

REVISED 1/30/2009 – Neighborhood Stabilization Program
Underwriting Guidelines
EXHIBIT "A"

LOAN UNDERWRITING CRITERIA / GUIDELINES
FOR LENDERS PARTICIPATING IN THE
NEIGHBORHOOD STABILIZATION PROGRAM (NSP)
PURCHASE ASSISTANCE PROGRAM.

Item	<u>Criteria / Guidelines</u>
Interest Rate *	Fannie Mae: interest rate will be based on, but not to exceed, the FNMA - 60 day mandatory delivery rate minus .25 basis points, rounded to the nearest 8 th . (Does not apply to FHA)
Origination/Discount/Administrative Fees	1.5% Maximum no exceptions. (Includes all administrative fees). No Yield Spread Premiums Permitted.
Appraisal and Credit Fee:	Maximum not to exceed \$400.00 . Due at time of application, credited at closing.
Closing Costs	Up to maximum 5% purchase price, including origination fee. Does not include pre-paid items such as insurance, taxes, pre-paid interest
Terms	Up to 40 year Fully Amortizing mortgage. (No prepayment Penalty.) Balloon mortgages are not acceptable. No sub-prime loans permitted under NSP program. Each file must document compliance with the Statement on Subprime Mortgage Lending issued by the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Department of the Treasury, and National Credit Union Administration, available at http://www.fdic.gov/regulations/laws/rules5000-5160.html)
Credit	Borrower credit history should conform to the lenders guidelines. (Must adhere to responsible lending guidelines)
Rate "Lock-In"	60 days from contract date.
Purchase Price	The purchase price must not exceed the maximum purchase price established for each city - \$250,000 (unless income and debt to income ratio demonstrates higher capacity.
Borrower's Qualifications	Very-Low, Low, and Moderate, Middle Income persons as defined by NSP Guidelines. (Up to 120% AMI) Buyer does not have to be a first time buyer (meaning the 3 year rule does not apply). – However Buyer can not own any other residential

property at time of application and prior to closing. Verified by public record, real estate owned on 1003, credit report and/or tax return.

**Co-Borrowers
(non-occupying)**

Not Permitted under NSP.*

Income / Debt Ratios 35% /45% Maximum

Qualifying Properties Must meet NSP Program Property Guidelines

- a. Minimum 15% Discount from Appraised Value – Discount Can Be Greater.
- b. Property must be abandoned and foreclosed for a minimum of 90 days.
- c. Single family residences, condominiums, town homes, located within the City providing assistance.
- d. Property must be located in priority areas/census tracts indicated in NSP Application – See Map.

Down Payment Minimum 50% of lender’s required down payment.

- a. NSP funds can only pay for 50% of lender’s required down payment. This is a federal requirement.
- b. NSP funds can pay for full closing costs and to assist with principal reduction.
- c. City may be able to leverage SHIP dollars to assist with the non-Federal NSP funds requirement (if available).
- d. In all cases, buyer must contribute a minimum of one percent (1%) of the sales price, of their own funds toward the transaction.

Closing Cost Can be a gift as well as NSP funds. Seller Concessions up to 6% allowed where permitted by Lender.

Closing: Buyers must use local closing agent with ability to escrow if necessary.

Seller’s Concession Up to 6% of purchase price; any additional concessions will be applied to reduce principle mortgage.

Assumable No

Max Loan-to-Value (LTV) First Mortgage Maximum of 95 - 96.5% LTV (FHA Only) of purchase price or appraisal, whichever is less.

Up to 95% LTV for Non FHA

No mortgage insurance (PMI) required, except on FHA loans.

Combined LTV - 105%
(For First Mortgage and Purchase Assistance)- Does not include assistance for repair unless lender requires funds escrowed as part of purchase. Assistance for repairs will be offered as an additional zero interest loans.

Min Loan-to-Value

81-120% AMI – 80% LTV
51-80% AMI – 70% LTV
50% AMI or Less – 50% LTV

Refinance Subordination Restrictions

Rate/Term only. No cash out. Homes must have evidence of homestead exemption. Allow for funds to be held in escrow in the event of catastrophic event or safety issues. All other instances of refinance trigger repayment. Proof of homestead required for any refinance request.

Flex Dollars

Include Flex Dollars in the calculation of Annual Income for mortgage qualification. Flex Dollars are an employer’s contribution for benefits for benefit-eligible employees. Flex Dollars are fully taxable to the employee as additional earnings in the same manner as overtime or pay for time not worked.

Commissions - Two (2) years and average for 24 months.

Self-employment - Two (2) years. If less, then must have one (1) year previous experience in same line of work. Documentation - request one (1) year minimum reported cycle of income.

Documentation

Loan Application (1003) used to pre-qualify/pre-approve applications will be requested by CRA during income verification process. Prior to closing, final application packages and property documentation will be received by CRA from lender. CRA will provide lenders with checklist of documents.

Will accept alternate documents as long as originator certifies them to be true and exact copies.

A generic PUD form will be utilized for all condominiums, town homes and villas.

Inspections

Full inspections including the following are required:

- Existing Home:** Roof Inspection
- Pest Inspection
- Home Inspection
- Open Permit/Building Code Inspection

Lead Inspection – Pre 1978 Homes
Requested by CRA.
Env. Review – If Applicable – Performed by
CRA.

New Construction: N/A

Lien Position **Lender** - First Lien / **The City**-Second lien.

Escrow Required for taxes, insurance, and flood.
Required for Repairs if indicated by Lender as condition to close

Alternate Income Sources Disability payments, social security, pension, alimony, child support-
follow standard Fannie Mae guidelines and documents, i.e.; 1-year
history and minimum 3 years remaining term.

Employment / Income **Full Time** - Verify last 24 months. Less is acceptable if one (1) ` year
prior experience in same line of work.

Part-Time - must be with present part-time employer minimum (1) year

Seasonal Part Time - If one (1) year history and verification says likely
will continue, then will average over one(1) year plus year-to-date.

Overtime - If one (1) year history and verification says likely to
continue, then average over one (1) year plus year-to date.

Counseling Required: Yes – 8 Hour HUD approved Homebuyers Education –
Post - Counseling May Be Required Before
Repairs Completed.