



fahe
Strength in Numbers

My Place Mortgage

Down Payment and Closing Cost Assistance Interest-Only Program Guide

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ABOUT DPA Provider

Fahe is on a mission to eliminate persistent poverty in Appalachia.

Fahe (Federation of Appalachian Housing Enterprises, Inc. DBA FAHE, Inc. Hereafter referred to as "FAHE, Inc.") is a nonprofit organization based in Kentucky and whose mission is to eliminate poverty in Appalachia, and who provides economic development & lending activities in over 20 states and growing. Fahe was founded in 1980 by the groups that would comprise our original Membership to provide opportunities for housing, finance, and construction training in Appalachia. As a Community Development Financial Institution (CDFI), our lending activities primarily serve low income communities and people with vital access to credit. We have evolved into a highly impactful CDFI with a far reaching deployment Network that includes 50+ Fahe Members serving 100+ communities and an additional 50+ Partners who use our business platforms and/or otherwise collaborate with Fahe in the pursuit of common goals, both within Appalachian and across the nation. Fahe captures the strength of this Network which has been the cornerstone of our lending platforms capable of delivering over \$250M a year to support housing and community development in the persistently poor region of Appalachia. Fahe reinvests its enterprise revenues into mission programming that bring solutions and capital to our core Appalachian communities. With major experience in USDA lending programs, development lending, and down payment assistance (DPA) programs, Fahe is thrilled to partner with lenders on our My Place Mortgage DPA program, while expanding our opportunities of partnership both within the Appalachian region, as well as our growing partnership footprint.

BENEFITS OF Program

- ✓ Enables borrowers who are lacking adequate savings to cover the required down payment and closing costs to continue forward with their dreams of homeownership
- ✓ Program repayment terms keep the borrowers payment affordable, providing them more borrowing power while qualifying for their first mortgage
- ✓ Opportunity builder for lower income households. Continues the development of markets by assisting potential buyers where 100% financing is not an option
- ✓ Provides first mortgage lenders a borrower starting the home purchase process with a solid foundation through the required homebuyer counseling qualifications to obtain access to this program

BORROWER ELIGIBILITY

Fahe's My Place Mortgage program is targeted to homebuyers earning less than or equal to 140% of the Area Median Income ("AMI") as referenced in Fannie Mae's Income Lookup Tool, and intend to occupy that home as their primary residence. *(See Appendices A - Program Guidelines for details.)*

All My Place Mortgage participants will be required to complete an approved home buyer education course. This is a common and customary practice for down payment and closing cost assistance programs. The preferred administrator of homebuyer education is Framework. This is an online platform with the mission to expand the marketing of knowledgeable, default resistant, first-time homebuyers prepared for long-term success as homeowners. To access this program, please utilize www.frameworkhomeownership.org.

PROGRAM OVERVIEW

Fahe offers a down payment and closing cost assistance Interest Only second mortgage that matches the rate of an eligible 1st mortgage. The Interest Only second mortgage is one in which the Borrower pays only the interest on the second mortgage for a term of thirty (30) years thus making for a smaller monthly payment. When the fixed term is over, the principal amount is due. ***(See Appendix A – Program Guidelines for details.)***


SELLER CONTRACTUAL OBLIGATIONS

By signing the Fahe Loan Correspondent Purchase and Sale Agreement ("Agreement"), Seller is bound by the requirements of this Fahe My Place Mortgage Down Payment and Closing Cost Assistance Program Guide ("Fahe Guide") as the Fahe Guide may be amended or supplemented from time to time and which is incorporated into and made part of the Agreement. The Guides, Agreement and any other Purchase Documents govern the sale of Mortgage Loans by Seller to Fahe.

SUBMITTING, LOCKING AND UPLOADING IMAGES

Loans must be closed and distributed by Lock Expiration. ***(Appendix B for My Place Mortgage Document Delivery Requirements.)***

APPENDIX A - PROGRAM GUIDELINES - INTEREST ONLY – www.fahe.org/myplacemortgage

| My Place Mortgage Interest Only | |  |
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| Term Sheet | | |
| Description | <ul style="list-style-type: none"> • A thirty (30) year interest-only second mortgage for down payment and closing cost assistance. The second mortgage interest rate will be equal to the first mortgage rate. • The second mortgage will be up to four percent (4%) of the lesser of the purchase price or the appraised value, with no dollar cap. • The Borrower will sign a second promissory note and a second trust/deed which will be recorded as a subordinate lien on the Property. • Second mortgage proceeds may be used to fund up to one hundred percent (100%) of the Borrower's cash to close. The only cash back permissible to the Borrower is a refund of any earnest money, prepaid fees and interest or tax credit. • Other down payment / closing cost programs are permitted to be used in conjunction with the Springboard To Homeownership Program and must also meet the Fannie Mae Community Seconds Loan Eligibility and Fact Sheet or Freddie Mac Affordable Seconds Loan Eligibility and Fact Sheet, as applicable. (See <i>Subordinate Financing</i> section below.) | |
| Repayment Terms | <ul style="list-style-type: none"> • Interest only payments will be due monthly. • The second mortgage is due and payable upon the sale, refinance, transfer of the property, maturity or early payoff of the first mortgage. • NOT FORGIVABLE. | |
| Eligible Loans | <ul style="list-style-type: none"> • Offered in conjunction with eligible 1st mortgage. | |
| AUS Underwriting | <ul style="list-style-type: none"> • Approve/eligible from Desktop Underwriter (DU®) or Accept/Eligible from Loan Product Advisor (LPA®). • Manual underwriting is <u>not</u> permitted. | |
| First Time Homebuyer Requirements | <ul style="list-style-type: none"> • Fannie Mae HomeReady® or Freddie Mac Home Possible® – No first-time homebuyer requirement <ul style="list-style-type: none"> ◦ The income used to qualify the Borrower converted to an annual basis must not exceed eighty percent (80%) of the Area Median Income (AMI). • Fannie Mae/Freddie Mac Conventional LTV 95.01% - 97% - At least one Borrower must be a first-time homebuyer.* • Fannie Mae/ Freddie Mac Conventional LTV < 95.01% - No first-time homebuyer requirement. • Note: High balance loans are limited to 95% maximum Loan-to-Value (LTV) and 105% maximum Combined LTV. <p><i>*First-time homebuyer definition: At least one buyer must not have owned any residential property in the past three (3) years. In addition, an individual who is a displaced homemaker or single parent will also be considered a first-time homebuyer if he or she had no ownership interest in a principal residence (other than a joint ownership interest with a spouse) during the preceding three (3) year time period. See Fannie Mae Selling Guide for further information.</i></p> | |
| DTI | <ul style="list-style-type: none"> • Maximum Debt-to-Income (DTI) is the lesser of Automated Underwriting System (AUS) or fifty percent (50%). • DTI ratios to be calculated using the interest only payment from the second mortgage. | |
| Credit Score Requirement | <ul style="list-style-type: none"> • 660 minimum FICO score. | |
| Eligible Property Types | <ul style="list-style-type: none"> • 1 unit primary residence, Condominiums, Planned Unit Developments (PUDs), Townhomes, Accessory Units (must meet Fannie Mae Guidelines and be zoned as Single Family Residence). | |

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| Loan Purpose | <ul style="list-style-type: none"> • Purchases only. |
| Occupancy | <ul style="list-style-type: none"> • Owner occupied only. Borrowers and spouses must reside in the U.S. and occupy the Property as their primary residence within sixty (60) days of closing. |
| Borrower Contribution | <ul style="list-style-type: none"> • No minimum Borrower contribution. |
| Eligible Areas | <ul style="list-style-type: none"> • Eligible Areas: Please refer to the State Matrix for eligible areas located on www.fahe.org/myplacemortgage website. |
| Program Income Limits | <ul style="list-style-type: none"> • Income limits: Less than or equal to one hundred forty percent (140%) AMI as indicated on Fannie Mae's income look up tool • For purposes of determining eligibility, the lender must include the income from all borrowers who will sign the note, to the extent that the income is considered in evaluating creditworthiness for the loan. • Follow Fannie Mae Selling Guide with respect to allowable income sources and calculation methods. |
| Subordinate Financing | <ul style="list-style-type: none"> • Other down payment /closing cost programs are permitted in conjunction with Fahe's MyPlace Mortgage. <ul style="list-style-type: none"> ◦ These programs must comply with all Fannie Mae Community Seconds Loan Eligibility guidelines or Freddie Mac Affordable Seconds Loan Eligibility guidelines. • Must be subordinate to first and second lien. |
| Subordination | <ul style="list-style-type: none"> • Not permitted. |
| Homebuyer Education | <ul style="list-style-type: none"> • Required prior to close for <u>all</u> Borrowers and must comply with Fannie Mae or Freddie Mac Homebuyer Education Requirements. <ul style="list-style-type: none"> ◦ DU/FNMA: HomeView ◦ LPA/FHLMC: CreditSmart • Post-purchase delinquency counseling is not required. |
| Disclosure | <ul style="list-style-type: none"> • Must comply with TILA-RESPA Integrated Disclosure (TRID) rules: <ul style="list-style-type: none"> ◦ A completed Loan Estimate and Closing Disclosure are required. • Other federal and state disclosures regarding second liens may apply. • Other than the Program Fees listed below, no other fees are permitted or charged to the Borrower. |
| Second Loan Amount Calculation | <ul style="list-style-type: none"> • Second loan amounts are <u>always</u> calculated as a percentage of the lesser of the purchase price or the appraised value. |
| Program Fees | <ul style="list-style-type: none"> • A one hundred fifty dollar (\$150) Lender funding fee will be deducted from the purchase and sale. This fee cannot be passed on to the Borrower. • Prepaid interest and fees that are required to record the second lien in the applicable jurisdiction and/or state can be passed on to the Borrower. No other fees are permitted. |
| Required Program Documentation for Loan Closing | <ul style="list-style-type: none"> • Homebuyer Education Certificate(s) of Completion. • Interest-Only Agreement and attestation. • Signed original second note in the Lender's name. • Copy of the signed, notarized second trust/deed in the Lender's name and MERS as the nominee for Lender and Lender's successors and assigns. |
| Funding | <ul style="list-style-type: none"> • Loan funds will be advanced by the Lender, to be reimbursed once Fahe purchases the second mortgage. |
| Post-Closing/ Seasoning | <ul style="list-style-type: none"> • <u>Loans must not be aged more than forty-five (45) days from the loan closing date until the time the loan is delivered to Fahe for purchase. This includes the date the credit and closing file is received and the loan is eligible for purchase. All loans must be purchased by Fahe within sixty (60) days of the note date.</u> <ul style="list-style-type: none"> ◦ Original signed second promissory note. ◦ Original recorded or certified true copy of the second trust/deed with original recordation stamp. |

- The originating Lender is ultimately responsible for ensuring that the second trust/deed is submitted to the County Assessor's Office for recording.
- All loans must be registered with MERS. The MERS transfer of beneficial rights and transfer of servicing rights must be initiated by the Seller within seven (7) calendar days of purchase date. **Fahe MERS ID# 1006529.**

APPENDIX B - DOCUMENT DELIVERY REQUIREMENTS

The documents listed below are required to be delivered to Fahe prior to purchase of the second mortgage loan from the Seller. From time to time additional documents may be required.

- Initial and Final Uniform Residential Loan Application
- Uniform Underwriting and Transmittal Summary Form
- Credit Report
- Borrower Authorization Form
- All Documents supporting Income
- Income Calculation Worksheet
- AUS Approval
- Homebuyer Education Certificates for all Borrowers on the loan. *(See Homebuyer Education section for further details)*
- Initial disclosures including Loan Estimate and Closing Disclosure and re-disclosures
- Signed Purchase Contract with all addendums
- Appraisal
- Gift Letter if Applicable
- First Mortgage Title Commitment
- First and Second Mortgage Lock Confirmation
- State-specific Required Disclosures and Riders, as per state law *(See State Document Matrix)*
- Documents signed/presented at closing, not limited to the following:
 - Second Mortgage Interest-Only Promissory Note
 - Second Mortgage Interest-Only Deed-of-Trust/Security Deed/Mortgage
 - "Other(s) Interest-Only Rider" box must be checked and Interest-Only Rider included *(in states where applicable)*
 - PUD or Condo Riders can be included at the Lender's discretion. If the PUD or Condo Rider box is checked in the applicable section of the Deed-of-Trust/Security Deed/Mortgage, the most current Fannie Mae version of these forms must be used: <https://www.fanniemae.com/content/guide/selling/b8/4/01.html>.
 - Interest-Only Agreement – must include total income for all borrowers and match income on final 1003, etc.
 - First payment letter for Second Mortgage

APPENDIX C - POST PURCHASE REQUIREMENTS

The following procedures are required after Fahe purchases the second mortgage:

- Notice of Sale of Mortgage Loan and Transfer of Servicing Rights ("Goodbye Letter") is required to be delivered to Borrowers.
- MERS registration: Fahe (MERS #1006529) should be listed as both the Investor and the Servicer. Please make sure you accurately complete the transfer of ownership and servicing.