

MSHDA POLICIES & PROCEDURES

SINGLE FAMILY CONVENTIONAL LOAN- MI HOME LOAN

Effective Date: 10-17	Replaces Issue of:	Product Name: CONV MI Home Loan
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SUMMARY:	A 30-year fixed rate conventional loan available to low-to-moderate income borrowers who meet the MSHDA sales price and income limit eligibility guidelines. All borrowers must meet our prior homeownership restrictions in non-targeted areas. All adult members of the household must apply jointly for the loan. Non-occupant co-borrowers and co-signers are not permitted
PRODUCTS:	Conventional (standard) \leq 97% Conventional with DPA 97%/105%
MORTGAGE INSURANCE:	Mortgage Insurance must be obtained through either MGIC or ARCH using the Fannie Mae (Desktop Underwriter) HFA Preferred product or Freddie Mac(Loan Prospector) Home Possible Advantage. Rates are based on MI requirements using MGIC HFA rates or ARCH Rate Star
LOAN PURPOSE:	Purchase of Single family, owner-occupied primary residence only.
INCOME LIMITS:	Income limits apply and are available online at: www.michigan.gov/mshda
SALES PRICE LIMITS:	Sales price limits apply and are available online at: www.michigan.gov/mshda
REQUIREMENTS:	The borrower must occupy the property as his/her primary residence within 60 days of loan closing.
ELIGIBLE PROPERTIES:	New or existing single-family residences (1-unit). Agency approved condos New or existing multiple-section Manufactured homes on foundations permanently affixed to real estate (see restrictions below) <i>Note: Existing multiple-section manufactured homes must have been constructed after June 14, 1976. Additional mortgage insurance company restrictions may apply</i>

MANUFACTURED HOMES:

Minimum Middle Credit Score 660
Maximum LTV/CLTV 95%/95% (DPA not allowed)

LOAN TERM:

30-year term

MINIMUM LOAN AMOUNT:

There is no minimum loan amount.

MAXIMUM LOAN TO VALUE:

97% LTV / 105% CLTV (1-Unit and Condos)
95% LTV Manufactured homes (DPA not allowed)

Loan cannot include any portion of a financed mortgage insurance premium.

SUBORDINATE FINANCING:

In conjunction with a maximum financed (97%) Conventional mortgage, a MSHDA Single Family Down Payment Assistance (SF-DPA) loan is available for households who meet the MSHDA sales price and income limit eligibility guidelines. The DPA is a 0%, non-amortizing, "soft" second mortgage loan to assist with the down payment, closing costs, and prepaid expenses. The second mortgage is due on refinance, sale or transfer of the property. The borrower is required to invest a minimum of 1% of the sales price. This amount may be a gift from a relative or person with long standing relationship. The maximum DPA available is \$7,500. A liquid cash asset limit applies, which is \$10,000. For Individual Development Account Participants, the matched funds are not used in calculating the liquid cash assets. NOTE: Cash back at closing is not permitted, except for POCs listed on the Closing Disclosure Statement, which are in excess of the borrower's required 1% cash investment. Mortgage insurance premium cannot be included in the DPA.

INTERESTED PARTY CONTRIBUTIONS:

The maximum allowable contributions from interested parties are subject to standard conventional guidelines.

HOMEBUYER EDUCATION:

Borrowers are required to receive homebuyer education counseling if the Conventional loan is combined with a DPA. The homebuyer education must be provided by either a MSHDA or HUD approved counseling agency in Michigan. The Homebuyer Education Certificate is valid for 12 months. A list of MSHDA certified counselors is available at: www.michigan.gov/mshda

**PREPAYMENT
PENALTY:**

No prepayment penalty.

**FEDERAL
RECAPTURE
TAX:**

If property is sold within nine (9) years from the date of loan closing, the borrower may owe a recapture tax. This tax is based on the household income and family size during the year of resale, and on the length of time the borrower occupied the property. Borrowers who must pay this tax will be reimbursed by MSHDA upon proof of actual tax paid, with copies of IRS form 8828 and copy of 1040's.

**ALLOWABLE
FEES:**

The lender must follow the MI First Home Borrower Closing Cost Guide

UNDERWRITING:

Loans must meet all GSE, insurer (MGIC or ARCH) and MSHDA underwriting guidelines.

- Minimum middle credit score
640 (I-unit or condos only)
660 manufactured home
- Borrowers with no credit score due to a lack of credit history may still be eligible providing there is sufficient alternative credit.
- Maximum DTI 45.000%
- MSHDA DPA must be listed as subordinate financing in AUS
- Lenders are responsible for making sure each loan complies with GSE and Mortgage Insurance Requirements (additional overlays may apply)
- Mortgage Credit Certificates (MCC) may not be used in conjunction with the MSHDA Conventional

Note: These underwriting standards apply regardless of DU or LP response and are subject to all applicable overlays

**Application
Documents:**

Refer to "Loan Submission Checklist", DOH 109, for required documents.

**Closing
Documents:**

Refer to "Purchase Submission Checklist" DOH 001 for required documents

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