



Mortgage Revenue Bond Program Manual

TABLE OF CONTENTS
MISSISSIPPI HOME CORPORATION
MORTGAGE REVENUE BOND

Section 1 – Eligibility Requirements	3
1.1 Consideration for Evaluation	3
1.2 First-Time Buyer Requirement	3
1.3 Income Requirement	5
- Mississippi MRB Non-Target County Income Limits	7
- Mississippi MRB Target County Income Limits	8
1.4 Acquisition Cost Requirement	9
1.5 Property Types	10
1.6 Loan Types	10
1.7 Loan Terms	10
1.8 Appraisal Requirements	10
1.9 Target Area – Split County Designations	11
1.10 Determination by Lender	11
1.11 Credit Underwriting Requirement	12
Section 2 – Submission Procedures	13
2.1 Reservation Request	13
2.2 Reservation Fee	13
2.3 Reservation Modification	13
2.4 Reservation Expiration	14
2.5 Extension Expiration	14
2.6 Cancellation of Reservation	14
2.7 Transfer of Reservation	15
2.8 Compliance Package	15
2.9 Expiration of Conditional Commitment	16
2.10 Purchase Certification Stage	16
Section 3 – Pooling Procedures (Servicer)	18
3.1 Loan Purchases	18
3.2 Pooling of New Loans	18
Section 4 – Recapture Tax	20
4.1 Determination of Recapture	20
4.2 Calculation of Recapture Tax	20
Section 5 – Transfer of Ownership	23
5.1 Assumptions	23
5.2 Leasing/Renting	23

SECTION 1 - ELIGIBILITY REQUIREMENTS

1.1 Consideration for Evaluation:

An applicant's and persons to be living in the household at time of closing eligibility for a loan is determined without regard to race, religion, national origin, sex, marital status, or age provided the applicant possesses the legal ability to incur the obligation of a mortgage loan. Under the Mortgage Revenue Bond program (the "Program"); the Borrower(s) must meet the following criteria:

- Cannot have owned or held an ownership interest in a principal residence at any time during the past three years. See section 1.2.
- Total gross annual family income must be at, or below the income limit established for the county in which the property is located. See section 1.3.
- The acquisition cost of the subject property cannot exceed the published acquisition cost limits for the county in which the property is located. See section 1.4.
- Must agree to occupy and use the residential property as his/her permanent, principal residence within sixty- (60) day's of closing.
- Must not use the loan proceeds to acquire or replace an existing mortgage, except in the case of temporary financing (less than 24 months). Bond refinancing is not permitted.
- Must agree not to rent the property.

1.2 First-Time Home Buyer Requirement:

The Applicant's and persons to be living in the household at time of closing are classified as a first-time homebuyer if they have not owned an interest in a principal residence at any point in the last three (3) years. This requirement does not apply to residences located in Targeted Areas. The following are examples of interests that constitute ownership interest in real property.

- Fee Simple;
- Joint tenancy, a tenancy in common, or tenancy by the entirety;
- The interest of a tenant shareholder in a cooperative;
- A life estate;
- A land contract or bond for deed contract (i.e., a contract pursuant to which possession and the benefits and burdens of ownership are transferred although legal title is not transferred until some later date); and
- An interest held in trust for the Mortgagor (whether or not created by the Mortgagor) that would constitute a present ownership interest if held directly by the Mortgagor.

If the applicant and persons to be living in the household at time of closing can answer YES to any of the above, he/she would not be classified as a first-time homebuyer and therefore would not be eligible to participate in the Mississippi Home Corporation's Single Family Program.

If the Applicant(s) shared an interest in a principal residence with a spouse and divorced, the Quit claiming of a deed would not restore the individual to first-time homebuyer status. Married filing jointly constitutes an ownership interest even if the principal residence was only in the spouse's name. Both parties receive a tax benefit; therefore both parties are considered to have had an ownership interest.

If the Applicant(s) had a joint tenancy, a tenancy in common, or tenancy by the entirety, would constitute ownership interest in real property. If MHC can evidence a possible joint tenancy, documentation will be required to determine the three- (3) year requirement has been satisfied.

Examples of documentation required:

- Copy of a divorce decree evidencing no real property existed and if so, a settlement statement reflecting that the three-year limit has been met (unless in a targeted area).
- Copy of a death certificate and a settlement statement if the real property was sold and that the three-year limit has been met (unless in a targeted area) or copy of lease agreement.
- If a residence other than a principal residence was owned but being leased, a copy of a current lease agreement would be required (the income from the lease would need to be included in the borrower's annual gross income).

Examples of interest that do not constitute present ownership interest and would not result in a Borrower failing to meet the first-time homebuyer requirements are:

- A remainder interest (residence left over);
- A lease with or without an option to purchase;
- A mere expectancy to inherit an interest in a principal residence;
- The interest that a purchaser of a residence acquires on execution of a purchase contract;
- An interest in other than a principal residence during the previous three years. For example, owning a vacation home or rental property would not disqualify a Borrower; and
- Qualified Veterans are exempt from the first-time home buyer rule (Effective June 17, 2008)

Procedure for Manufactured Home not affixed to land:

For purposes of prior ownership, a Manufactured Home is not treated as a principal residence if it is not permanently affixed to real property, even if the home is set up on land in which the applicant owns. To verify whether or not the Manufactured Home was permanently affixed to land, the Lender should obtain the following documentation:

- Copy of Bill of Sale, closing statement or Certificate of Title; i.e. the applicant must provide conclusive evidence that the Manufactured Home was not permanently affixed to land.
- Completed signed federal tax returns for the preceding three (3)-years to verify that an applicant did not take a deduction for taxes or interest on a principal residence.

Federal Tax Returns:

To confirm the first-time homebuyer status (required in non-targeted areas only) the Borrower(s) must furnish signed copies of the last three (3)-years Federal income tax returns. If applicable, a Borrowers spouse or live-in must provide tax returns even though they may not be included on the loan. The tax returns should be reviewed by the Lender to determine whether the Borrower(s) claimed a deduction for Real Estate taxes or a deduction for interest paid on a mortgage secured by real property that was the Borrower(s) principal residence. Each year tax return must be originally executed by the Borrower(s) or use an E-signature and provide a copy of the E-Signature authorization form and upload as a Exception or miscellaneous document. If a review of the tax returns indicates no tax or interest deduction for Real property, the responsibility falls to the Borrower (s) to sign the Borrower's Affidavit and certify that they are first-time homebuyers.

If the Borrower(s) has filed Form 1040, 1040A or 1040EZ but is unable to produce copies of the federal tax returns for the previous three (3)-years, the Lender can request copies of the most recent tax returns from IRS by completing IRS Form 4506 and providing a copy to MHC or to obtain three (3)-years Tax Transcripts, the lender can use IRS Form 4506-T and provide a copy to MHC. In the event no taxes were filed, the Lender must obtain IRS Form 1722 reflecting that the IRS has no record of filing and the individual must execute an original statement clearly stating why returns were not filed.

If the Borrower(s) was not required by law to file a Federal income tax return, they must provide a letter of explanation and rental verification for three- (3) years. In the event a student situation and/or borrower was claimed as a dependant on someone else's federal return, copies of school transcripts or original statement from guardian stating the borrower was being claimed as a dependant must be included in the Compliance package submitted to MHC as a miscellaneous.

1.3 Income Requirement:

Gross Family Annual Income is calculated to determine if the household income is at or below the income limit established for the county in which the subject property is located. The income to be used in determining the annual household income is the sum total of the applicant's income and the income of any other person who is expected to live in the residence being financed. In the event the marital status is separated, MHC requires the lender submit both spouse's VOE (s) and current pay stub (s). The income of a Co-signer **would not** be used to determine the income eligibility if the co-signer does not intend to live in the property and will not have an ownership interest in the property. When submitting the Loan Application with the Reservation Package, cross through the words Co-Borrower and write Co-Signor to prevent MHC from requesting additional documentation on the loan.

NOTE: A family member helping an applicant buy a home is the only acceptable Co-Signer. However, the non-occupying co-borrower cannot take title to the property and does not sign any of the MRB documents.

To determine the income of a salaried borrower(s), current (less than 30 days old from the date MHC receives the Compliance package) pay stubs and verification of employment ("VOE") or a verbal verification from each employer must be used for the current tax year. If the pay stub or VOE indicate overtime or bonus, a monthly average (15 months to a 27 month period) is determined in order to calculate the annual income. This income is utilized even if, on the prior year section of the VOE, no overtime or bonus is referenced.

NOTE: The income on a salaried applicant is taken from the VOE or pay stub, the income cannot be averaged over prior years.

The income of a self-employed applicant is determined from the most recent tax returns and an original executed current profit and loss statement (current tax year). Depreciation should be added back to the self-employed applicant's income.

Income required under the federal guidelines for the Mortgage Revenue Bond Program quite often includes income that is not used to determine qualifying income under the secondary market guidelines. The Income Calculation Worksheet includes a section for such other income. Examples are as follows:

- Child support, alimony or separate maintenance payments;
- Periodic payments from trusts, annuities, inheritance and insurance policies;
- Pensions and retirement funds;
- Income from lotteries;

- All public assistance payments with the exception of Medicaid or food stamps;
- Recurring investment gain income with the exception of:
 - (a) Gain on a one-time sale
 - (b) Or any gain from the sale of the borrower's prior residence;
- Payments in lieu of earnings:
 - (a) Social Security
 - (b) Unemployment benefits
 - (c) Worker's Compensation
 - (d) Severance pay
 - (e) Disability or death benefits
 - (f) Cash contributions received from persons not living in the household.
 - (g) Sick pay
- Income from Partnerships
- Undisbursed profits (retained earnings) from a business owned in whole or in part by the Borrower(s)
- Income from part time employment
- Net rental income
- Veterans Administration compensation (except educational benefits)
- Per diem, taxable income

Income Limits:

On the following page is a current listing of the income limits. Please note that these limits are subject to change (per IRS) on an annual basis or in the event of a federally declared disaster.

MISSISSIPPI HOME CORPORATION – MRB Program
Non-Target County Income Limits
EFFECTIVE w/Loan Applications taken on or after June 9, 2017

<u>County</u>	<u>One to Two in Family</u>	<u>Three or More in Family</u>
Adams*	51,800	59,570
Alcorn*	51,800	59,570
Bolivar*	51,800	59,570
Carroll	51,800	59,570
Clarke	51,800	59,570
Covington	51,800	59,570
DeSoto	60,100	69,115
Forrest*	53,800	61,870
Grenada	51,800	59,570
Hancock	51,900	59,685
Harrison	51,900	59,685
Hinds*	63,200	72,680
Issaquena	51,800	59,570
Itawamba	51,800	59,570
Jackson	59,000	67,850
Jasper	51,800	59,570
Jones*	51,800	59,570
Lafayette	61,900	71,185
Lamar	53,800	61,870
Lauderdale*	52,600	60,490
Lawrence	51,800	59,570
Lee	57,300	65,895
Lincoln	51,800	59,570
Lowndes*	51,800	59,570
Madison*	63,200	72,680
Marion	51,800	59,570
Neshoba	51,800	59,570
Newton	51,800	59,570
Oktibbeha	57,700	66,355
Pearl River	51,900	59,685
Pontotoc	53,000	60,950
Rankin	63,200	72,680
Scott	51,800	59,570
Sharkey	52,600	60,490
Simpson	51,800	59,570
Smith	51,800	59,570
Tate	55,600	63,940
Union	51,800	59,570
Warren	55,700	64,055
Yalobusha	51,800	59,570

*Split County - See Program Maps on MHC website www.mshc.com – Lender Info. Tab
– MHC Program Maps

Revised 6/7/2017

MISSISSIPPI HOME CORPORATION – MRB Program
Target County Income Limits
Effective w/loan applications on or after June 9, 2017

<u>County</u>	<u>One to Two in Family</u>	<u>Three or More in Family</u>
Adams*	62,160	72,520
Alcorn*	62,160	72,520
Amite	62,160	72,520
Attala	62,160	72,520
Benton	62,160	72,520
Bolivar*	62,160	72,520
Calhoun	62,160	72,520
Chickasaw	62,160	72,520
Choctaw	62,160	72,520
Claiborne	62,160	72,520
Clay	62,160	72,520
Coahoma	62,160	72,520
Copiah	75,840	88,480
Forrest*	64,560	75,320
Franklin	62,160	72,520
George	66,240	77,280
Greene	62,160	72,520
Hinds*	75,840	88,480
Holmes	62,160	72,520
Humphreys	62,160	72,520
Jefferson	62,160	72,520
Jefferson Davis	62,160	72,520
Jones*	62,160	72,520
Kemper	62,160	72,520
Lauderdale*	63,120	73,640
Leake	62,160	72,520
Leflore	62,160	72,520
Lowndes*	62,160	72,520
Madison*	75,840	88,480
Marshall	62,160	72,520
Monroe	62,160	72,520
Montgomery	62,160	72,520
Noxubee	62,160	72,520
Panola	62,160	72,520
Perry	64,560	75,320
Pike	62,160	72,520
Prentiss	62,160	72,520
Quitman	62,160	72,520
Stone	63,120	73,640
Sunflower	62,160	72,520
Tallahatchie	62,160	72,520
Tippah	62,160	72,520
Tishomingo	62,160	72,520
Tunica	62,160	72,520
Walthall	62,160	72,520
Washington	62,160	72,520
Wayne	62,160	72,520
Webster	62,160	72,520
Wilkinson	62,160	72,520
Winston	62,160	72,520
Yazoo	62,160	72,520

*Split County (See Program Maps on MHC website www.mshc.com – Lender Info. Tab – **MHC Program Maps**

1.4 Acquisition Cost Requirement:

Acquisition cost (or purchase price) is the cost of acquiring a Residential Housing Unit as a completed residential unit that includes all amounts paid in cash or kind by the Borrower or a related party to the seller as consideration for the Residential Housing Unit. Amounts paid include:

- Items constituting fixtures.
- If incomplete the reasonable cost of completion (even if these costs are not to be financed in the mortgage loan).
- If the property is subject to a ground rent, the capitalized value of the ground rent calculated using the discount rate equal to the yield on the bonds.
- If repairs are required by the appraisal, the reasonable cost of the repairs is to be included, even if these costs are not to be included in the mortgage loan.
- Any settlement costs that are paid by the Borrower and exceed the usual and reasonable cost.

Acquisition cost does not include the following:

- Usual and reasonable costs added to the purchase price such as:
 - (a) Title and transfer cost
 - (b) Title Insurance
 - (c) Survey fees
 - (d) Credit report fee
 - (e) Attorney fee
 - (f) Appraisal cost
- Sweat Equity
- Cost of the land if the land has been owned for two years or more

The maximum acquisition cost varies based upon location, whether the principal residence is new or existing or whether the principal residence is in a target or non-target area. The current maximum acquisition cost is as follows:

Target

\$289,705

Non-Target

\$237,031

In no event can the maximum loan amount exceed the maximum acquisition cost.

Revision 12/31/2010

1.5 Property Types:

The following types of properties may be financed under the Mortgage Revenue Bond Program.

- Single family detached
- Single family attached
- Condominiums or PUD
- DeMinimis Pud
- Manufactured Homes that are permanently affixed to land.

NOTE: Leasehold properties that meet the requirements of HUD and VA may be financed under the Mortgage Revenue Bond Program. In the event of a HUD Repossessed property, the HUD Sales Contract Form (HUD-9548) will take the place of the Original Seller's Affidavit (MRB 004). **Duplexes are not eligible.**

1.6 Loan Types:

In order to qualify under the Program, each mortgage loan must be insured or guaranteed, depending upon the loan type by either the Federal Housing Administration ("FHA"), Veterans Administration ("VA"), Rural Development Guaranteed Loan product ("RD"), or a Fannie Mae or Freddie Mac 30-year conventional loan Private Mortgage Insurance provider.

In all cases, the mortgage loan must be for the permanent financing of a residence located within the State of Mississippi that is being purchased or constructed by or on behalf of an eligible Borrower and that will remain an owner-occupied residence for the life of the loan.

In the event of a FHA 2/1 buy-down, the buy-down subsidy funds can now Seller or Borrower paid per HUD guidelines.

NOTE: Bond refinancing is not permitted, but market rate refinancing is permitted.

1.7 Loan Terms:

Each mortgage loan shall be a fixed-rate 30-year mortgage set by MHC for a term of thirty- (30) years.

1.8 Appraisal Requirements:

A copy of the Uniform Residential Appraisal Report ("URAR") and the Conditional Commitment or Certificate of Reasonable Value ("CRV") must be included in the compliance package. The appraisal must indicate the following:

- If any portion of the Residential Housing Unit is used to produce income, the appraisal must indicate this on the URAR.
- If the Residential Housing Units have additional buildings, such as storage buildings, workshops, etc, the appraisal must indicate the value and certify that no consideration was given.
- The proceeds of a Mortgage Bond loan may only be used for the procurement of the tract of land and the residence situated thereon. The appraisal report must state the value and size of the land. In cases where land size exceeds one (1) acre, the appraisal must reflect whether this is normal for the area.

- The remaining economic life reflected on the URAR must be a minimum of 30 years.

1.9 Target Areas:

Target areas are economically distressed areas as determined from the most recent census data.

Adams*	Greene	Montgomery	Wayne
Alcorn*	Hinds*	Noxubee	Webster
Amite	Holmes	Panola	Wilkinson
Attala	Humphreys	Pearl River	Winston
Benton	Jefferson	Perry	Yazoo
Bolivar*	Jefferson Davis	Pike	
Choctaw	Jones*	Prentiss	
Claiborne	Kemper	Quitman	
Clarke	Lauderdale*	Sunflower	
Clay	Leake	Tallahatchie	
Coahoma	Leflore	Tippah	
Copiah	Lowndes*	Tishomingo	
Forrest*	Madison*	Tunica	
Franklin	Marshall	Walthall	
George	Monroe	Washington	

*Split County (See Program Maps on MHC website www.mshc.com – Lender Info. Tab). All but 4 tracts became effective as of 1/6/2014. Tracts not restricted by the new date are Adams-0004, Hinds-0108.01 and Lauderdale 0004 and 0006.

In addition to the counties listed above, certain areas within the following counties have also been designated as target areas.

<u>County</u>	<u>Target Area Census Tracts</u>
Adams	0004
Alcorn	9505
Bolivar	9501, 9502, 9507.02
Forrest	6, 107
Hinds	3.01, 9, 12, 20, 21, 30, 32, 35, 114, 115, 108.01
Jones	9506
Lauderdale	2, 4, 6, 8
Lowndes	6, 8
Madison	305

1.10 Determination by Lender:

The Lender, subject to the final review and determination of MHC shall initially determine the eligibility of an applicant. The Lender must review the application form and related documents to determine their completeness in accordance with this Guide. Reasonable efforts should be undertaken to verify the information given. All mortgage loans must be originated in accordance with the provisions of the MRB Origination Agreement and be eligible for inclusion into a Ginnie Mae, Fannie Mae Mortgage Backed Security or Freddie Mac Participation Certificate.

If MHC finds that the applicant(s) does not meet any one of the requirements, the loan will not be approved. If the loan transaction is completed and it is later determined that the applicant(s) did not meet all of the requirements at closing or has caused themselves to become ineligible (misrepresentation, did not occupy the property, etc.) the first mortgage and second mortgage loans will be called due.

1.11 Credit Underwriting Requirement:

The Mississippi Home Corporation does not credit underwrite the loan. MHC is only responsible for the tax compliance on each loan file. The credit guidelines to be followed are the normal guidelines established by FHA, VA and RD loans as reflected in HUD's 4155.1 Handbook or the Fannie Mae or Freddie Mac Seller/Service guides and additional guidelines established by the approved bond loan servicer.

MHC does not have any set credit score limits but the approved bond loan servicer may have set their own requirements. Contact your selected servicer for more details.

SECTION 2 - SUBMISSION PROCEDURES

2.1 Reservation Request:

To reserve funds, go to MHC's website, www.mshomecorp.com and select the "For Lenders" link and select the "Mortgage Revenue Bond Lender Resources" link. The Online Reservation User's Guide and MRB Program Manual can be found under this link. The lender must first submit the reservation fee (see Section 2.2). The Lender will select the "Lender Login" link to begin the loan reservation process. The Lender's Administrator should've received a Login ID and a password from MHC's IT manager upon MHC's lender approval. There will be no restrictions as to the total number of reservations issued to any Lender. Hand delivered or mailed delivery requests for reservations will not be accepted. The reservation requests are eligible for issuance on a first-come, first serve basis under all MRB Issues. Documents are found under the "Print Documents" link. Once completed, go to "Documents Images" to upload the forms to MHC. MHC must receive the Reservation package documents listed below within three (3) business days from the date of reservation. If the Reservation package is not received within 3 business days, MHC has the authority to cancel the reservation. If the lender hasn't uploaded the Reservation Package documents within the 3 business day timeframe, but chooses to keep the reservation, MHC could require there will be a \$25.00 late fee assessed to the Lender for failure to deliver at minimum, the Reservation package documents.

NOTE: Faxed Reservation requests will be accepted **ONLY** if the MHC website is unavailable for more than 24 hours. If that be the case, the fax number that would be used is (601) 718-4672.

- MRB Reservation Form (MRB 001) w/Internet Reservation Confirmation Form
- MRB Checklist (MRB 002)
- Reservation Fee of \$200, except for HAT/HOYO (*Non-Refundable*)
- Copy of Executed Sales Contract or HUD Property Disposition Form 9548 (whichever is applicable)
- Copy of Complete/Executed Loan Application
- Original Executed Notice to Mortgagor Regarding Recapture Tax Form
- Original MRB Premium Cash Advance/Fee Disclosure Form (MRB/DISC - Excludes HAT & HOYO)
- Copy of Homebuyer Education Certificate (MHC will accept Online Course Certificates)
- Original HAT Loan Agreement (if applicable)

Note: E-Signatures are allowed when the E-Signature Authorization Form is provided as Exception or Miscellaneous documentation.

2.2 Reservation Fee:

A NON-REFUNDABLE reservation fee of \$200.00 will be charged per reservation and is paid online. The fee is waived when using HAT/HOYO or City grant products. The fee is paid by going to "For Lenders" – "Mortgage Revenue Bond Program" - "Pay MRB Fee". If funds are not received within three (3) -business days, MHC reserves the right to cancel the loan and re-allocate the funds to the next loan being reserved. There is no restriction on who can provide the fee to the Lender.

2.3 Reservation Modification:

A Lender can make changes to loan information by contacting a MHC Single Family underwriter and uploading a NOTIFICATION OF CHANGE FORM (MRB 011). Upload the form online for approval and upload all other documents related to the change. If the documents required original signatures, the lender can make the change and have the borrower(s) initial the document and the upload to MHC. A request for change will be subject to the following guidelines:

- Decreases in the mortgage amount. Additional changes to be made will be to the Borrowers Affidavit if the Acquisition cost changes and the Affidavit of Seller, the Potential Recapture Tax form and FHA Transmittal Summary, VA Loan Analysis or Fannie Mae 1008 (depending upon product type).
- Increases in mortgage amounts will require prior approval of MHC and will be subject to the availability of Funds. Additional changes to be made will be to the Borrowers Affidavit if the Acquisition cost changes, Affidavit of Seller, Potential Recapture Tax form and FHA Transmittal Summary, VA Loan Analysis or Fannie Mae 1008 (depending upon product type).
- Change to a property address is also acceptable upon prior approval of MHC. Additional changes to be made will be to the Borrowers Affidavit, Affidavit of Seller, and the Potential Recapture Tax, a copy of the new Sales Contract, Appraisal and FHA Transmittal Summary, VA Loan Analysis or Fannie Mae 1008, (depending upon product type).

CHANGES IN LOAN AMOUNTS ARE RESTRICTED TO THE AVAILABILITY OF FUNDS. THE SUBMISSION OF A CHANGE FORM TO INCREASE THE LOAN AMOUNT DOES NOT AUTOMATICALLY ENSURE THAT MHC WILL HAVE THE FUNDS AVAILABLE TO APPROVE THE INCREASE. If the loan amount changes after the Premium Cash Advance has been wired to the Closing Agent, the Lender could be subject to a \$25.00 fee to issue another wire.

2.4 Reservation Expiration:

Each reservation of funds will expire if the mortgage loan has not closed within the following periods:

- Reservations for existing or new residences (less than one year old and never occupied) will expire forty-five (45) days from the date of the reservation.
- Reservations for loans under construction at the time of reserving the loan would expire one hundred twenty (120) days from the date of the reservation, but not past the official Last Closing Date for the specific bond issue (refer to Bond Issue Program Summary for the schedule of Final Closing dates).

2.5 Extension of Reservation:

A thirty- (30) day extension of the reservation period may be granted on a case-by-case basis at the sole discretion of MHC and as long as the bond issue final closing date is not been surpassed. All extensions must be requested prior to the expiration date by completing and uploading a NOTIFICATION OF CHANGE FORM (MRB 011) and other relevant documentation. A fee of \$50.00 every thirty (30)- calendar days will be charged to extend a reservation after the initial 45/120 submission timeframes. Extension fee would be paid online under “For Lenders” – “Pay Program Fee” or under Mortgage Revenue Bond – “Pay MRB Fee”.

2.6 Cancellation of Reservation:

Reservations of funds will be canceled under the following conditions:

- Upon delivery of the required documents, should MHC determine that the Borrower and/or Co-Borrower are not qualified for the Program; the reservation of funds will be canceled.
- If a lender determines that the loan will not close or the Borrower(s) does not qualify, then the lender must notify MHC by uploading the Notification of Change Form (MRB 011).
- The expiration of the reservation period will cause the reservation to be canceled unless an extension is requested by submitting a Notification of Change Form (MRB011).

2.7 Transfer of Reservation:

Under no circumstances will MHC permit a transfer of any reservation of funds from one Borrower to another Borrower. The reservation can be transferred from one property to another or from one lender to another with MHC's prior approval.

In the event of a property change or loan amount revision, an updated Sales Contract, Notice to Mortgagor Regarding Potential Recapture Tax form, new FHA Transmittal Summary, VA Loan Analysis or Fannie Mae 1008 (depending upon product type), Borrower's Affidavit Part I (MRB 003), and a new copy of the Appraisal must be uploaded to MHC. If loan amount increases, prior approval by MHC is required and this can be accomplished by uploading the Notification of Change. If calling MHC, please ask to speak to the Single Family Division (601) 718.4642 to verify if funds are available to cover an increase or go to MHC's website, www.mshomecorp.com select "For Lenders" link and then select "Available Funds" link.

In the event of a loan being transferred from one lender to another, MHC would require the first originating lender to upload a Notification of Change Form with #6 checked along with the name of the new lender company name and location.

2.8 Compliance Package:

The Compliance package is due on or before the Reservation Expiration. Existing and New properties must be closed within 45-calendar days or up to 120-calendar days on loans under construction from the date the loan was reserved or not past the Final date to Close which can be found on the bond issue's Program Notice Timetable. Failure to do so will cause the reservation to be canceled. MHC will underwrite the loan to ensure the Internal Revenue Code regulations and MHC guidelines are met. The following documents must be submitted in the order shown below:

- MRB Checklist (MRB 002)
- FHA Transmittal Summary or VA Loan Analysis or Fannie Mae 1008 (Dependent upon loan type)
- Verification of Employment(s) and pay stub(s) for **ALL** *Applicable Household Members*
- MHC Income Calculation Worksheet
- Federal Tax returns-Previous 3 Yr.'s for **ALL** applicable household member with original signatures of the tax payer(s) on ea. Year's Federal returns (Not applicable for Target Counties)
- Original Borrowers Affidavit Part I (MRB 003)
- Copy of Appraisal (URAR or Conditional CRV)
- Notification of Change Form (MRB 011, *if applicable*)
- Attorney Information Form (MRB 010) and Wiring Instructions
- Exception Documentation (*if applicable*)
- Copy of FHA Buydown Agreement (*if applicable*)
- 203(k) Maximum Mortgage Worksheet (*if applicable*)
- Copy of Preliminary Closing Disclosure (*HAT Only*)

Notes:

- 1- E-Signatures are allowed when the E-Signature Authorization Form is provided as Exception or Miscellaneous documentation.
- 2- An appraisal is required on all files including HUD repossessed properties. If needed, MHC will request additional documents in order to approve the loan file. All loans are underwritten by Single-Family on a first-come, first-served basis. Within five (5) to seven (7) business days of receipt of the Compliance Package, MHC will notify the Lender via email as to the compliance approval & the lender will be able to print the MRB Conditional Commitment. If conditions apply, you will also be notified via email. The condition list can be printed by going to the Online Reservation site and from the Main menu, select "Reports", then select "Open Conditions" and hit the Submit button. Once the conditions have been satisfied, the Lender will receive an email informing you of MHC's approval.

The Lender is required to submit the following documents to closing agent:

- Borrowers Affidavit Part II (MRB 007)
- Affidavit of Seller (MRB 004). (Affidavit is not required on properties where the seller is HUD, VA, RD, Fannie Mae or Freddie Mac).
- FHA MRB Mortgage Addendum (MRB 008) or VA/RD MRB Mortgage Addendum (MRB 009) or Fannie Mae/Freddie Mac Conventional Mortgage Addendum (MRB 013), whichever is applicable, and must be recorded with the original Deed of Trust.

****NOTE: THERE WILL BE NO EXPEDITED CASES and under no circumstances is the Lender to have a Borrower, Realtor or Seller contact the MHC Single Family staff for loan status updates, etc.**

2.9 Expiration of Conditional Commitment:

Conditional Commitments will be cancelled if the closing date does not occur on or prior to the expiration of the commitment or by final closing date reflected on the Bond issue Program Notice Timetable or whichever comes first. If the loan is not sold to the Servicing Lender on or prior to the Final day to sell the loan also reflected on the Bond issue Program Notice.

IF A LOAN IS CLOSED PRIOR TO MHC ISSUING THE CONDITIONAL COMMITMENT, THE BOND APPLICANT WILL BE INELIGIBLE FOR THE PREMIUM CASH ADVANCE FROM MHC AND THE LOAN WILL BE CANCELED.

2.10 Purchase Certification Stage:

The closed loan package must be submitted to MHC on or prior to the earlier of (i) thirty (30) days of the loan closing or (ii) the final date for submission of loans for a Purchase Certification (PC), whichever comes first (refer to Bond Issue Program Notice).

The following documents are required for the purchase certification package:

- MRB Checklist (MRB 002)
- Original MRB Lenders Closing Certificate (MRB 006)
- Original MRB Borrowers Affidavit Part II (MRB 007)
- Original MRB Affidavit of Seller (MRB 004)
- Copy of Executed Closing Disclosure
- Copy of Executed Note (HAT/HOYO Only)
- Copy of Executed Deed of Trust (HAT/HOYO Only)

Note: E-Signatures are allowed when the E-Signature Authorization Form is provided as Exception or Miscellaneous documentation.

MHC will audit the Closing Disclosure to verify that the settlement agent correctly disbursed the Cash Advance. The Cash Advance cannot be used for pre-paid funds or to reimburse the borrower for POC items. Neither the buyer nor the seller can be charged any Discount points and the maximum Origination fee allowed is 1.50% (not a mandatory fee). If the audit reflects that the Cash Advance funds were improperly disbursed, the Lender will be contacted via email and the lender can print the Open Conditions list. The Lender will be required to have the issue resolved before the final date to sell the loan to the Servicer (see Bond Program Notice). The loan must be offered for sale to the Servicer within three (3) business days of receipt of the MHC Purchase Certification. No loan may be transferred to the Servicer or pooled unless a Purchase Certification has been issued, or without prior approval from MHC. If the loan is sold without a Purchase Certification without MHC prior approval, the Originating Lender may be required to repurchase such loan from the Servicer and refund MHC the Premium Cash Advance (see MRB Mortgage Origination Agreement).

Within five (5) business days of receipt of the closed loan package documents, MHC will send the lender an email and the lender can then print the Purchase Certification, subject to all required Purchase Certification Package loan documents being complete and correct. If the Purchase Certification Package cannot be approved, MHC will respond by email.

There could be a penalty charged to the lender of \$50.00 every thirty- (30) calendar days for late delivery of the Purchase Certification Package (refer to Bond Issue Program Notice). **If conditions exist and have not been satisfied, the Purchase Certification cannot be issued and the loan will not be eligible for purchase and pooling by the Loan Servicer. If MHC cannot approve the Purchase Certification by the final date to issue PC (refer to Bond Issue Program Notice) and the Servicer due to this reason does not securitize the loan, the Lender is responsible for reimbursement to MHC for the Premium Cash Advance and may risk suspension from the MRB program indefinitely.**

The Corporation may, at its sole discretion, waive or modify any or all of the foregoing requirements.

SECTION 3 - POOLING PROCEDURES (Servicer Instructions)

3.1 Loan Purchases:

The Servicing Lender will purchase each new mortgage loan at 100% of the unpaid principal balance, plus accrued, but unpaid interest to the date of purchase, and the agreed upon servicing release fee between the Servicing and Originating Lenders, on or prior to the Final Day to be sold to the Servicer (Refer to the Program Notice that is subject to change.). The purchase date for each new mortgage loan will be on any such business day agreed upon by the Servicing and Originating Lenders.

3.2 Pooling of New Mortgage Loans:

The Servicing Lender is required to package new closed mortgage loans into Ginnie Mae I, Ginnie Mae II, Fannie Mae Securities or Freddie Mac PCs, whichever is applicable. The Servicer shall prepare the Pool Documentation Package in accordance with Ginnie Mae, Fannie Mae or Freddie Mac guidelines (whichever is applicable). No loan may be pooled unless the Servicing Lender has received a Purchase Certification or received prior written approval from MHC approving a temporary waiver, at its sole discretion. MHC will require a copy of the following documents to the Vice President of Bond Finance by secure email (see Program Notice for details) as soon as the Servicer has prepared the Mortgage Backed Security documentation:

MRB Servicer Submission Certificate (MRB 012) and Ginnie Mae 11705 & 11706, Fannie Mae 2005 or Freddie Mac Form 11 (Schedule of Pooled Mortgages), whichever is applicable.

The Servicer will receive from MHC by email, a MRB Closed Loan Detail report each month, no later than the 5th business day. The Servicer shall pool loan inventory MHC reflects as being closed based on the Trustee's or MHC's timetable for delivery and purchase which is emailed to applicable servicer contacts on a monthly basis. Government loans (FHA, VA and Rural Development) are to be pooled according to the Ginnie Mae MBS Guide (Ginnie Mae 5500.3) into a Ginnie Mae I or Ginnie Mae II Custom Pool. If necessary, Ginnie Mae changed its program requirements to include a provision that allows for the issuance of a pool with a minimum of one (1) loan if it is transmitted using the updated version of GinnieNet. Conventional loans (Fannie Mae and Freddie Mac) must be pooled according to the Fannie Mae or Freddie Mac Seller/Servicer Guides. Fannie Mae pools are transmitted via Mornet and Freddie Mac pools are transmitted via Midanet.

Manufactured Housing Loans originated, as single-family loans may be co-mingled with FHA, VA, RD, Fannie Mae Mortgage Backed Security (MBS) or Freddie Mac Participation Certificates (PCs) depending upon applicable loan type.

The Servicing Lender is required to notify the Trustee of the Servicer's intent to submit a Ginnie Mae or Fannie Mae MBS or Freddie Mac PC, whichever is applicable, for purchase by completing the MRB corresponding bond issue Servicer Submission Certificate (MRB012) that is provided to the Servicer by the VP of Bond Finance. Upon completion of the formation of the MBS, the Servicer will then fax or email to the Trustee of record and to the MHC VP of Bond Finance, the following documents:

- MRB Servicer Submission Certificate (MRB 012)
- Ginnie Mae Form 11706-Schedule of Pooled Mortgages, Fannie Mae Form 2005 or Freddie Mac Form 11 that outlines the pool, cusip #, LTV, unpaid principal balance, etc.
- A copy of the Ginnie Mae Form 11705-Guaranty Agreement, Fannie Mae Delivery Schedule Form 2014 or Freddie Mac Custodial Form 1034
- A copy of the Lender's Mortgage Loan Closing Certificate (MRB 006) for each loan being pooled.

The Trustee, on behalf of the Mississippi Home Corporation, shall purchase Ginnie Mae or Fannie Mae MBS or Freddie Mac PC from the Servicing Lender at 100% of the unpaid principal balance plus accrued, but unpaid interest to date of purchase. Refer to Bond Issue Program Notice for information regarding the Trustee.

SECTION 4 - RECAPTURE TAX

4.1 Determination of Recapture:

In 1990 Congress passed a law that provides for a "Recapture Tax" on the gain from the sale of a residence financed with Mortgage Revenue Bond Proceeds. The recapture tax applies to all loans closed on or after January 1, 1991. The Recapture Tax is an additional tax liability payable with the homeowner's federal tax in accordance with Internal Revenue Code of 1986.

Generally recapture is due on the sale or disposition of the property, however, no recapture is due if:

- the property is transferred to a spouse or former spouse as a result of divorce,
- the property is transferred as result of the mortgagors death,
- involuntary transfer of property due to destruction by fire or other casualty will not trigger recapture as long as a replacement home is purchased,
- there is no gain on the sale of the property,
- your household income in the year you sell the property does not exceed the modified adjusted gross, or
- sale occurs ten (10) years after the loan was closed.

Why is recapture involved?

The objective of recapture is to enable the federal government to collect (recapture) the subsidy received by the borrower.

NOTE: If the Borrower has in-depth questions on recapture when filing their Federal Tax Return for the year of the sale, they should consult with their tax accountant.

4.2 Calculation of Recapture Tax:

The maximum recapture that can ever be paid is the 6.25% of the original mortgage amount or 50% of the gain on the sale of the property, whichever is lowest.

The actual recapture is calculated when the residence is sold within the first 10-years. To calculate the actual recapture tax, you need the following information:

- Original loan amount
- Original borrower income when loan was made
- Program income limit when the loan was made
- Number of years the loan was held
- Borrowers adjusted gross income from tax returns
- Borrowers gain on the sale of the home

Steps in calculating recapture:

- Calculate the maximum recapture by multiplying the original mortgage loan amount by the maximum recapture percentage of 6.25%

Loan amount _____ x 6.25% = _____ (maximum recapture)

- Find the holding period percentage. To do this round **up** the number of years the loan was held, (i.e. if held for 6 years and 2 months, the holding period would be based on 7 years or 60 % of the maximum recapture.

Year's held and appropriate percentages:

<u>Holding Period</u>	<u>Percentage for Holding Period</u>
Year 1	20% of the maximum recapture
Year 2	40% of the maximum recapture
Year 3	60% of the maximum recapture
Year 4	80% of the maximum recapture
Year 5	100% of the maximum recapture
Year 6	80% of the maximum recapture
Year 7	60% of the Maximum recapture
Year 8	40% of the maximum recapture
Year 9	20% of the maximum recapture

Example of Maximum recapture from year 1 -- Maximum Potential Recapture x Percentage for holding period percentage) = maximum recapture for holding period.

Adjust the income limit that was in effect at the time the loan was made upward by 105% each year the loan was held. This is referred to as the Modified Adjusted Gross Income.

Example: County Income at the time of purchase for 2 or less in family - \$70,560

Year 0 = Same as County limit at the time of purchase – 70,560
 70,560 * 105% = 74,088 - Year 1
 74,088 * 105% = 77,792 - Year 2
 77,792 * 105% = 81,682 – Year 3 and so on through Year 9

If the program limit at the time you closed your loan was \$70,560 and you held the mortgage for three years, then the modified adjusted gross income would be \$81,682.

- If your actual gross income at the time you sell the property is less than the modified adjusted gross calculation shown above, then you pay no recapture. If your actual gross income exceeds the modified adjusted gross then divide the difference of the income limit at time of purchase and modified adjusted gross by \$5,000 to obtain your income percentage then multiply the Holding Percentage amount by the percentage calculated to obtain the actual Maximum recapture to be paid. This amount must be declared on your Federal Income tax filing for the year sale.

WORKSHEET:

Original Loan Amount: _____

Adjusted Gross Income per Tax Returns: _____

Program Income Limit at time loan closed: _____

Number of year's loan held (round up): _____

Borrowers gain on the sale: _____

_____ (Original Loan Amount) * 6.25% = _____ (maximum recapture)

_____ (Maximum recapture) * _____ (holding period percentage)

= _____ (Maximum recapture for holding period)

To calculate the modified adjusted income multiply the program income limit by 105% for each year loan was held.

No. Of Years	Family Size/Original Limit	
	2 or Less	3 or more
0	_____	_____
1	_____	_____
2	_____	_____
3	_____	_____
4	_____	_____
5	_____	_____
6	_____	_____
7	_____	_____
8	_____	_____
9	_____	_____

Enter adjusted gross income from tax returns: _____

Minus modified adjusted income: _____

= _____

Divide results by \$5000 to obtain income percentage: _____

Multiply the maximum recapture for the holding period by income percentage to obtain the Maximum recapture to be paid. _____

IN NO EVENT MAY THE AMOUNT OF RECAPTURE EXCEED 50% OF THE GAIN ON THE SALE OR DISPOSITION OF THE PROPERTY!

SECTION 5 - TRANSFER OF OWNERSHIP

5.1 Assumptions:

MHC follows the assumption policies of FHA, VA, RD, Fannie Mae or Freddie Mac. However, in addition to these regulations the Borrower(s) must meet the program requirements to be an eligible Borrower. Mortgage loans may be assumed only as provided in the Servicing Agreement. Assumptions are permitted only upon the following conditions:

- The assuming Borrower enters into an assumption agreement, if applicable.
- The assuming Borrower and Co-Borrower must meet the first-time homebuyer requirement.
- The assuming Borrower and Co-Borrower's income must meet the current income requirement of the county in which the residence is located. Income Guidelines are typically updated on an annual basis.
- The mortgage loan and property must continue to be guaranteed or insured under any applicable insurance policies.
- The assuming Borrower and Co-Borrower must occupy the residence as his or her principal residence within sixty (60) days of such assumption.
- The acquisition cost of the assuming Borrower does not exceed the maximum permissible acquisition cost for existing residence at the time of the assumption.
- The assuming Borrower and Co-Borrower must execute the applicable affidavits under the program, except the Premium Cash Advance/Fee Disclosure.
- The interest rate and the term of the mortgage loan must not be modified in connection with the assumption.
- The servicing lender must obtain prior written approval from MHC before closing the assumption loan.

5.2 Leasing/Renting

A residence secured by a loan financed with tax-exempt mortgage revenue bond proceeds is prohibited from being leased or rented so long as the mortgage is in force. This provision will be enforced, with exceptions made only in cases of extreme hardship caused by extenuating circumstances. MHC will consider on a case-by-case basis requests for the leasing or rental of a residence financed with bond proceeds. The following conditions must be met in order for a request to be considered:

- The Borrower must have satisfied the principal residence test by occupying the property within sixty (60) days of loan closing with the intention of using the property as his principal and permanent residence.
- The Borrower must be able to demonstrate a material change in either economic or personal conditions requiring a move out of the residence.
- The Borrower must provide written evidence of good faith efforts to sell the property, including retention of a realtor and active listing of the property.
- The proposed rental rate cannot exceed the Borrower's obligation under the mortgage loan.

- Economic hardship on the part of the Borrower in absence of a lease or rental agreement.
- Written approval from MHC must be obtained prior to the property being leased or rented.

The servicing lender is required to obtain the necessary documentation and make their recommendations to MHC. During any such lease or rental period, the property must remain active on the market. The mortgage must remain current, applicable insurance requirements must be honored and taxes must continue to be carried in the name of the original Borrower.

IT IS THE RESPONSIBILITY OF THE SERVICING LENDER TO MONITOR THE PROPERTY TO ENSURE COMPLIANCE WITH THE BOND GUIDELINES IS BEING MAINTAINED.