



# Home Ownership Program Compliance Training

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**This training is not all inclusive as that would be impossible!  
But attempts to capture the most common scenarios.**

## New Announcements!

- \$3,500 FirstHome Plus – reservations until earlier of 12/31/11 or expended funds. 10/13/11
- FirstHome Income limit family basis (formerly household income) 11/14/11
- FirstHome Compliance Review – prior-to-closing!
- Recapture Tax, if applicable, reimbursed by IFA (within in six months) Anticipate 11/14/11
- Disclaimer - (Not yet ready – USBHM exceptions Lender Online)



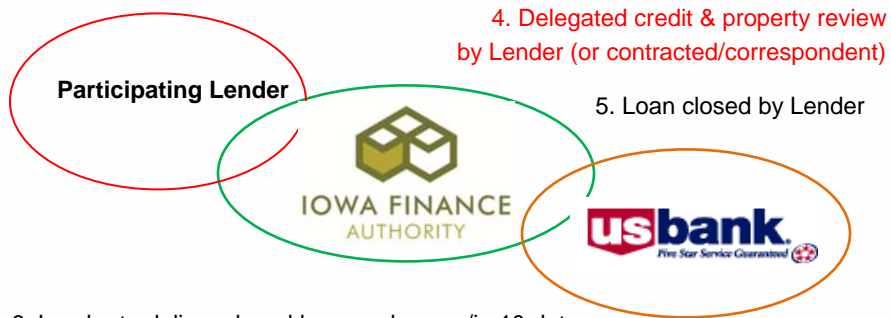
## Compliance Presentation Agenda

- First-time homebuyer:**
  - Exceptions, e.g. veterans**
- Family Income:**
  - Whose**
  - Inclusion & Exclusions**
  - Calculation**
- Eligible Purchase Transaction**
  - Acquisition cost & Property**
  - Personal property**
- IFA subsidy reimbursement calculation**
- Program Compliance documentation**



## IFA Mortgage Loan Process

1. Loan application by Lender
2. Loan reservation by Lender
- 3. Lender strongly encouraged to submit for Compliance Review by IFA when all credit docs received by Lender**



6. Lender to deliver closed loan package w/in 10 d. to IFA (electronic pkg) & USBHM-MRBP (the paper file)

7. Post-closing program review by IFA

8. Post-closing mortgage purchase review by USBHM



# MRB Compliance Review

**FirstHome & FirstHome Plus mortgage** are funded with tax exempt bonds, Mortgage Revenue Bonds (MRB) and are subject to Internal Revenue Service MRB guidelines.

**Lenders retain responsibility for ensuring MRB Compliance but encouraged to submit to IFA for Compliance Review when all credit documents have been received.**

- **All FAMILY income:**
  - (Was household – now Family – see slides)
  - Mortgagees, spouse(s), all title holders/spouses
- **First-time homebuyer or eligible exemption:** Need to know status for all borrowers (even if Targeted or Homes for Iowans)
  - Include spouse and all title holders/spouses
- **Acquisition cost calculation:** total cost to acquire
  - Purchase, total cost, 1 unit/1 property residential
- Submit via Edocuments/Lender Online/Compliance Transmittal – allow 5 business days response



## Compliance Review Transmittal



IFA Loan # \_\_\_\_\_ Mortgage: \_\_\_\_\_ Anticipated closing date: \_\_\_\_\_  
 Lender: \_\_\_\_\_ Lender contact: \_\_\_\_\_  
 Phone: \_\_\_\_\_ Email: \_\_\_\_\_

1. Upload Adobe documents to Compliance Review (Edocs package #2) via Lender Online E-documents.
2. Package is to include complete, executed documents for single submission to IFA.
3. Package to include only FirstHome, FirstHome Plus or Homes for Iowans documentation. Homes for Iowans does not need Mortgage Revenue Bond (MRB) Documents. (Prior approval MHOA Request to use MHOA Request transmittal and up load to Edocs package #4)
4. Please allow 1 week processing time.

IFA requests that lender submit for Compliance Review when loan is submitted for underwriting decision. Advance review by IFA will allow the lender opportunity to obtain necessary documentation prior-to-closing.

\_\_\_ MBB 02 Notice of Recapture: \_\_\_ lender certified copy  
 \_\_\_ MBB 03A (FHA); 03B (RD/Conv.) or 03C (VA): Notice to Homebuyer/Certificate of Understanding: \_\_\_ lender certified copy  
 \_\_\_ MBB 05 Affidavit of Purchaser: \_\_\_ lender certified copy, \_\_\_ sec. 1. (a) or (b) completed \_\_\_ Section 1.b if FTHB veteran exemption w. attached DD 214 \_\_\_ honorable service; \_\_\_ discharged no more than 25 year  
 \_\_\_ MBB 06 Seller's Affidavit and Certification: \_\_\_ lender certified copy  
 \_\_\_ Application - 1003: \_\_\_ dependent # \_\_\_ employment dates, \_\_\_ final executed;  
 \_\_\_ Lease agreement if current residence or mailing address indicates subject property.  
 \_\_\_ Purchase agreement: \_\_\_ all addendums, \_\_\_ executed by B & S \_\_\_ if personal property included will need 3<sup>rd</sup> party valuation statement (if sufficient down payment to cover personal property)  
 \_\_\_ Appraisal Report (1004) and addendums: \_\_\_ business use limited to <math>\leq 15\%</math> sq ft (<math>\leq 25\%</math> income)  
 \_\_\_ Income documentation to include YTD pay stub (w/in 60 days of closing), prior year's income, any miscellaneous income, including court ordered income. Combination of following documents:  
 \_\_\_ V. of (current) Employment: \_\_\_ written or verbal; \_\_\_ if verbal, lender certification as to source  
 \_\_\_ termination of employment for jobs held in prior or current year.  
 \_\_\_ Pay stubs: \_\_\_ borrower's name, \_\_\_ employer info  
 \_\_\_ YTD pay: \_\_\_ within one day of closing.  
 Compliance Transmittal

\_\_\_ Prior year's W-2's and/or 1099's:  
 \_\_\_ if self-employed, \_\_\_ YTD profit & loss, \_\_\_ executed & dated by mortgagor  
 \_\_\_ Copy of court orders for divorce decree, separation papers, support stipulations, etc.  
 \_\_\_ Award letters for disability, VA benefits, on-going borrower/spouse grants  
 \_\_\_ Federal Tax Returns **last 3 years - all borrowers, spouse or other title holders:** (1040-1040A,1040EZ, IRS letter filed A or E2, or IRS "Return Transcript" or "Record of Account") if tax return not filed, provide IRS "Return Transcript" with "No Record Found"; \_\_\_ Complete Tax Return/all attachments  
 \_\_\_ Tax Return or Transcript signed & dated by mortgagor;  
 \_\_\_ V. of Residence (**NOA form**) \_\_\_ as needed to document any period in the last 3 years (e.g. missing tax returns or sold home over 3 yrs ago, but Tax Return shows real estate deduction.)  
 \_\_\_ Other: \_\_\_\_\_  
 \_\_\_ Other: \_\_\_\_\_  
 \_\_\_ Other: \_\_\_\_\_

## Compliance Review by IFA

Allow 5 business days

1 X submission  
 (docs submitted Compliance NOT TO BE resubmitted in Closed file unless conditioned)

Only submit complete with signatures &/or lender certified documents

IFA guidance & conditions  
 - NOT approval

Lender is ultimately responsible for ensuring loan is FirstHome Program Compliant



**Example: Form in Transition**

# Pre-closing Questions

IFA will provide guidance or clarification as needed.

- General questions: email to IFA single family staff
- Questions relevant to documentation via Question Transmittal:
  - **Submit Lender Online/Pre-closing Question or Review**
  - **Next business day response (day after upload)**
  - **Rush – send email alerting IFA staff**



## Pre-closing Question Transmittal

Upload request via Lender Online,  
Edocument, pre-closing package



Mortgagor: \_\_\_\_\_ Contact: \_\_\_\_\_  
Lender: \_\_\_\_\_ Email: \_\_\_\_\_  
Phone: \_\_\_\_\_

**Pre-closing program compliance review by Lender is required. IFA will review only item(s) marked below and for which the Lender has indicated IFA assistance/guidance is needed by asking a question. Documents listed are suggested documents but additional documentation should be included if needed. IFA will expedite as quickly as possible; however, please allow 5 business days for IFA response.**

*IFA will perform Post-closing Program Compliance Review even when pre-closing guidance by IFA has been given and it is the Lenders responsibility to ensure Program Compliance and review of additional documents regardless of any pre-closing guidance.*

\_\_\_ **Three Year Requirement – "first-time" homebuyer:** For FirstHome Non-Targeted Area only, homebuyer (spouse & fiancé) has not had real estate ownership interest in principal residence for last 3 years (to date of closing). First-time homebuyer requirement is not applicable for "Veterans w. honorable discharge < than 25 yrs. Ago and not previously used FirstHome. Homes for Iowans is "repeat" homebuyer program. (Preliminary 1003, Tax Returns, VOR, Credit Report, mobile home title, divorce decrees, Veteran's papers, other??)

Lender question: \_\_\_\_\_

\_\_\_ **Acquisition Cost (total cost):** Check against IFA Purchase Price Limit for FirstHome Targeted/Non-Targeted or Homes for Iowans before submitting question. Cost to make home complete and habitable to be included excluding land owned more than two years, if new construction or family sweat equity. Non-tax pro-ration or other incentive to seller including excess funds to purchase personal property must be included in acquisition price calculation. (Preliminary 1003, purchase agreement & addendums, appraisal, cost proposals, copy of original deed, other??)

Lender question: \_\_\_\_\_

\_\_\_ **Household Income:** Check against IFA Household Income Limit FirstHome Targeted/Non-Targeted or Homes for Iowans before submitting question. All anticipated income – annualized projection. Income for all over 18 who will live in home including non-applicant occupant, or college dependent is included in household income and documented income thereof. Adults over 18 who do not work will need tax return transcript reflecting "no income record found" and 1010 Warning Statement of no income. Prior jobs terminated need to be documented. Co-signers are not allowed in IFA Programs. (Preliminary 1003, VDE, pay stubs, tax returns, W-2's, 1099's, profit & loss, divorce decrees & stipulations, other??)

Lender question: \_\_\_\_\_

\_\_\_ Other. Lender question: \_\_\_\_\_

Pre-Closing Questions  
Sept. 2010

**Example: Form in Transition**

Pre-closing  
Questions  
Relevant to  
Documents:

FTHB-  
3 YR  
Requirement

Purchase –  
Property

Income

HUD I, Other



## FirstHome or FirstHome Plus

# Determining First-Time Homebuyer

Borrowers, spouse(s) & any other title holder & spouse FTHB status MUST be determined

FTHB: no ownership interest in primary real estate residence for the last 3 years to closing date.

- No real estate tax or mortgage interest deduction on tax return
- 1003 any ownership interest in last 3 years documented not to be primary, real estate residence



## FirstHome Mortgage

# Exemption from FTHB

- Targeted Area
- Veteran: <25 years honorable discharge and no prior use of MRB program - Buyer Affidavit, MRB 05 sec. 1 b. & copy of DD 214. (To use Plus grant – must qualify as FTHB)
- Ownership interest in personal property manufactured housing on a rented lot. No real estate deduction on tax returns! Need copy of title and VOR for lot rent.
- Divorce where borrower had no interest in the homestead nor received any benefit from the property per divorce decree. No Quit Claim Deed. Document prior ownership by ex-spouse. Need copy of Court Orders.
- Real estate deduction on older tax return – need documentation evidencing moved from residence more than 3 years ago.
- Homes for Iowans may be repeat homebuyer (if current ownership, document sale or copy of 1 year lease agreement)

MRB – Mortgage Revenue Bond



## First-time Homebuyer Documentation

### Documentation for all borrowers, spouses or title holders:

- Federal tax return (or Return Transcript/Record of Account)
  - for last 3 year period;
  - Signed & dated by borrowers (including Return Transcript or Record of Account) No tax returns: IRS Transcript “No Record” found
  - property taxes/mortgage interest deduction?
  - Home business deduction (if yes, documentation < 15% sq ft/<25% income)
- Verification of Residence (VOR form) as needed to support 3 year history no prior ownership.
- If occupying subject property – copy of lease agreement
- MRB 05 – Homebuyer Affidavit
- See also prior 2 & next slides



## Veteran exempt FTHB documentation

- 1) DD-214 (honorable discharge; < 25 yrs ago)
- 2) MRB 05 section 1-b completed – no prior tax exempt bond financing (e.g. FirstHome)
- 3) a. Prior home disposition (HUD I evidencing sale/recorded warranty deed) or  
b. copy of 12 month lease agreement & rent inclusion in family income.
- 4) Ensure under family income limits  
(For FirstHome Plus – must be FTHB)



## Most common FTHB omissions:

1. Tax return indicates real estate property deduction
2. VOR is not direct from lender to landlord or lender required cells not completed
3. Spouse/other title holder documentation not provided.
4. Tax returns not executed or missing pages
5. Lease agreement where buyer occupies subject property has not been provided.



## Determining **Family** Income

FirstHome or FirstHome Plus

All Family income anticipated for next 12 months

- Mortgagors, spouse(s) & any other title holder & spouse even if not occupying.
- Spouse or title holder & spouse – same income documentation as for mortgagors
- Family income for MRB (“all”) may be different than income (“income continuity”) for mortgage qualification.
  - Do not gross up federally tax exempt income for MRB income
- Per IFA Income & Purchase Price Limits
- **Family size is mortgagor, spouse and their dependent children.**

MRB – Mortgage Revenue Bond




**IFA MORTGAGE PROGRAMS**  
Income and Purchase Price Limits  
as of June 2011 - Modified 11/14/11

| FirstHome & FirstHome Plus            |                                |                           | Homes for Iowans |  |
|---------------------------------------|--------------------------------|---------------------------|------------------|--|
| Targeted Areas                        | Purchase Price Limit \$285,000 |                           | \$301,000        |  |
|                                       | 1-2 Person Family              | 3+ Person Family          | All Family Size  |  |
|                                       | Targeted Income Limit          | Targeted Income Limit     |                  |  |
| <b>CITY BY CENSUS TRACT</b>           |                                |                           |                  |  |
| AMES CT 8                             | \$92,800                       | \$108,300                 | Targeted         |  |
| Davenport CT 108 & 109                | \$76,520                       | \$89,740                  | Areas            |  |
| Des Moines CT 49, 50 & 52             | \$69,400                       | \$104,300                 | Same             |  |
| Evansdale CT 1                        | \$78,800                       | \$89,600                  | as               |  |
| Fort Dodge CT 7                       | \$76,800                       | \$89,600                  | Non-Targeted     |  |
| Iowa City CT 21                       | \$95,040                       | \$110,080                 | shown            |  |
| Sioux City CT 15 & 16                 | \$76,800                       | \$89,600                  | Counties         |  |
| Waterloo CT 1 & 9                     | \$76,800                       | \$89,600                  | Below            |  |
| <b>FirstHome &amp; FirstHome Plus</b> |                                |                           |                  |  |
| Non-Targeted Areas                    | Purchase Price Limit \$247,000 |                           | \$301,000        |  |
|                                       | 1-2 Person Family              | 3+ Person Family          | All Family Size  |  |
|                                       | Non-Targeted Income Limit      | Non-Targeted Income Limit |                  |  |
| <b>COUNTY WIDE</b>                    |                                |                           |                  |  |
| ADAMS                                 | \$68,133                       | \$78,355                  | \$85,600         |  |
| ADAMS                                 | \$69,399                       | \$78,650                  | \$85,600         |  |
| ALLAMAKEE                             | \$69,399                       | \$78,650                  | \$85,600         |  |
| APPANOOSE                             | \$69,399                       | \$78,650                  | \$85,600         |  |
| AUSARON                               | \$69,378                       | \$78,635                  | \$85,600         |  |
| BENTON                                | \$69,650                       | \$78,660                  | \$85,765         |  |
| BLAUG HAWK                            | \$67,679                       | \$77,630                  | \$85,600         |  |
| BOONE                                 | \$66,978                       | \$77,650                  | \$81,840         |  |
| BREWER                                | \$69,600                       | \$78,690                  | \$86,240         |  |
| BUCHANAN                              | \$67,618                       | \$77,761                  | \$85,600         |  |
| BURLIN WETA                           | \$69,399                       | \$78,650                  | \$85,600         |  |
| BUTLER                                | \$68,138                       | \$78,359                  | \$85,600         |  |
| CALHOUN                               | \$69,399                       | \$78,650                  | \$85,600         |  |
| CERRILL                               | \$67,658                       | \$77,717                  | \$81,250         |  |
| CASS                                  | \$69,399                       | \$78,650                  | \$85,600         |  |
| CELANO                                | \$67,689                       | \$77,743                  | \$81,400         |  |
| CERRO GORDO                           | \$67,679                       | \$77,713                  | \$85,600         |  |
| CHEROKEE                              | \$69,318                       | \$78,566                  | \$85,600         |  |
| CHICKASAW                             | \$69,399                       | \$78,650                  | \$85,600         |  |
| CLARKE                                | \$69,399                       | \$78,650                  | \$85,600         |  |
| CLAY                                  | \$69,399                       | \$78,650                  | \$85,600         |  |
| CLAYTON                               | \$69,399                       | \$78,650                  | \$85,600         |  |
| CLINTON                               | \$69,318                       | \$78,566                  | \$85,600         |  |
| CRAWFORD                              | \$69,399                       | \$78,650                  | \$85,600         |  |
| DALLAS                                | \$74,600                       | \$88,675                  | \$104,300        |  |
| DEAR                                  | \$69,399                       | \$78,650                  | \$85,600         |  |
| DECATUR                               | \$69,399                       | \$78,650                  | \$85,600         |  |
| DELAWARE                              | \$69,138                       | \$78,356                  | \$85,600         |  |
| DESMOINES                             | \$69,399                       | \$78,650                  | \$85,600         |  |
| DICKINSON                             | \$67,638                       | \$77,784                  | \$85,600         |  |
| EMERSON                               | \$67,648                       | \$77,763                  | \$85,600         |  |
| EMMETT                                | \$69,399                       | \$78,650                  | \$85,600         |  |
| FAVETTE                               | \$69,399                       | \$78,650                  | \$85,600         |  |
| FLOYD                                 | \$69,399                       | \$78,650                  | \$85,600         |  |
| FRANKLIN                              | \$69,399                       | \$78,650                  | \$85,600         |  |
| FRANKLIN                              | \$67,638                       | \$77,763                  | \$85,600         |  |
| GREENE                                | \$68,138                       | \$78,359                  | \$85,600         |  |
| GRUNDY                                | \$67,678                       | \$77,630                  | \$85,600         |  |

IFA Mortgage Programs  
June 2011

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IOWA FINANCE AUTHORITY

← IFA  
Mortgage  
Program  
Income &  
Purchase  
Price  
Limits

## Family Income:

Detailed list of income in Mortgage Origination Agreement:

- **Court ordered income** – even if not received. Divorce Decree/Other Decrees such as child support.
- **Rental income** or public housing assistance
- **Employer paid allowances** (e.g. car) unless can be documented as work related reimbursements
- **Special Armed Forces** pay including housing, rations, uniforms, but not including combat pay
- **Interest, dividend, etc.** (Look at tax returns and deposit accounts then assess potential interest earnings)
- **College scholarships & grants** except that which is restricted to tuition and books
- Also **not included one-time lump** sum income such as an inheritance, however, interest income thereof is included. (Multi-year receipt of inheritance, lottery, etc is considered in income.)



IOWA FINANCE AUTHORITY

## Income documentation

FirstHome or FirstHome Plus

- YTD pay documentation w/in 60 days closing (typically pay stub but could be VOE)
- VOE: could include prior year & current YTD income
  - Start date important if new on job in current year
  - Termination of employment for current & prior year, i.e. changed employment or worked 2 or more jobs & now works fewer jobs
- If history of not working: Transcript “No Record Found” and 1010 Warning Statement – Not working & not seeking employment.
- Tax Returns w. all schedules: other income, self-employed
- Self-employed: contractor statements, 1099’s, YTD Profit & Loss from reliable source.
- Award letters: retirement, disability, grants, scholarships
- Divorce Decrees/Support Stipulations/Court Orders



## Calculation of Family Income

Gross pay for mortgagors, spouses, any title holder & spouse (even if not living in the home)

- Income is calculated on a case-by-case basis
  - Projected income over next 12 months
1. Work compensation (for all jobs including part-time):
    - A. Salary, anticipated OT, bonus or other pay annualized 12 months
      - Overtime, bonus, or self-employment use highest case scenario of 1 or 2 years averaging, unless documentation warrants otherwise
    - B. YTD gross pay (w/in 60 d of closing) to monthly and then annualized
    - C. Look back at past year, if same job (W-2s, Tax Returns, VOE).  
Is current annualized pay consistent (or more than) prior years?  
If not, readjust calculations or determine why not.
  2. Add other income and annualize, accordingly
    - A. Interest or dividend income (last year tax return/1003 assets)
    - B. Retirement or supplement income (needs to be annualized)
  3. Total all income – compare with county limit per family size
    - MRB 05 #3 Insert annualize family income



## Common Income Errors

1. No “look back” for comparison of prior gross income, ensuring inclusion of all income such as bonus or overtime
2. Does not include spouse, other title holders or does not include income from some one who “just quit working”
3. Uses only qualifying borrower’s income
4. Does not include second job income
5. Does not obtain documentation & include court ordered income
6. Does not include scholarship & grant income that is not restricted to books or tuition.
7. Does not include rental income for rental properties.



## Eligible Property

### 1 unit, primary residence

- Restricted to one real estate property
- Limited to 5 acres (more or less)
- Income generation from property/use restricted to 25% of household income
- Business/income generation property/use restricted to 15% sqft.
- No co-operative units
- Manufactured housing restricted to government mortgages
- Condos restricted to government or MyCommunity/HomePossible mortgages



## Purchase/Acquisition Cost Limits

- FirstHome Non-Targeted Area = \$247,000
- FirstHome Targeted Area = \$289,000
- Homes for lowans = \$301,000
  
- Must include all costs to acquire
  - “in kind” or seller benefit, e.g. non-tax pro ration or purchase of personal property >value.
  - costs to complete home
  - cost of lot owned < 2 years
  - Not included: buyer labor to complete property



FirstHome or FirstHome Plus

## Mortgage restricted to Real Estate

Personal Property (not attached property) included with purchase transaction, even if under separate agreement:

- Sufficient down payment from borrower sources to cover personal property acquired with purchase.
- May NOT be financed with mortgage
- May NOT be paid by IFA subsidy (FH Plus or military grant)
- Disinterested 3<sup>rd</sup> party valuation of personal property

IFA considers the kitchen stove & refrigerator to be attached property.

Simplified example: FHA offer including washer & dryer. Sale Price \$100,000 with \$96,500 loan amount = \$3500 from buyer. An included washer/dryer at \$500 value is less than the buyer's down payment funds. So is acceptable transaction.



## Property Documents

FirstHome or FirstHome Plus

- Purchase agreement
  - all addendums & referenced attachments.
  - Document costs to complete improvements
  - Construction, copy of lot purchase if < 2 yrs
  - If personal property, disinterested 3<sup>rd</sup> party valuation of personal property
- Appraisal
- Interim financing refinance
  - Copy of interim Note & Mortgage
  - Copy pay off statements
- MRB 05 & 06 total acquisition inserted



## Most common purchase omissions:

1. All addendums or reference attachments not included
2. No 3<sup>rd</sup> party valuation for personal property included with purchase transaction
3. 2 parcels of land & residence improvements only on one. (Borrower needs down payment for additional property.)
4. More than 15% business use of property or more than 25% income generation.
5. No tax pro ration shown on HUD I (or only charge to seller & no credit to buyer)



## MRB Forms

Must be lender certified true copies (or single page sheet listing documents with lender certification thereof)

- MRB 02 Notice of Recapture
- MRB 03A Notice to Buyers of FHA Insured Home
- MRB 03B Notice to Buyers of Conventional or RD Homes as to Non-Assumable Loan
- MRB 03C VA Guaranty Applicant's Certificate of Understanding and Consent

- MRB 05 Affidavit of Purchaser
- MRB 06 Seller Affidavit and Certification
- MRB 14A FHA/VA Rider to Mortgage
- MRB 14B Conventional/RD Rider to Mortgage
- MRB Recapture Disclosure Notice (provided by IFA)

- Lender obtained forms
- Less than 120 days old at closing



## MRB 05 – Affidavit of Purchaser

- 1. a. should always be checked unless borrower is exempt from FTHB as a veteran.
- 1.b. borrower is a qualifying veteran (checked & completed) & attach DD 214 (exempt veteran)
- 2. If borrower did not file tax return – initial and written explanation from borrower why did not file tax returns. (& Return Transcript “no record found”.)
- 3. Total gross ANNUAL family income
- 4. Total acquisition cost (purchase price + completion + any benefit to the seller)
- 5. Executed in front of notary (dates)



## MRB Form Errors:

1. Most common error – not lender certified true copies
2. Second most common – borrower or seller signature and notary dates not the same
3. MRB 05
  - Section 1a. & b. not completed properly
  - Section 3 – annual income shown as monthly or significantly “off” – by more than \$5000
4. MRB 06
  - Not seller’s signature or signatory authority not provided
5. MRB 14A & B – rider not attached & recorded w. mortgage



## Tax Returns: looking at

- Borrowers, marital status, & dependents
  - A dependent every other year
  - joint custody? (divorce decree/support stipulations)
- Other income: earnings on assets, business income
  - Schedule C, E or other?
  - Add backs, one time expense, depreciation/depletion
  - Any home deduction? Indication of business sq. ft of home use > 15% or more than 25% of income
- Standard deduction?
  - If not, why, Schedule A or L, or other
  - Mortgage interest & real estate tax deductions
- What else – consistency, student loan interest vs none
- Income consistent w. calculated income, if not why?
- Signed & dated



FirstHome or FirstHome Plus

## Mortgagors, Spouses & Title Holders & Spouses

**IFA does not allow co-signers** (executes only note; does not occupy) - exceptions are:

- Home Choice: conventional mortgage for disabled persons
- Guardian/conservator situations were guardian/conservator executes for occupant borrower (not really co-signed but guardian/conservator & documentation demonstrating authority)

**Spouses must be identified as such on mortgage, sign the mortgage and signature must be notarized.**

### **Mortgagors, Spouses, any Title Holder & Spouse:**

- Must document income or no income:
- Income: Past year W-2 & tax return, VOE & YTD pay stub
- Non-working: 1010 Warning Statement by person & mortgagor; past year's IRS Transcript "no record found"
- College students: award letter for grants & include income not restricted to books or tuition. If no longer in college obtain certificate/diploma copy.



## Processing/Closing Checklist #1

### MRB documents:

- MRB 02, 03, 05, & 06 (application)
- MRB 03 - correct doc/loan product
- MRB 14 – attached to & recorded w. mortgage
  - MRB 14 A – FHA/VA
  - MRB 14 B – Conventional/RD;
- Doc's signed by buyer or seller & notarized if applicable;
  - if not by seller or buyer, authority to do so provided.
- notary date same as signature date

### Title Guaranty insurance required

- Schedule B: Buyer searches & document satisfaction**
- Rapid Certificate – final in weeks!!!!
- Free Home Owner's coverage

### Truth-in-Lending – Assumable:

- FHA/VA – yes
- RD/Conventional – no

Mortgage may not include financing for personal (non-attached) property (document value and ensure sufficient down payment to cover personal property, not IFA subsidy)

### Sale price (purchase) limits:

FirstHome Non-targeted = \$247,000  
FirstHome Targeted Area = \$289,000  
Homes for lowans = \$301,000

### Exception to purchase

- Refinance of interim loan of less than 24 months.
- Interim note & mortgage



## HUD I – Closing Cost Checklist #2

### Reasonable & Customary Transaction Costs

Allowed third party fees include:

- \_\_\_ RE broker: commission, buyer & seller administrative/settlement,
- \_\_\_ In connection with the loan: credit report, appraisal, appraiser re-inspection, flood certification & monitoring fees, DO/DU/LP to Fannie/Freddie & HBE
- \_\_\_ Paid in advance: interim interest, insurances/guaranty premiums,
- \_\_\_ Reserves: taxes & insurances
- \_\_\_ Title charges: Title Guaranty (only), settlement agent, title services (attorney, abstracting)
- \_\_\_ Title charges: Settlement agent fee restricted to \$450
- \_\_\_ Recordation and documentary stamp fees
- \_\_\_ Termite, plat survey

Allowed but not funded by IFA assistance:

- \_\_\_ Home Warranty, inspections not required by appraiser, any repairs or work escrows

Allowed lender fees:

- \_\_\_ up to \$450 settlement agent fee
- \_\_\_ Tax Service fee \$80 (if not shown as payable to USBHM)
- \_\_\_ Secondary Market Fee if conventional – per rate sheet (if not shown as payable to investor)

Not Allowed Fees:

- \_\_\_ No origination, commitment, processing, and underwriting (except LP or DU) fees or discount points

Lender fee income is limited to IFA servicing release premium (>1.75% or \$1,000) and the allowed \$450 settlement agent fee.

Transaction costs to buyer or seller!!



## HUD I Closing Checklist #3

### “Costs” continued

Tax pro-ration:

- \_\_\_ If **Yes**, all tax periods accounted for on HUD I – prior fiscal year (July – June) & current year (July – clsg)
  - \_\_\_ If charge to seller & credit to buyer not shown on HUD I, need documentation of pro ration for each
- \_\_\_ If **No**: Re-assessment - does non-tax pro-ration seller benefit + sale price exceed IFA SP limits?
  - \_\_\_ adjusted SP on MRB 05 & 06 (re-execute documents)

IFA DPA/Closing Cost Assistance:

- Restricted to down payment &/or closing costs not paid by another source (Plus – prior approved repairs)
- Pro rated taxes from seller fund the tax escrow
- Closing costs paid by seller can not be included
- Other grant funds will be deducted
- May not be used for principal reduction, borrower debts or judgments, inspections, et al.
- Non-allowed fees will be deducted (commitment, origination, discount points or other not allowed fees).



## Processing/Closing Tips #4

- Borrowers living in subject property prior to closing
  - Need copy of lease agreement to determine ownership interest, if any

No Federal tax return – need Tax Transcript “no record found”

- Do not “gross-up” tax exempt income for IFA household income determination (but may do so for credit qualifying)

### Rent back agreements not allowed!

- Occupancy immediate & in no instance less than w/in 60 days
- Lenders to “follow-up” & provide documentation certifying borrower’s occupancy



## New Americans


- For FirstHome or FHPlus must be able to prove FTHB and document family income
- Resident aliens & nonpermanent resident aliens
  - Same mortgage eligibility as any U.S. citizens
  - Nonpermanent resident alien must be employed in U.S. & employment expected to continue 3 years
- Resident aliens are any immigrant who is seeking permanent residency in U.S., including refugees.
- Required documentation: borrowers are legal resident
- ***For residency guidelines follow Fannie Mae, FHA, VA or RD guidance***



# Program Compliance Review

- **Compliance Review pre-closing by IFA**
- **Edocuments via Lender Online (LOL)**
  - Scanned /Adobe
  - Prefer “package” – multiple documents in one scanned set
  - Lender Online Presentation provides step-by-step guidance.
  - IFA will provide step-by-step guidance to lenders learning the process
  - If IFA performs document upload for lender fee of \$100/package or \$25/document
- **Closed loan Review by IFA**
  - IFA approval required before loan purchase
  - (Secondary market review provided by USBHM-MRPB)



  
IOWA FINANCE  
AUTHORITY

**CLOSED LOAN TRANSMITTAL**

IFA Loan #: \_\_\_\_\_ Lender Contact: \_\_\_\_\_  
Mortgage #: \_\_\_\_\_ Email: \_\_\_\_\_  
Lender: \_\_\_\_\_ Phone: \_\_\_\_\_

1. Upload Adobe documents to IFA via Lender Online E-documents (package #1) w/in 10 days following closing. Include documents for IFA Mortgage, FirstHome Plus grant &/or Military Homeownership Assistance (MHOA) Close Loan.  
2. Using USBHM Transmittal, submit original loan documents to USBHM w/in 10 days following closing. USBHM will not purchase the loan until IFA has provided post-closing MIB compliance approval.  
3. Closed loan packages are due to IFA and LICRMA within ten days of closing (regardless of the expiration date). Loans delivered after the 15 day are subject to \$100 penalty. Loans that remain in-complete are subject to \$50.00 fee for each 30 days.


\_\_\_ Note: \_\_\_ lender certified copy; MHOA – closing documentation. Documents not obtained at closing are due to IFA no later than 30 days post-closing.  
\_\_\_ Notarized Name Affidavit &/or lender Property Address Certification (if borrower executes in different variations or property address is not the same on all documents) \_\_\_ Recorded Warranty Deed -copy  
\_\_\_ Mortgage \_\_\_ lender certified copy \_\_\_ MIB rider \_\_\_ 14 A \_\_\_ Certificate of Occupancy/Occupancy Permit, if new construction or rehab take-out loan.  
(FHA/VA \_\_\_ LAR (Conv/RD) - attached to mortgage) \_\_\_ Title Guaranty certificate (follow within 30 days of closing & needed for reimbursement) Requesting Rapid Certificate will expedite final TG Certificate w/in 3 weeks of closing.  
\_\_\_ HUD 1- copy with all parties' signatures: \_\_\_ tax pro-ration, \_\_\_ allowed fees & line item breakout of fees (or attach breakout not shown on HUD 1), \_\_\_ itemize purpose of atypical costs documented \_\_\_ Other: \_\_\_\_\_  
\_\_\_ Warranty Deed, copy sent for recordation. (All title holders must meet IFA Compliance Requirements) \_\_\_ Other: \_\_\_\_\_  
\_\_\_ Iowa Title Guaranty Commitment: Schedules A \_\_\_ Buyer and spouse search \_\_\_ satisfaction of any potential liens, even if subordinate \_\_\_ IFA MHOA review conditions: \_\_\_\_\_  
\_\_\_ Mortgage Insurance/Govt Commitment, w. case # \_\_\_\_\_  
\_\_\_ Other: \_\_\_\_\_  
\_\_\_ Other: \_\_\_\_\_  
\_\_\_ IFA compliance review conditions: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**IFA Closed Loan Shipping Transmittal:**

**Do not submit documents submitted in Compliance Package unless conditioned.**

**Example: Form in Transition**

Closed Loan Transmittal 11.2011



**View in LOL IFA response details:**

- Stages/Status: Program Compliance response or Closed Loan Review
- IFA response – conditions or comments.

IOWA FINANCE AUTHORITY

## IFA Subsidy/Assistance

### Military Homeownership Assistance (MHOA):

- Grant/gift
- Down payment or reasonable & customary closing costs

### FirstHome Plus:

- Grant/gift
- Down payment, reasonable & customary closing costs or minor repairs

## “Subsidy” Reimbursement

- For use as down payment &/or closing costs not paid by another source. Other sources include:
  - Pro rated taxes from seller fund the tax escrow
  - Closing costs paid by seller can not be included
  - Other grant funds will be deducted
  - Funds paid by mortgage amount (guaranty fees)
- Will deduct not customary/reasonable costs, inspections and repairs will be deducted from expenses (HUD I line 1400) for subsidy calculation
- May not be used for principal reduction
- Will deduct not allowed fees (commitment, origination, discount points, UW (except DU/DO/LP) or other not allowed fees) from subsidy.



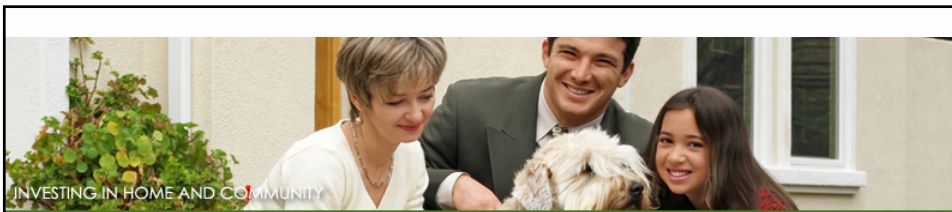
## “Subsidy” Reimbursement Calculation

|   |   |                 |
|---|---|-----------------|
| #1. Calculate “gross” down payment  | SP (line 101)                                 | 54,000          |
|   | Loan (line 202)                               | <u>(55,600)</u> |
| #2. Cost paid by borrower less contribution from others or not reimbursable costs (inspections, repairs, not customary/reasonable fees) | <u>Net DP</u>                                 | - 1,600         |
|   | Cost (line 1400)                              | 2,979           |
|   | Tax escrow                                    | - <u>250</u>    |
|   | <u>Net Costs</u>                              | 2,229           |
| #3 Add Net DP & Net Costs   |   |                 |
| #4 Lower amount of net total or max. subsidy  | -1,600 + 2,229 =                              | \$1129          |
| #5. Less not allowed fees.  | Less any non-allowed fees*                    |                 |
|   | *if \$500 commitment fee, amount reimbursed = | \$629           |



## Subsidy omissions:

1. Over funded transaction
  - did not increase down payment/lower loan amount.
  - Excess funds for down paying, closing costs
  - Double funding by seller, other grant & IFA subsidy
2. DP and reasonable, customary and allowed costs do not total to subsidy given
3. Not allowed costs such as commit or origination fee
4. Subsidy given as principal curtailment
5. Cost included in closing costs that are not customary loan costs, such as radon inspection, judgments, repair, work escrow
6. Borrowers are not Plus eligible



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