Program Manual

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Mississippi Home Corporation

735 Riverside Drive | Jackson, MS 39202 | 601.718.4642 | mshomecorp.co

SECTION 1 - ELIGIBILITY REQUIREMENTS

1.1 Consideration for Evaluation

An applicant's and person's to be living in the household at the 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 guidelines for the county in which the property is located. See section 1.4.
- 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 1.5.
- Must agree to occupy and use the residential property as his/her permanent, principal residence within 60 days 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 or otherwise be used in trade or business, or as an investment property or recreational home.
- At least one borrower must take a homebuyer education counseling course. This can be an online course or face-to-face course. The certificate is required to be submitted within 10 calendar days from reserving the loan with MHC.

1.2 First-Time Home Buyer Requirement

The Applicant(s) and person(s) 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 years, unless qualifying under a Veteran's Exception or purchasing a home in a Federally Designated Targeted Area. 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)
- 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

A Veteran is defined as a person who served in active duty of the United States Armed Forces or Reserves or who was discharged or released under conditions other than dishonorable. To eliminate the first-time home buyer requirement, regardless of county, the Veteran must be the Borrower. If the Veteran is married, the spouse is also considered a Veteran. If the Veteran is not married and there are others living in the household and if any of those occupants have had an ownership interest in a principal residence at any point in the last three years, they would then disqualify the household from meeting the first-time homebuyer requirement if purchasing in a Non-Targeted area.

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 Bond Program. If there is anyone in the household ages 18 & up that will be occupying the home but not classified as a Borrower, they must execute a Non-Borrower First-

Time Homebuyer Certification certifying they have had no ownership in a principal residence within the past three years.

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, this would constitute ownership interest in real property. If MHC can evidence a possible joint tenancy, documentation will be required to determine the three 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
- Qualified Veterans are exempt from the first-time homebuyer 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.
- Copy of most recent year's IRS tax transcript or signed copy of 1040 & schedules, if applicable, or if self-employed household occupant(s), two years tax transcripts.

Federal Tax Return

The Borrower(s) and ALL household occupants, even though they may not be included on the loan, must provide a copy of their most recent year's IRS tax transcript, if applicable, or a signed copy of 1040 with schedules, if applicable, including any occupants 18 years old and older if not a full-time student. If working with self-employed household Borrower(s)/Occupant(s), two years tax transcripts or signed 1040's with schedules will be required.

The tax transcript(s) or return(s) should be reviewed by the Lender to determine whether the occupant(s) claimed a deduction for Real Estate taxes or a deduction for interest paid on a mortgage secured by real property that was a principal residence and all reported income. If a review of the tax transcript/return indicates no tax or interest deduction for Real property, and the review of the Credit & Fraud Guard report show no ownership interest in a residence during the past three years, the responsibility falls to the Borrower(s) to sign the Borrower Certification and certify that they are first-time homebuyers unless purchasing a property located in a Target area census tract.

For any Non-Borrower occupants of legal age, the responsibility falls to that occupant and Borrower(s) to certify that the Non-Borrower occupant(s) have had no ownership interest in a residence in the past three years. The first-time home buyer rule only applies to residences being purchased in a Non-Target area in the State of Mississippi.

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 a MHC letter of Explanation form clearly stating why returns were not filed.

ELECTRONIC FORMS are not acceptable unless the tax information transmitted is attached.

If the Borrower(s) &/or Non-Borrower Occupant(s) was not required by law to file a Federal income tax return, they must provide a MHC Letter of Explanation form and rental verification for three years. In the event a student situation and/or borrower was claimed as a dependent on someone else's federal return, copies of school transcripts or MHC Letter of Explanation form, whichever is applicable, signed by the guardian stating the borrower was being claimed as a dependent is required. The supporting documentation must be uploaded to MHC.

1.3 Credit Report, Fraud Guard and Non-Borrower Certification

To confirm the Borrower's first-time homebuyer status (required in non-targeted areas only) the Lender must provide the Borrower(s) credit report and fraud guard or equivalent report that also includes the Ownership & Occupancy module information. This is required to verify the three year IRS first-time homebuyer rule. If applicable, a Borrowers non-borrower spouse or live-in must execute the Non-Borrower First-Time Homebuyer Certification. The credit report and fraud guard should be reviewed by the Lender to determine whether the Borrower(s) have/had a mortgage secured by real property in the past three years. The Borrower(s) also are required to sign the Borrower Certification certifying that they are a first-time homebuyer and meet all other IRS guidelines under the bond program.

In the event of a full-time student at or over the age of 18 is in the household and/or is a dependent of the Borrower(s), copies of school transcripts or an executed MHC Letter of Explanation form from guardian stating the borrower is being claimed as a dependent must be included in the Compliance Package uploaded to MHC with supporting documentation.

1.4 Income Requirement

Gross Family Annual Income is calculated to determine if the household income is at or below the income limit guidelines 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.

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, excluding the second mortgage note/deed.

NOTE: In the event of a divorce and there are children, if the parent purchasing a home doesn't claim ALL dependents on their federal tax return or don't have primary custody of all children, they cannot count the children as a part of the household regardless if there is joint custody.

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, bonus or tips, a monthly average (15 months to a 27 month period) can be used in order to calculate the total annual income if the current total annual income puts the borrower/household over the income limit. This income is utilized even if, on the prior year section of the VOE, no overtime or bonus is referenced. If the employee has not been employed for a period of up to 15 months, the overtime, bonus, and tips can be deducted from the year-to-date income.

The base income on a salaried applicant is taken from the VOE &/or pay stub, whichever is most current, the income cannot be averaged over prior years.

The income of a self-employed applicant is determined from the most recent two years tax transcripts or executed 1040 w/schedules & an 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 such as stimulus funds with the exception of Medicaid or food stamps.
- Recurring investment gain income with the exception of:
  - gain on a one-time sale
  - any gain from the sale of the borrower's prior residence
- Payments in lieu of earnings:
  - Social Security
  - Unemployment benefits
  - Worker's Compensation
  - Severance pay
  - Disability or death benefits
  - Cash contributions received from persons not living in the household
  - 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

1.5 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:
  - Title and transfer cost
  - Title Insurance
  - Survey fees
  - Credit report fee
  - Attorney fee
  - 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 limits can be found HERE:

In no event can the maximum loan amount exceed the maximum acquisition cost, nor can the Sales Price exceed the Appraised value.

1.6 Property Types

The following types of properties may be financed under the Mortgage Revenue Bond Program.
- Single-family detached.
- Single-family attached.
- Condominiums or Planned Urban Development
- De Minimis Planned Urban Development
- Manufactured Homes that are permanently affixed to land unless the MRB Servicer has an overlay
- Leasehold properties that meet the requirements of HUD and VA

DUPLEXES ARE NOT ELIGIBLE.

1.7 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 until sold or refinanced into a secondary market rate loan.

1.8 Loan Terms

Each first mortgage loan shall be a fixed-rate mortgage set by MHC for a term of 30 years and can be found on MHC's website HERE . Rates are subject to change daily Monday - Friday at 9 a.m. DPA funds may be used toward down payment, closing cost expenses, pre paids and mortgage insurance. There can be no cash back at closing other than the earnest money. All DPA options can be found on MHC's website HERE.

No subordinations are allowed on any MHC down payment Second mortgage loans.

1.9 Promissory Note and Deed of Trust on the 2nd Mortgage (DPA)

All deferred subordinate mortgages will be evidenced by a Promissory Note and secured by a recorded residential second-lien mortgage against the borrower's principal residence located within the State. The DPA must follow all federal and state statutes, rules, and regulations, as amended from time to time including but not limited to the Real Estate Settlement Procedures Act (RESPA). See program guidelines for applicable Second Mortgage maturity dates.

1.10 Allowable Fees, Guidelines on Second Mortgage DPA Loan

A Closing Disclosure (CD) is required for the subordinate mortgage and is issued in the Originating Lenders name using the lenders' loan number. Under no circumstances may the lender or any other entity charge the buyer any fees, 3rd party costs, or other expenses on the subordinate loan except for recording fees, Housing Counseling fee, if applicable, or an Application Fee, if applicable. There is no prescribed allowable amount for these fees per the Consumer Financial Protection Bureau (CFPB) under the Partial Exemption rule, but must be reasonable, normal, and customary. No attorney fees may be charged on the second mortgage (DPA). If funds remain out of the assistance, they are to be applied as a principal reduction.

The originating lender funds the second mortgage at closing and provides to the closing agent the following MHC items to be executed at closing:

- MRB Borrower Affidavit,
- MRB Tax Exempt Financing Rider (document used depends on the first mortgage loan type and is recorded with the originating lender's first mortgage Deed of Trust),
- MHC's Second Mortgage Note
- MHC's Second Mortgage Deed of Trust

In the event 1) the loan closes prior to formal MHC written approval; 2) the second mortgage documents are not delivered back to MHC within the 30 day allotted time frame, with the exception of the recorded Second mortgage Deed of Trust; 3) or does not conform to the terms of its commitment or approval as per the program manual, the Lender may be suspended from this program and may not be reimbursed the second mortgage amount funded by the lender at the loan closing.

1.11 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.
- The proceeds of a Mortgage Revenue 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.

1.12 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 manual. 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.

1.13 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 4000.1 Handbook or the Fannie Mae or Freddie Mac Seller/Servicer 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 Lender Login button on the Home page or go to the Lenders/Realtors dropdown and select the Lender Login Button. The Lender's administrator should receive a Login ID and a password from MHC's Single Family department after the Lender has completed the program training. 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.

NOTE: The loan must be locked with your loan servicer after you have locked the reservation with MHC.

MHC must receive the Reservation package documents listed below within 10 calendar days from the date of reservation. If the Reservation package is not received within the 10 day period, MHC has the authority to cancel the reservation. If the lender hasn't uploaded the Reservation Package documents within the 10 day timeframe, but chooses to keep the reservation, MHC may require there 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 online Registration system is unavailable for more than 24 hours. If that be the case, the fax number to be used to delivery documents is (601) 718-4672.
- Reservation Confirmation Form
- Copy of Executed Sales Contract or HUD Property Disposition Form 9548 (whichever is applicable)
- Copy of Complete/Executed Loan Application
- Executed Recapture Tax Form (with the exception of Smart 6)

- Notice to Borrower – Second Mortgage
- Copy of Homebuyer Education Certificate (MHC will accept Online Course Certificates)
- Copy of Executed HAT Loan Agreement (If applicable, the original document must be mailed to MHC Attn: Single Family.)

NOTE: E-Signatures are allowed on all forms except the 2nd Mtg. Note and Deed of Trust. MHC requires wet signatures in blue ink on the 2nd Mtg. Note and Deed of Trust.

2.2 Reservation Modification

A Lender can make changes to loan information by uploading a NOTIFICATION OF CHANGE FORM. If the item to be changed is not reflected as an option on the form, the Lender may write in the change. Upload the form online for approval and upload all other documents related to the change. If the documents required signatures, the lender can make the change and have the borrower(s) initial the document(s) and then 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 Certification if the Acquisition cost changes, 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 Certification if the Acquisition cost changes, Potential Recapture Tax form and FHA Transmittal Summary, VA Loan Analysis or Fannie Mae1008 (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 Certification, 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).

2.3 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 45 days from the date of the reservation.
- Reservations for loans under construction at the time of reserving the loan would expire 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).
- If a loan reservation is expired, the lender has the option to extend the reservation for 30 calendar days for a $50 fee but the rate cannot be lowered from the original rate reserved.

2.4 Extension of Reservation

A 30 calendar day extension of the reservation period may be granted on a case-by-case basis at the sole discretion of MHC. All extensions must be requested prior to the expiration date by completing and uploading a NOTIFICATION OF CHANGE FORM and other relevant documentation. A fee of $50.00 every 30 calendar days will be charged to extend a reservation after the initial 45/120 submission timeframes. Extension fees are to be paid online under the "Lenders/Realtors" dropdown by selecting the "Pay Program Fee" button. Enter the MHC Reservation Number, Primary Mortgagor name then click on "MRB or MCC 30 day Extension" then follow the prompts.

- A reservation to a borrower must be expired or canceled for 61 calendar days from the date of expiration or cancellation date, whichever applies, to receive a current market rate.
- If a loan reservation has expired and is 60 calendar days or less from the date of the original reservation date, the lender/borrower(s) have the option to extend the reservation for 30 calendar days for a $50 extension fee which is paid on MHC's website. If the loan was cancelled, the rate cannot

be lowered from the original rate reserved unless 61 or more calendar days has occurred from the date of the cancellation.

- If a property that was originally reserved does not qualify, the lender/borrower has the option to keep the original reservation and locate another property. If the lender has canceled the loan, the new property will not qualify for a new reservation if the rates have been lowered. The lender/borrower can choose to reinstate the canceled loan at the original rate and pay any, if applicable, extension fee.

2.5 Cancellation of Reservation

Reservations of funds will be canceled under the following conditions:

- Upon delivery of the required documents, should MHC determine that the occupying household is 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 first notify MHC by uploading the Notification of Change Form then selecting the "Cancel Application" option online.
- The expiration of the reservation period (10 calendar days) will cause the reservation to be canceled unless an extension is requested by submitting a Notification of Change Form.

2.6 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 Certification, and a new copy of the Appraisal must be uploaded to MHC. If the first mortgage loan amount increases, prior approval by MHC is required and this can be accomplished by uploading the Notification of Change.

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.

2.7 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. 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:

- FHA Transmittal Summary or VA Loan Analysis or Fannie Mae 1008
- Verification of Employment(s) and pay stub(s) for All Applicable Household Members
- MHC Income Calculation Worksheet
- Automated Underwriting Findings (DU/DO/LP/FHA Total Scorecard)
- Copy of most recent year's IRS tax transcript or signed copy of 1040 & schedules, if applicable, or if self-employed household occupant(s), two years tax transcripts/1040's
- Copy of Credit Report for all Borrowers
- Copy of Fraud Guard or equivalent Report with Ownership/Occupancy module for all Borrowers
- Executed Borrower Certification
- Executed Non-Borrower Statement

- Child Support Statement - MUST INCLUDE SUPPORTING DOCUMENTS
- Copy of Appraisal (URAR or Conditional CRV)
- Notification of Change Form
- Mortgage Addendum for Loan Type (Must be recorded with 1st Mortgage DOT)
- Attorney Information Form
- MHC Letter of Explanation Form
- 203(k) Maximum Mortgage Worksheet
- Copy of Preliminary Closing Disclosure (HAT Only)

NOTES:

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 three 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.

The Lender is required to submit the following MHC MRB documents to the closing agent for execution:

- Borrower Affidavit
- FHA MRB Mortgage Addendum, VA/RD MRB Mortgage Addendum or Fannie Mae/Freddie Mac Conventional Mortgage Addendum, whichever is applicable, must be recorded with the original first mortgage Deed of Trust (NOT the second mortgage Deed of Trust).
- MHC Second Mortgage Note
- MHC Second Mortgage Deed of Trust

Neither the buyer nor the seller can be charged any discount points and the maximum Origination fee allowed is up to 1.50% **(NOT A MANDATORY FEE)**.

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.

2.8 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. **IF A LOAN IS CLOSED PRIOR TO MHC ISSUING THE CONDITIONAL COMMITMENT OR LOAN AMOUNTS ARE CHANGED WITHOUT NOTIFYING MHC, THE LENDER WILL BE INELIGIBLE FOR REIMBURSEMENT OF THE SECOND MORTGAGE FUNDS FROM MHC AND THE LOAN WILL BE CANCELED.**

2.9 Purchase Certification Stage

The Purchase Certification (PC) package in its entirety must be submitted to MHC on or prior to the earlier of 30 calendar days of the loan closing except for the original recorded Second mortgage Deed of Trust. Upon receipt of the purchase certification package, MHC will update the loan status to PC and will reimburse the downpayment funds to the Lender within two business days after the status change. Item #9 from the second list below must be mailed to MHC's Single-Family Dept. as soon as it's received from the County Recorder's office or Settlement Agent. Once the PC is issued, the lender must then deliver the PC with the first mortgage loan to the MRB Servicer for purchase.

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The following documents are required to be uploaded as part of the purchase certification package:

1. MRB Executed Borrower Affidavit
2. Copy of Final Executed Closing Disclosures (1st & 2nd Mortgage)

3. Copy of Recorded Second Mortgage Deed of Trust
4. Copy of Executed Second Mortgage Note
5. Lender Wiring Instructions
6. ACH Authorization Agreement (TRUSTY10 Only)
7. Copy of Executed 1st mortgage Note (HAT Program Only)
8. Copy of Executed 1st mortgage Deed of Trust (HAT Program Only)

FINAL DOCUMENTS – Mail to MHC Attn: Single Family – 735 Riverside Dr., Jackson, MS 39202

9. Original Executed Second Mortgage Note
10. Original Executed Recorded Second Mortgage Deed of Trust (MHC will reimburse the lender with an uploaded copy of the recorded Second Mortgage Deed of Trust but the original must still be mailed to MHC once received from the County Recorder's office or Settlement Agent.)

If the audit reflects that the Second Mortgage funds were improperly disbursed, or other PC documents are found to be incorrect or incomplete, the Lender will be emailed a condition list. The Lender will be required to have the issue resolved. Once resolved, the lender will then print the MRB PC and provide it along with the first mortgage required purchase package documentation to the MRB Servicer for purchase of the first mortgage loan ONLY. The loan must be offered for sale to the Servicer within three 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 or without MHC's prior approval, the Originating Lender may be required to repurchase such loan from the Servicer (see MRB Mortgage Origination Agreement).

There could be a penalty charged to the lender of $50.00 every 30 calendar days for late delivery of the Purchase Certification Package documents, at the Corporation's sole discretion. If conditions exist and have not been satisfied, the Purchase Certification will not be issued, and the loan will not be eligible for purchase and pooling by the Loan Servicer. If MHC cannot issue the Purchase Certification and the Servicer does not securitize the loan due to this reason, the lender may risk suspension from the MRB program indefinitely.

NOTE: The Corporation may, at its sole discretion, waive or modify any or all the foregoing requirement

SECTION 3 - POOLING PROCEDURES (Servicer Instructions)

3.1 Loan Purchases

The Servicing Lender will purchase each new 1st 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. 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 1st 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 be sent to the Single Family Program Division by secure email as soon as the Servicer has prepared the Mortgage Backed Security documentation:

MRB Servicer Submission Certificate 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, an MRB Loan Inventory Detail report each month, no later than the 5th business day and the corresponding Servicer Submission Certificates. 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 an annual 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 and Servicer approval.

The Servicing Lender is required to notify the Trustee of the Servicers 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 that is provided to the Servicer by the Single Family Program Division. Upon completion of the formation of the MBS, the Servicer will then email to the Trustee of record to the Single Family Program division, the following documents:

- MRB Servicer Submission Certificate
- 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

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.

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 mortgagor's 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 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. 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

1. 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)

2. 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:

Holding Period	**Percentage for Holding Period**
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 two or less in family - $70,560

Year 0 =	Same as County limit at the time of purchase – 70,560
	70,560 x 105% = 74,088 - Year 1
	74,088 x 105% = 77,792 - Year 2
	77,792 x 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.

3. 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 of sale.

Recapture Tax 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) x 6.25% = __________________ (maximum recapture)

____________________ (Maximum recapture) x ___________ (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.

	Family Size/Original Limit	
No. Of Years	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 of the First Mortgage:

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. If an assumption of the first mortgage takes place within the first 10 years of the loan, the Seller must pay the Second Mortgage loan in full to MHC. 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 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 certifications under the program.
- 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 first mortgage 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 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 AND ENSURE COMPLIANCE WITH GUIDELINES IS BEING MAINTAINED.**