



Fahe My Place Mortgage Program (“Program”) Frequently Asked Questions (“FAQ’s”)

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Do you need to include the interest-only payment for qualification?

Yes. You must add the interest-only payment as a liability when calculating the debt-to-income ratio for qualification.

What is the maximum Area Median Income (“AMI”)?

The AMI requirement varies depending on whether or not the loan is run as a Fannie Mae HomeReady®/ Freddie Mac Home Possible® or as a standard conventional product, however the overall cap is one hundred forty percent (140%).

What fees are permitted and disclosed on the second loan?

All fees paid to government entities required to record the second lien in the specific state and/or jurisdiction of the property may be charged to the borrower and must be disclosed accordingly. Any prepaid interest, where applicable, may also be charged. No other fees are permitted or charged to the borrower.

What additional documentation is required for the second loan?

Homebuyer education certificates for all borrowers completed prior to close, Interest-Only Attestation Agreement, signed original Second Note in Lender’s name, Copy of the Signed, Notarized Second Trust/Deed in Lender’s name and MERS as the nominee for Lender and Lender’s successors and assigns. All required Truth in Lending Act (“TILA”) Real Estate Settlement Procedures Act (“RESPA”) Integrated Disclosures (“TRID”), regulatory, federal, and state disclosures.

What is the Program fee?

A one hundred and fifty dollar (\$150) Lender funding fee will be deducted from the purchase advice; this cannot be passed onto the borrower.

Is there a minimum loan requirement for the Program?

No.

Is there a maximum loan amount for the Program?

No maximum dollar amount, but the Program is capped at up to four percent (4%) of the lesser of the appraised value or the purchase price.

Does the borrower need to take the loan for the full four percent (4%) of the lesser of the purchase price or appraised value?

No. The borrower may take the loan amount for a lower percentage if that is all the transaction requires due to concessions, credits, etc.

Does this qualify for the Consumer Financial Protection Bureau exemption for Housing Finance Agencies (“HFA’s”)?

No. The loan must comply with all TRID guidelines and a completed Loan Estimate (“LE”) and Closing Disclosure (“CD”) are required.



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On the fee disclosure of the CD, if completing manually, do we disclose the balloon at the end of the thirty (30) year period or just interest-only, or both?

Both should be disclosed. Check the box for interest-only with thirty (30) years, and the balloon box is also checked. However, if you are utilizing DocMagic, International Document Services, Inc. (“IDS”) or ICE Mortgage Technology (formerly EllieMae®) documents, their versions of the CD are also acceptable.

Is non-traditional credit permitted if one of the two borrowers does not have a credit score, but the Automated Underwriting System (“AUS”) returns an “Approve” or “Accept,” and also requires that a non-traditional credit file be developed on the borrower with no score (i.e. the borrower with no score is contributing more than fifty percent (50%) of the qualifying income)?

No. In this case the loan would be ineligible as use of non-traditional credit is not permitted in any circumstance.

If the loan amount is a high balance/super conforming mortgage, is the Loan-to-Value (“LTV”) limited to ninety-five percent (95%) per Fannie Mae/Freddie Mac guidelines?

Yes. However, the Combined LTV maximum is one hundred and five percent (105%) even on a high balance loan per Fannie Mae Community Seconds® or a super conforming loan per Freddie Mac Affordable Seconds®, as applicable.

Does the borrower need to be a first-time homebuyer to participate in the Program?

No, but must comply with appropriate program guidelines in the Fannie Mae or Freddie Mac Guide, as applicable.

What is Fahe CDFI’s Mortgage Electronic Registration Systems (“MERS”) number?

1006529. It should be listed as both the Investor and Servicer and transferred within seven (7) days of sale.

Does the Program qualify as a Fannie Mae Community Seconds® and Freddie Mac Affordable Seconds®? Yes.

You must enter it as a Community Seconds in DU® in order to receive the correct DU® findings, or for LPA, enter as an “Other New Mortgage Loan” and select “yes” that the second is an Affordable Seconds®.

Does the first mortgage loan information need to be included on the second mortgage CD (page 3)?

No. You as a Lender may choose to include or not include this information, but it is not required.

Is a separate title insurance policy required for the Program?

No.

Do both the first and second mortgage loan numbers need to be listed on the homeowner insurance policy?

Yes. Enter your standard mortgagee clause and be sure to include both the first and second loan numbers in the clause information.



Are principal curtailments permitted?

Cash back to the borrower is permitted only as a refund of earnest money, prepaid fees, interest, and tax credits. If you still need to adjust, a principal curtailment is permitted subject to Fannie Mae/Freddie Mac guidelines.

Are wire instructions required at delivery?

Wire instructions signed by an authorized signer will be required in lieu of the bailee letter on the following approval EXCEPTIONS:

- Regulated Financial Institutions using their own funds*
- Sellers with a Regulated Financial Institution Parent (funding through parent bank)*
- Warehouse Banks not issuing bailee letters*

Is a bailee letter required when delivering the original note?

Yes.

Is an Interest-Only rider required for all states?

No. Please refer to the State Document Matrix. This lists all of the required documentation for each state.

Is homebuyer education required for the Program?

Yes. All borrowers must attend a homebuyer education course prior to closing and the completion certificates must be included in the closing package. The provider for homebuyer education varies depending on the AUS utilized; refer to the program guidelines and product matrix for full details.

Are Planned Unit Development (“PUD”) and Condominium riders required for the Program?

No. These riders can still be provided at the Lender’s discretion. If a Lender chooses to utilize either a PUD and/or Condominium rider, the Lender must utilize the current Fannie Mae/Freddie Mac version of these forms at <https://www.fanniemae.com/content/guide/selling/b8/4/01.html> or <https://sf.freddie.mac.com/tools-learning/uniform-instruments/all-instruments#riders>, as applicable. They are still required on the first mortgage when applicable.

Similarly, if the PUD or condominium rider box is checked in the applicable section of the Deed of Trust/Mortgage, the most current Fannie Mae/Freddie Mac version of these forms must be utilized. In the event the rider was checked in error in that section of the Deed of Trust/Mortgage, an updated Deed of Trust/Mortgage must be provided with the change initialed by the borrower, and the updated Deed of Trust/Mortgage must be re-recorded.

Fahe will suspend all loans in which the rider box was checked on the Deed of Trust/Security Deed/Mortgage and the applicable rider is not included or executed correctly. Suspended loans will not be released until the corrected documents have been received.



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Does all of the borrower's income need to be developed and used, or just what is needed to qualify?

All of the borrower's income must be developed per Fannie Mae/Freddie Mac guidelines. If such income cannot be verified according to these guidelines, the underwriter should notate the reason on Fannie Mae Form 1008/Freddie Mac Form 1077. This includes all income listed on the application as well as any other income sources that have been disclosed during the loan process.

Does the Mortgage Identification Number ("MIN") number need to be added to the Deed of Trust/Security Deed/Mortgage for the Program?

Yes. The MIN must be added to each Deed of Trust/Mortgage.

What should be filled in if the note shows a blank for the late fee on the second mortgage?

Some states have specific requirements surrounding the actual late fees, and in these states the notes have been pre-filled in. Generally, when the state does have a specified amount, it has been five percent (5%). Therefore, we suggest also using five percent (5%) for those states that do not have pre-filled in required amounts, but we encourage you to confirm with and follow your internal legal and compliance direction.

Can we choose an HFA Preferred when we run the first mortgage through DU[®] or HFA Advantage when we run the first mortgage through LPA[®]?

No. The only options permitted are standard conventional or HomeReady[®] / Home Possible[®].

If the first mortgage product matrix is silent on specific types of liabilities or assets, should we follow Fannie Mae / Freddie Mac guidelines?

Yes. If the product matrix is silent on any subject, please follow Fannie Mae Selling Guide/Freddie Mac Seller Guide requirements.

What income amount is entered into the Interest-Only Agreement document?

The final monthly qualifying income from the final URLA and matching AUS is entered into the blank for the "monthly gross income total of \$_____".

Does the Maryland (MD) Mortgage Loan Disclosure need to be signed at Initial disclosure and can it be eSigned?

Yes. The MD Mortgage Loan Disclosure must be signed as this form has the borrower(s) agree that the loan purpose is accurate just as they have checked on the form. It must be signed at Initial disclosure and can be eSigned.

Do I need to generate the first payment letter for the Fahe second mortgage or is there a template?

The Lender will generate the first payment letter. There is no template.

What document providers have the Program legal documents available in their libraries?

All of the legal documents are now available in the DocMagic, International Document Services, Inc. ("IDS") and



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ICE Mortgage Technology (formerly EllieMae®) document libraries.

Is the Fahe second mortgage considered a Qualified Mortgage (“QM”)?

No. It is an interest-only product and therefore non-QM.

Is the Program exempt from the Ability-to-Repay (“ATR”) and QM Rule?

No, the Program is not exempt from the ATR and QM rule even though Fahe CDFI is a nonprofit entity because both the first and second loans close in the Lender’s name. However, the overall transaction does meet the ATR and QM Rule requirements because the Fahe second mortgage is part of the first mortgage agency AUS approval. The Program mirrors Fannie Mae Community Seconds® and Freddie Mac Affordable Seconds® and must be part of a first mortgage application that is run through AUS for approval. These FAQ’s are not intended to convey legal or compliance advice. Each Lender should seek approval and/or validation from their own internal compliance and/or legal department.

Can the borrower utilize Mortgage Credit Certificate (“MCC”) income?

MCC income is permitted subject to all applicable Fannie Mae/ Freddie Mac guidelines for this type of income.

Should Fahe be listed as the sub-servicer when registering the loan in MERS?

No. There is no sub-servicer. Fahe CDFI (MERS #1006529) should be listed as both the Investor and the Servicer. Please make sure you accurately complete the transfer of ownership and servicing.