

To: VHDA Originating Agents

Date: June 8, 2009

Re: *New – VHDA Homebuyer Tax Credit Plus Program*

VHDA's *Homebuyer Tax Credit Plus Program* provides first-time homebuyers an affordable funding source to access their anticipated tax credit for use as downpayment and closing costs. Reservations for this program will be accepted beginning June 9, 2009.

### **Program Details**

Similar to the FHA Plus Program, the *Homebuyer Tax Credit Plus* is a combined second mortgage with a VHDA FHA insured first mortgage. The second mortgage can be up to 5% of sales price or appraised value, whichever is less. **No interest and no payments** are due on the second mortgage for the first 12 months of the loan. This provides the homebuyer sufficient time to receive their federal first-time homebuyer tax credit and use it to repay the loan with no costs or penalty. If the second mortgage is not fully repaid during the first 12 months, the balance will be amortized over the remaining 29 years at the same interest rate as the first mortgage. If partial repayment is made to the second mortgage during the first 12 months, the loan will be re-amortized at the lower balance for the final 29 years. This will result in a lower monthly payment on the second mortgage.

### **Eligibility Details**

Borrowers must meet VHDA's mortgage revenue bond First-time homebuyer program guidelines including income and sales price limits. Borrowers must also meet Federal first-time Homebuyer Tax Credit requirements. As a part of the Federal First-time Homebuyer Tax Credit requirements – **all loans must close by November 30, 2009, regardless of the reservation or commitment period allowed by VHDA.**

### **Qualifying Guidelines**

Standard FHA qualifying in addition to:

**Credit Score:** Minimum 620 (lower middle score of all borrowers).

**Collections:** Individual outstanding collections exceeding \$250 or cumulative exceeding \$1000 must be paid off prior to closing (manual or AUS approvals).

**Ratios:** FHA ratios of 31% payment to income / 43% debt to income apply. DE Underwriters may approve loans up to 38% payment to income / 50% debt to income with loans receiving approve/ eligible scorecard decisions based on documented compensating factors using FHA benchmark guidelines (refer to FHA Handbook 4155.1).

**Qualifying Income:** Part time, overtime, commissions and bonus income must be verified for a two year history with focus placed on current level of earnings.

**Homeownership Education:** Completion of free VHDA class prior to loan approval.

### **Maximum Mortgage / Minimum Borrower Funds**

Like the FHA Plus program, the borrower must obtain a maximum VHDA FHA first mortgage. The second mortgage must be no more than 5% of the lesser of sales price or appraised value – not to exceed funds required by the borrower for downpayment, closing costs, prepaids and discount points. Borrower cannot borrow funds in excess of what is needed for closing. Borrower must have the equivalent of 1% of the sales price documented as their own funds in the transaction or in reserves. POC items paid by credit cards may not be reimbursed to borrower at closing.

### **Procedures**

#### ***Forms and Documents:***

All VHDA forms, documents and program disclosure are available in a fillable format on VHDA.com in the Forms and Documents Section under the “Homebuyer Tax Credit Plus” program.

#### ***Reservations:***

Reservations will be made on-line. The second mortgage must be reserved as a separate loan and must be reserved consecutively with the first mortgage. Lenders will select the “Homebuyer Tax Credit Plus – First” to reserve the first mortgage. Upon completion of the first reservation, lenders will be prompted with a message at the top of the first mortgage confirmation to reserve the second mortgage. “You have reserved a Tax Credit Plus first mortgage. You must reserve the second trust at this time – Click here to enter the second trust Reservation”.

Pricing Options will be available for the first mortgage. The second mortgage will have the same rate as the first mortgage but there will be zero origination fee and zero discount points allowed to be charged on all second mortgages. Reservation fees will only apply to the first mortgage. Do not charge the borrower a reservation fee for the second mortgage. SPARC reservations are allowed with manual reservations. Requests for the transfer of existing reservations to the *Homebuyer Tax Credit Plus Program* must be submitted to Sandy Redd at 804-343-5820. Under no circumstances will the interest rate be lower than the original locked rate unless a minimum of 12 months from the original reservation has expired.

#### ***Disclosures:***

The Homebuyer Tax Credit Plus Program Disclosure must be provided to the borrowers at loan application. Lenders must provide a preliminary and final Truth in Lending disclosure for the first and second mortgage. Charges for the second mortgage may be included in the Good Faith Estimate for the first mortgage. No ancillary fees are allowed to be charged on the second mortgage.

***Processing:***

Standard VHDA processing procedures and requirements (Affidavits of Buyer and Seller and 3 years tax returns) apply. Identify the second mortgage in the Source of Downpayment section on the 1003 Loan Application - as “Secondary Financing - *Homebuyer Tax Credit Plus*”. The second mortgage amount is to be reflected in Details of Transaction as Secondary Financing. Monthly principal and interest payment for the full loan balance at the 29 year repayment term must be included in the Proposed Housing Expense. Declaration “H Down payment Borrowed” must be marked “yes”. The second loan amount must be entered in automated underwriting systems as secondary financing

***Underwriting:***

The projected monthly payment on the full loan balance must be included in loan qualifying. The loan is to be approved in accordance with FHA guidelines in addition to the qualifying guidelines noted previously. Compensating factors used to grant exceptions to the standard 31%/43% ratios must be clearly identified on the 92900LT-Transmittal Summary. Delegated lenders must complete a “Homebuyer Tax Credit Plus Delegated Approval Notice”. This document provides space for information for both the first and second mortgage. The “Homebuyer Tax Credit Plus Addendum to Commitment” must be included with the loan commitment on the first mortgage.

***LOANS MUST CLOSE BY NOVEMBER 30, 2009***

***Closing:***

The VHDA Delegated Closing Certification and Request for Disbursement (DU 700) has been modified to enable the Closer to request funds for both the first and second mortgage on this document. The first page of the “Homebuyer Tax Credit Plus Note” prepared for the second mortgage must be submitted to VHDA with the Request for Disbursement. VHDA will review the Note to ensure the dates and payment amounts are accurate.

**Closing Requirements**

- **Updated Supplemental Instructions Letter to Attorney** must be provided to Settlement Agent.
- **1<sup>st</sup> Mortgage Note** – FHA Virginia Fixed Note
- **2<sup>nd</sup> Mortgage Note** - VHDA “Homebuyer Tax Credit Plus” Note
  - Interest rate is the same as on the FHA first mortgage.
  - First payment date will be one year following the first payment date on the FHA first mortgage.
  - Maturity date will be the same as on the FHA first mortgage.
  - Late charge will be the same as on the FHA first loan, which is 4.00%
- **1<sup>st</sup> Deed of Trust** – FHA Virginia Deed of Trust and Tax Exempt Rider.
- **2<sup>nd</sup> Deed of Trust** - Virginia Second Mortgage FNMA/FHLMC (Form 3847)

- The following language must appear at the top of the Deed of Trust  
**“THIS DEED OF TRUST SHALL NOT, WITHOUT THE  
 CONSENT OF THE SECURED PARTY HEREUNDER, BE  
 SUBORDINATED UPON THE REFINANCING OF ANY PRIOR  
 MORTGAGE”**.
- Maturity date will be the same as on the FHA first Deed of Trust.
- No Riders required on the Second Deed of Trust.
- **Truth In Lending:**
  - Separate final Truth in Lending must be prepared by the lender for both first and second mortgages.
- **HUD-1 Settlement Statement**
  - Separate HUD-1 not required on the second mortgage. Second mortgage may be shown on page 1 as subordinate financing
  - Do not collect origination fee, discount points, per diem interest or ancillary fees on the second mortgage
  - Borrower *cannot* receive funds back at closing in excess of POC items and earnest money deposit verified as borrower’s funds. POC items paid by credit card may not be reimbursed to borrower at closing.
- **Title Insurance**
  - Not required.
  - Second mortgage must be shown as subordinate financing on the policy for the first mortgage

**Post Closing Requirements**

FHA first mortgage documents must be submitted in accordance with the Delegated Underwriting Checklist, Closing Document Checklist and Servicing Set Up Checklist.

Second mortgage documents must be submitted in accordance with the Second Loan Closing Document Checklist with the first mortgage submission package. Submit only those documents required on the Second Loan Closing Checklist.

A separate servicing setup package is required on each loan. Submit only those documents required on the Servicing Setup Checklists for the first and second loans.

**Service Release Premium**

Service Release Premiums will not be paid on the *Homebuyer Tax Credit Plus* Second Mortgage.

**Subordination of Second Mortgages for Refinances**

In the case of a refinance, VHDA will **not** subordinate the second mortgage of this program to a new first mortgage. The first and second mortgage must be paid off simultaneously, if the VHDA loan is refinanced.

**Origination Guide**

Guidelines for the *Homebuyer Tax Credit Plus* program will not be included in the VHDA Origination Guide due to the temporary time frame for which the program will be available.