion of the Funding process. Lenders who request tax transcripts as company policy may submit the transcripts to Underwriting in lieu of the 4506T requirement and file must be noted.
- Receipt of the above-mentioned documents in the prescribed time frame is vital in order to initiate accurate servicing of the loan.

The following documents must be contained in the closed loan file submitted for purchase:

#### **4506T**

Completed and signed most current version located on the Fund's website.

#### **APPRAISAL FINDINGS DETAIL REPORT (Doc File ID)**

Printout provided after the appraisal is submitted through the Appraisal Portal to FNMA.

#### **ASSIGNMENT**

Closing package MUST contain a clocked copy of the fully executed Assignment, indicating date, time, instrument number and county of recording. Original recorded document may be deferred.

### **BUILDER'S WARRANTY & CERTIFICATE**

- Newly constructed homes are subject to a Builder's Warranty and Certificate that the structure will comply with the approved plans and specifications for a period of one year from the date of completion. In the case of a manufactured housing unit, two Builder's Warranty and Certificates are required. The first will cover only the work performed and materials supplied by the builder (i.e., incidental to the placement and affixing of the unit on the site). The manufacturer must provide the second Builder's Warranty on the unit itself.
- Builder warranty may be included in the construction contract, or a separate document provided by the builder.

### **CLOSING DISCLOSURE (CD)**

A fully completed Closing Disclosure executed by all parties to the transaction with all addendums is required. The Participating Lender is responsible for complying with all state and federal laws, rules and regulations.

Borrower may not receive funds in excess of POC items and earnest money deposit back at closing. Costs must be shown as POC to be included in allowable cash back to borrower. The Participating Lender is responsible for complying with requirements of insurer/guarantor regarding allowable fees to ensure receipt of loan guaranty certificate.

### **CLOSING DISCLOSURE (CD) FOR DOWN PAYMENT & CLOSING COST ASSISTANCE LOAN**

A fully completed Closing Disclosure executed by all parties to the transaction with all addendums is required. The Participating Lender is responsible for complying with all state and federal rules and regulations. The Fund must be named as the lender and the recording fee for the Deed of Trust must be disclosed. No other fees are to be charged. Any principal reduction to the Down Payment & Closing Cost Assistance Loan must be made by check.

### **CLOSING FUNDS DUE**

This form must show breakdown of all funds collected at closing for interest and escrow will be net funded from Lender proceeds.

### **DEED**

Clocked copy of fully executed deed of conveyance.

### **DEED OF TRUST**

- Closing package MUST contain a clocked copy of the fully executed document, indicating date, time, instrument number and county of recording. Original recorded document may be deferred. The document must be on the most current West Virginia Single Family Fannie Mae/Freddie Mac Uniform Instrument and be a valid first lien on the eligible single-family dwelling being financed by the loan.
- For manufactured homes, the legal description must clearly reference the serial numbers of the units.
- Trustees may be either the Fund's (Kristin A. Shaffer, residing in Putnam County and Samme L. Gee, residing in Kanawha County), or the lender's own. When the lender's trustee is used, the trustee's complete mailing address is to be disclosed.
- Lender must be named as Beneficiary.
- Names/Signatures (only persons who hold title to the property [named on the deed] are required to sign the Deed of Trust; a spouse who is not on the deed need not sign).
- Homeownership Program requires the ADDENDUM now known as "Deed of Trust Rider", which requires borrowers(s) signature, must be attached and recorded as part of the Deed of Trust. If CONDO, PUD, etc., applicable riders must be attached. Fillable Addendum is located on the Fund's website.

#### **DEED OF TRUST FOR DOWN PAYMENT & CLOSING COST ASSISTANCE LOAN**

Closing package MUST contain a clocked copy of the fully executed document, indicating date, time, instrument number and county of recording. Original recorded document may be deferred. The document must be a valid second lien on the eligible single-family dwelling being financed by the loan.

Document must be the most current West Virginia Single Family Fannie Mae/Freddie Mac Uniform Instrument with the Fund listed as the lender. The closing package is provided by the Fund at no cost to the Lender upon request through the portal.

#### **FINAL APPLICATION**

Final loan application reflecting all verified information must be signed by borrowers and lender at closing.

#### **FLOOD CERTIFICATION**

A Flood Certification to comply with the National Flood Insurance Act of 1968, as amended, must be provided by a licensed vendor meeting Fannie Mae requirements and life of loan tracking to the Fund with the closing package. The Lender is responsible for the transfer of tracking notification to the Fund after closing. Flood Certifications take precedence over the appraisal or survey as the conclusive evidence of the need for flood insurance.

#### **FLOOD INSURANCE**



- Flood insurance is required on Flood Zone A or any Zone A subcategory. The Participating Lender is responsible for and warrants compliance with the provisions of the Flood Disaster Protection Act of 1973, as amended. If the property is identified as being located in an area that requires flood insurance, the lender is required to provide the Fund with evidence that flood insurance has been obtained.
  - Flood coverage must be sufficient to cover the unpaid loan balance. Deductibles must be a minimum of \$1,000.00, or if the coverage is over \$100,000.00 the deductible minimum may be \$1,250.00. The maximum deductible allowed by the Fund is \$5,000.00, however in the event of a loss, the insured is responsible out-of-pocket for losses to the extent of the deductible selected.
- Application along with paid receipt will be accepted. Flood insurance coverage is not required on second deed of trust closing cost assistance loans.
  - Mortgagee must be the West Virginia Housing Development Fund or the lender, their successors and/or assignees as their interests may appear.

## **HAZARD INSURANCE**

- Basic Hazard Insurance Requirements - Each single-family dwelling (including townhouses) must be covered by a hazard insurance policy (fire and extended coverage). A copy of the hazard insurance certificate or a copy of the declaration page of the policy must be submitted with the purchase package evidencing a policy or a binder guaranteed for a one-year period. Hazard insurance coverage is not required on second deed of trust closing cost assistance loans.
  - Approved Insurers must be in accordance with Fannie Mae requirements.
  - Mortgagee must be shown as West Virginia Housing Development Fund or the Participating Lender, their successors and/or assignees as their interests may appear; and be shown as first lien holder position.
  - Amount of insurance required:
- Homeownership and Movin' Up Loans - At least equal to the face amount of the 1<sup>st</sup> note, or to cover the face amount of the loan less site value from the appraisal. If the site value option is used, the policy must contain replacement coverage on the dwelling and a temporary dwelling clause. This would be required to be carried for the life of the loan and the borrower must accept all policy increases.
- Secondary Market Loans - See Fannie Mae guidelines for required coverage.
  - The deductible amount is as follows for a Homeownership or a Movin' Up Loan:
- Unless a higher maximum deductible amount is required by state law, the maximum allowable deductible for a first mortgage is the higher of \$1,000 or 1% of the face amount of the policy. The deductible clause may apply to either fire, extended coverage, or both.
- For Secondary Market loans, follow Fannie Mae's guidelines.
- Specific Hazard Policy Provisions - In addition to containing the basic terms described above, each hazard insurance policy must fulfill the following requirements:
  - Insurance policies must be sufficient in amount and scope of coverage to meet any applicable requirements of FHA, VA, RD, or private mortgage insurance company.

- Each program loan must provide that, in the event of any near or total loss settlement on a hazard insurance policy, the Fund has the option of applying the loss settlement proceeds against the principal amount of the program loan rather than toward restoration of the property.
- All policies of hazard insurance must contain or have attached the standard mortgagee clause customarily used in the area in which the property is located, lender's name, their successors and/or assignees as their interests may appear as the mortgagee. The policy must provide that the insurance carrier will notify the Fund at least 30 days in advance of the effective date of any cancellation, termination or non-renewal of the policy.
- Planned Unit Development (PUD) Organization Insurance or condos must comply with Fannie Mae guidelines.

### **HEALTH DEPARTMENT**

The Fund follows the insuring agency guidelines on FHA, VA and RD loans with respect to requirements for private water system and/or septic systems. (Refer to the appropriate agency guidelines.)

The Fund will require a Health Department Inspection on Conventional purchases in which:

- Appraisal, Purchase Contract or physical inspection indicate need for inspection or
- When there is knowledge of the existence of negative conditions in the area by the lender, realtor, seller or party to the transaction.
  - In these cases, the evaluation of well and/or sewage system must be completed by a licensed sanitarian or contractor.
  - If repairs are required or the system is not functioning correctly, repairs or replacement are required prior to closing.
  - If satisfactory inspection cannot be completed prior to closing due to vacancy, an escrow must be established and administered by the lender or attorney. The seller deposits funds in escrow equal to 1 ½ times the cost of a new system designed for the individual lot. When escrowing, determine if the septic system will work on the lot size or if an aerator needs to be considered. Follow WV Department of Health and Human Resources guidelines on evaluating and approving sewage disposal systems. Once a satisfactory approval of the system is received, the escrowed funds may be released.
- New Construction requires evidence that well and/or septic were installed meeting appropriate local/state permits and codes.

### **INITIAL ESCROW ACCOUNT DISCLOSURE**

The lender is required to compute, prepare, and provide the initial escrow account analysis and statement to the borrower on the date of settlement and the computation must be made by the aggregate accounting method. These escrow funds will be net funded in the funding process.

## **LOAN ESTIMATE (LE)**

A fully completed Loan Estimate executed by the borrower is required for both the first and second loan. The Participating Lender is responsible for complying with all applicable state and federal laws, rules and regulations. The Participating Lender is responsible for complying with requirements of insurer/guarantor regarding allowable fees to ensure receipt of loan guaranty certificate.

## **MANUFACTURED HOMES**

All manufactured homes are subject to the following requirements:

- Must be legally classified as real property with the County Assessor's Office and certificate of title must be retired and documentary evidence submitted for retention in the loan file. Closing instructions to closing agents must advise the agents to ensure that this process is complete as part of the closing process and that documentary evidence is submitted to the lender for retention in the loan file. The Deed of Trust must clearly reference the manufactured units by make, model, size and their serial number(s) within the property description along with any other information that may be required by applicable law to definitively identify the home.
- Fannie Mae Affidavit of Affixture and the Manufactured Home Rider must be completed and recorded along with the legal documents as an attachment to the Deed of Trust. Additionally, lenders must obtain an insured closing protection letter for each loan that is secured by a manufactured home.
- An ALTA Endorsement 7 is required as part of the final title policy.

## **MORTGAGE INSURANCE CERTIFICATION**

The required mortgage insurance may consist of FHA insurance, a VA guaranty, an RD guarantee, or private mortgage insurance company insurance obtained from any insurer duly authorized to do business with Fannie Mae. Mortgage insurance must be confirmed by a private mortgage insurance company certificate or an FHA Insurance Commitment, RD Loan Note Guarantee or VA Loan Commitment, as appropriate. RD Loan Note Guarantee must be submitted within 15 days from the date of closing. FHA servicer/holder transfer must be completed within 15 days of closing. The insured for private mortgage must be listed as West Virginia Housing Development Fund or the participating lender, their successors and/or assignees as their interests may appear and must be included in the closing package.

## **NOTE (First Deed of Trust)**

- The most current West Virginia Fixed Rate Single Family Fannie Mae/Freddie Mac Uniform Instrument is used for Homeownership, Movin' Up and Secondary Market

Program loans. The maximum late charge cannot exceed the lesser of 5% of the unpaid amount of the installment or \$30 under West Virginia State law.

- The original Note will reflect the originating lender's name, be endorsed to the Fund and must be included in the closing package. The endorsement is to read "Without recourse, payable to the West Virginia Housing Development Fund", and signed by an authorized individual of the participating lender. Authorized individual's name, lender name and title also are to be included in the endorsement.

#### **NOTE (2<sup>nd</sup> Deed of Trust - Down Payment and Closing Cost Assistance Loan)**

- The most current West Virginia Fixed Rate Single Family Fannie Mae /Freddie Mac Uniform Instrument is used for Homeownership and Movin' Up Program loans. The maximum late charge cannot exceed the lesser of 5% of the unpaid amount of the installment or \$30 under West Virginia State law.
- Loan is closed with West Virginia Housing Development Fund as the lender and the original executed note must be in the closing package. The 2<sup>nd</sup> Note is provided in the closing package provided by the Fund at no cost to the Lender upon request through the portal.

#### **NOTICE OF RIGHT TO CANCEL**

A Right of Rescission is required for refinance transactions on Secondary Market loans.

An H-8 Notice of Right of Rescission form is used if the borrower refinances through a new creditor and the H-9 is the appropriate Notice of Right of Rescission form when a borrower refinances a loan through the original creditor.

A Right of Rescission is not required for refinance of a Second Home or Investment property.

#### **PAYMENT AND ESCROW INFORMATION**

Must show borrowers NEW mailing address, phone number and complete breakdown of monthly payment including principal, interest, and all escrowed items. Payment information should show first payment to be made to the Fund with the Fund mailing address.

#### **PEST INSPECTION/SOIL TREATMENT**

- Newly constructed property will always require a soil treatment on the appropriate form as required by the insurer/guarantor valid for at least one (1) year from the date of treatment. Evidence of a termite shield is acceptable when a soil treatment cannot be provided.
- Existing structures require a current infestation inspection on all loan types (FHA, VA, RD and conventional) as required by the insurer/guarantor and signed by all parties and cannot be more than 90 days old at the time of closing. All structures on the property

must be inspected. Any statements on the termite report about moisture or water in the crawl space or basement must be addressed and corrected if necessary, by a home inspection company or qualified contractor with all repairs completed prior to closing and evidence of completed repairs provided.

- Unless required by appraisal or underwriting, pest inspections for uninsured Secondary Market refinance of current residence (roll over construction loan excluded) or for Homeownership, Movin' Up or Secondary Market loans with 80% LTV or lower will not be required when the following conditions are met:
  - Six months verified reserves after loan closing,
  - A hold harmless signed by the borrower(s) at closing
- The Fund does not accept bait systems as a means of treatment.

### **QM COMPLIANCE**

Evidence of safe harbor QM compliance must be provided in the closed loan package.

### **SERVICING TRANSFER LETTER**

The Lender must provide a fully executed Servicing Transfer Letter at the time of sale of the loan to the Fund.

### **SURVEY**

- Surveys are not required unless the title policy contains an exception for matters of survey, or a long-form title policy is used. Alta 9 does not cover exceptions for general matters of current survey.
- All new construction loans require a plat or survey dated or re-dated within 90 days of the closing of the program loan, signed, **certified and sealed** by a licensed surveyor or engineer, must be furnished on all loans, including townhouses.

The survey must show the following:

- The exact location and dimensions of the property including the improvements location including well and septic if applicable.
- The exact location of all lot and street lines, all means of access to such property. All means of access to the property must be shown (ingress/egress).
- All recorded easements affecting the property. Building set back or restriction lines. Lot, block, section and subdivision names and reference to recordation. Scale. Driveways, well and septic field location. Utility installations. Identification of adjoining property by name or lot number.
- Lot dimensions
- Flood Map Information

### **TITLE INSURANCE POLICY**

Original formal title binder with countersignature and endorsements must be provided in closed loan package. Mortgagee Clause must contain language “its successors or assigns as their interest may appear.” The binder must not be more than 90 days old at the time of closing. Original formal title policy with countersignature must be received within 90 days from closing. Short form and instant final title policies are acceptable.

- A commitment must be delivered with the purchase package, with the original policy being submitted as a deferred document. The Fund cannot accept certificates of title or title opinion letters. Each program loan must be covered by an American Land Title Association form mortgagee’s title insurance policy issued by a company duly authorized and licensed to engage in such business in the State and meeting the following requirements:
  - FHA must contain and/or Secretary of Housing and Urban Development, ATIMA
  - VA must contain and/or Secretary of Veterans Affairs, ATIMA
  - Deed of Trust description must include the trustees’ names and recording book, page, and date of the Deed of Trust and assignment of the same to the Fund.
  - Affirmative insurance must be provided that restrictive covenants have not been violated and that a future violation will not cause forfeiture or reversion of property.
  - ALTA 8.1 Environmental Endorsement is required on every loan
  - Alta 4 endorsement is required for all condominiums
  - Alta 5 is required for all PUD’s
  - Alta 7 is required for all Manufactured homes
  - The lender is responsible to ensure that the title insurance policy is based on a title search actually performed in accordance with applicable laws and regulations.

## CHAPTER 7

### CLOSING AND FUNDING PROCESS

The Participating Lender will utilize their own funds for closing of the loan for the first deed of trust with reimbursement from the Fund following closing and submission of the closed loan file through the Lender Portal with required original documents delivered directly to the Fund. The Participating lender may proceed with closing after the loan is approved and cleared for funding by the Fund's underwriter. Interest and escrow due at closing will be net funded from the loan proceeds and the balance will be delivered via the ACH process to the Lender. Confirmation of funding will be returned as a download through the Lender Portal on the day of loan purchase.

#### **PROCEEDS DIRECT FROM THE FUND FOR THE SECOND DEED OF TRUST ONLY**

The Lender must request funds for the 2<sup>nd</sup> DOT through the Lender Portal prior to closing. The Fund will supply funds directly for the second deed of trust loan to the closing attorney. The lender must select a Closing Attorney who has on file with the Fund their business/account information for ACH purposes. **All lenders must** use this procedure to order closing funds for any Down Payment and Closing Cost Assistance loan.

After an attorney is selected, the participating lender should complete the Funding Request form found on our website. The form provides the borrower's name, date of closing, amount requested, Closing Attorney being utilized and the lender to be contacted for confirmation. Funding requests must be submitted no later than 2:00 p.m., the business day prior to the scheduled closing.

Should the lender wish to submit information for an attorney not currently approved for ACH funding, the following steps should be initiated:

- Provide to the attorney a copy of the Closing Attorney Application located on our website at [www.wvhdf.com](http://www.wvhdf.com). The form requests general information on the attorney's firm and provides specific closing instructions with which the attorney must review and acknowledge.
- Provide to the attorney a Direct Deposit Sign-Up form for completion by the attorney and his/her financial institution. Submission of this form is imperative as it provides the account information where funds will be deposited.
- Obtain from the attorney a copy of his/her Closing Protection Letter issued by the attorney's title insurance company to the Fund.

- Obtain from the attorney a copy of the declarations page from his/her professional liability insurance.

The above forms and documents should be forwarded to the funder via email. Within forty-eight hours, the application will be reviewed for accuracy and the attorney will be added to the ACH list. Once added, the Closing Attorney may be used for any future closing by any participating lender.

The Fund will only supply funds directly for the second deed of trust loan to the closing attorney. The lender must select a Closing Attorney who has on file with the Fund and their business/account information for ACH purposes. **All lenders must** use this procedure to order closing funds for any Down Payment and Closing Cost Assistance loan.

On the business day prior to the date of closing, a Funding Confirmation form will be sent via email to the lender contact provided on the Funding Request form.

Within ten calendar days, the lender must submit to the Fund a Closed Loan Package per the Post Closing Checklist Compliance Sheet. Upon receipt of the Closed Loan Package, the Fund will reimburse the lender the amount of the first deed of trust, origination fees and daily interest accrued from the date of closing and the date of receipt at our office in Charleston, WV. The participating lender will be provided a breakdown of these amounts via a Funding Confirmation. The confirmation details the total amount sent, including any adjustments for origination and underwriting fees, and the interest rate to be reflected on the first Deed of Trust Note and the net funded amount for the interest due and escrow set up.

### **CLOSED LOAN PACKAGE**

It is the responsibility of the lender to provide to the Fund a Closed Loan Package within **ten calendar days** of the signing of the Note. Documents required for submission are listed on the Post Closing Compliance Sheet and include the original signed, endorsed Note, original signed Second Note (if Down Payment and Closing Cost Assistance loan utilized), payment page, tax information, hazard insurance declarations, 4506T, mortgage insurance commitment, flood certification and flood insurance (if required), life of loan transfer for flood insurance, the fully executed final 1003 application, appraisal (if not previously submitted) and the Closing Disclosures, clocked copies of the deed(s) of Trust and Assignment, Title Commitment and other documents as listed on the Post Closing Compliance Sheet.

**Receipt of the above-mentioned documents in the prescribed time frame is vital in order to initiate accurate servicing of the loan.**



### **CLOSING DOCUMENTS PREPARED BY THE FUND**

Participating Lenders may choose to have closing documents prepared by the Fund. In order to have these closing services provided by the Fund, the participating lender is required to execute a Closing Letter of Understanding. The Closing Letter of Understanding represents a mutual understanding and commitment between the Fund, and the participating lender to furnish the closing services for a fee of \$175.00.

Lenders interested in this service should contact the Fund for complete details to obtain the Closing Letter of Understanding.

### **LOAN DELIVERY LATE FEE**

Late Delivery Fees – The Fund may impose penalties for failure of the participating lender to submit required loan documents within the required time period.

Closed loan packages, including the credit package (if not previously delivered to underwriting), must be submitted to the Fund within ten (10) calendar days of the loan closing on Homeownership, Movin' Up and Secondary Market loans. Loan packages not received within this time frame may be subject to a late fee.

## CHAPTER 8

### DEFERRED DOCUMENT PROCEDURES

Upon submission of the complete closed loan package, the Fund will review select documents within the file for completeness and accuracy. A “Closed Document Tracking” report for each loan will be issued to the lender through the Lender Portal as a Download following the initial review indicating documents outstanding and/or anything required to be corrected on documents reviewed.

The “Closed Document Tracking” report will indicate the select documents that are outstanding by a date. Comments will indicate necessary corrections needed to bring the loan into compliance with our program guidelines. Lender review of this report, and execution of the required corrections prior to submission of the post-closing documents, will eliminate time delays in the payment of the Lender’s Service Release Premiums.

**Post Closing Documents** – Acceptable Post Closing Documents include a clocked copy of the original or the original recorded Deed(s) of Trust, a clocked copy or the original recorded Assignment, the Final Title Policy and any Endorsements required, and any other documents requested on the “Closed Document Tracking” report. Insurance certificates for FHA, VA and RD loans also will typically be deferred documents.

**Fees for the Late Submission of Post Closing Documents** - For Homeownership and Movin’ Up loans, the Service Release premium will not be paid until all post closing documents are received and verified to be correct. For all loans that are not complete (all documents received and verified to be correct) within 90 days of closing, late delivery fees apply.

**Monthly Post Closing Document Reports** - Reports showing the outstanding post closing documents for each loan will be downloaded through the Lender Portal to lenders on a monthly basis. It is imperative that lenders evaluate these reports and monitor the submission of their post-closing documents in order to avoid late fees or repurchases.

#### **SUBMISSION OF DEFERRED DOCUMENTS**

ALL deferred documents are required to be received by the Fund in complete and correct form NO LATER than 90 days past the loan closing date. Deferred documents should be identified by the loan number that was assigned when the loan was locked. Lenders are requested to submit deferred documents as they are received.

## **CHAPTER 9**

### **QUALITY CONTROL**

The Fund will typically perform a monthly Quality Control review of no less than 10% of loans purchased by the Fund. The selection will include random, discretionary, and Early Payment Default loans. The Participating Lender will be notified of any defects and will assist the Fund as needed to mitigate loan level defects. The Participating Lender will submit any loan level documentation requested by the Fund to clear necessary defects.

If at any time during the life of a Mortgage Loan a Quality Control review reveals the Participating Lender has failed to clear an outstanding issue or any material defect or inaccuracy cannot be resolved to the satisfaction of the Fund, the Participating Lender may be required to re-purchase the Mortgage Loan from the Fund as outlined in the Loan Purchase Agreement.

The Fund will also perform monthly pre-purchase reviews on select loans. Participating Lenders will be notified of any findings and must provide responses through the Lender Portal via the QC Conditions delivery option. All loans selected for pre-purchase review must be cleared by the Fund's Quality Control Department prior to purchase.