



## **Home Mortgage Procedural Guide**

The MaineHousing Home Mortgage Program Procedural Guide may be amended from time to time. MaineHousing will notify lenders of changes to the Procedural Guide by facsimile or e-mail. The revision date is indicated within the footer of each page of the Procedural Guide.

# MaineHousing Home Mortgage Program Procedural Guide

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## MAINEHOUSING MISSION

*MaineHousing's mission is to assist Maine people to obtain and maintain decent, safe, affordable housing and services suitable to their unique housing needs. In carrying out this mission MaineHousing will provide leadership, maximize resources and promote partnerships to develop and implement sound housing policy.*



## THE HOMEOWNERSHIP DEPARTMENT MISSION

*To provide and expand financial opportunities;  
to help Maine people become successful homeowners.*

# INTRODUCTION

## MAINEHOUSING: ABOUT US

MaineHousing was established in 1969 by the Maine Legislature. The Legislature set MaineHousing's goal of providing "decent, safe and sanitary residences, apartments or other living accommodation" for individuals and families who cannot afford such housing without financial assistance. MaineHousing meets this goal through the operation of various single-family and multi-family acquisition, construction and improvement programs.

MaineHousing is unique in that it functions not only as a financing institution providing loans, but also as a public purpose agency in making housing available for low-income persons and families, persons with special needs, and the elderly. MaineHousing acts in an economic development capacity in revitalizing neighborhoods, stimulating new employment, and bringing new capital (approximately \$150 million annually) into Maine.

MaineHousing is an independent State agency, commonly referred to as "quasi-governmental." This status allows the agency to foster a professional work environment and to respond quickly and effectively to changing housing conditions and needs.

MaineHousing does not receive State funding to pay for its operations or employee salaries. It does receive dedicated revenue from the State to support its housing programs. Although programs are supported with federal and State funding, most programs are funded primarily through the sale of tax-exempt bonds.

MaineHousing qualifies as a Housing Finance Agency (HFA). The Consumer Financial Protection Bureau (CFPB) regulations with respect to the "ability-to-repay" and "qualified mortgage standards" define "housing finance agency" for purposes of the regulations as follows:

"Housing finance agency or HFA means any public body, agency, or instrumentality created by a specific act of a State legislature or local municipality empowered to finance activities designed to provide housing and related facilities, through land acquisition, construction or rehabilitation. The term State includes the several States, Puerto Rico, the District of Columbia, Guam, the Trust Territory of the Pacific Islands, American Samoa and the Virgin Islands."

MaineHousing is considered an HFA for the purposes of 24 CFR 266.5. Lenders may request a signed letter to this effect for retention in their compliance files.

## MORTGAGE REVENUE BONDS

The most important tool the Legislature gave to MaineHousing to aid in accomplishing its mission is the ability to sell tax-exempt mortgage revenue bonds. The interest income that MaineHousing pays the holders of bonds issued by MaineHousing is generally exempt from federal and State income taxes; therefore investors are willing to purchase tax-exempt bonds at a lower interest rate than they would accept on taxable bonds. The lower cost of

borrowing generally makes it possible for MaineHousing to lend money at a rate lower than the prevailing market rate.

Federal tax law imposes income limitations on persons who receive tax exempt Mortgage Loans and restrictions on the type and value of property that is eligible for tax-exempt mortgage financing. As an issuer of tax-exempt bonds, MaineHousing must make a good-faith effort to ensure compliance. This is accomplished through building an atmosphere of trust with MaineHousing's Lending partners and relying on them to comply with the requirements of the Home Mortgage Program.

## **HOW THIS GUIDE IS ORGANIZED**

This Procedural Guide is incorporated into the Maine State Housing Authority Home Mortgage Program Mortgage Purchase Agreement and contains the requirements and procedures for complying with the Program. The Procedural Guide is also intended to be a working tool. As such, the Procedural Guide has been designed for ease of use while keeping our Lender partners needs in mind.

The Procedural Guide is divided into sections, organized by subject matter. MaineHousing prescribes certain forms that Lenders must use in connection with the Program. The forms are posted on MaineHousing's Internet website <https://lol.mainehousing.org>. The forms are referenced in the Procedural Guide by title followed by a form number designated by MaineHousing, for example, the Acquisition Cost Worksheet (HMP-06).

The Procedural Guide also contains an Introduction and Index. The Introduction describes the philosophy of MaineHousing's Home Mortgage Program. The Introduction also contains a table of contents and definitions of capitalized terms used throughout the Procedural Guide and the Home Mortgage Program Mortgage Purchase Agreement. The Index is a reference tool enabling the user to easily and efficiently search this Procedural Guide to locate the information the user needs. Certain Program information, such as the Rate Sheet and the Lender Origination Fee Schedule is available on MaineHousing's Internet website <https://lol.mainehousing.org>.

The most current version of the Procedural Guide is available on MaineHousing's Internet website <https://lol.mainehousing.org>. MaineHousing will notify Lenders of changes to the Procedural Guide by facsimile or e-mail. Revision dates are indicated within the footer of each page of the Procedural Guide.

MaineHousing will issue the Rate Sheet at least monthly.

It is MaineHousing's goal to maintain the Procedural Guide as a user friendly reference tool for our Lender partners. Any suggestions for improving the Procedural Guide are welcome and should be directed to the MaineHousing Homeownership Department.

## **RULES OF CONSTRUCTION**

References to the singular shall include the plural and the plural shall include the singular. The use of any gender shall be applicable to all genders.

The use of headers or key words in the margins in this Procedural Guide are for convenience only and do not define, limit or describe the scope of the provisions of this Procedural Guide.



## **CORE GLOSSARY**

As used in this Procedural Guide, the following words and terms have the meanings set forth below.

### **Acquisition Cost**

“Acquisition Cost” means the total cost of acquisition of an eligible Residence, as determined in accordance with Section 3.2 and Section 3.3 of this Procedural Guide.

### **Act**

“Act” means the Maine Housing Authority’s Act, 30-A MRSA §4701, et seq., as amended.

### **Allonge**

An addendum attached to a Note that can be used for endorsements. The allonge must be permanently affixed to the related note and must clearly identify the note by referencing at least the name of the borrower(s), the date of the note, the amount of the note, and the address of the security property.

### **Applicant**

“Applicant” means one or more individuals who apply for a Mortgage Loan, and any individual who is expected to live in the eligible Residence and to be liable on the Mortgage Loan.

### **Application**

“Application” means a request by an Applicant for a Mortgage Loan that meets the requirements of Section 5.1 of this Procedural Guide.

### **Bond**

“Bond” means a mortgage revenue bond issued by Maine State Housing Authority, the proceeds of which are used to purchase Mortgage Loans.

### **Borrower**

“Borrower” means an Applicant who satisfies Section 2 of this Procedural Guide.

<b>Broker</b>	“Broker” means an entity that performs some (or most) of the loan processing functions (such as taking Applications; ordering credit reports, appraisals, and title reports; verifying borrower’s income and employment; etc.), but does not actually underwrite or close the Mortgage Loan. The Mortgage Loan is closed in the name of the Lender that commissioned the Broker’s services. The Broker may be a Lender or an entity that is not a Lender.
<b>Closing</b>	“Closing” means the date on which the Borrower executes and delivers the Mortgage Loan documents to Lender, Lender disburses the Mortgage Loan proceeds and the Borrower purchases the Residence.
<b>Code</b>	“Code” means the Internal Revenue Code of 1986, as amended.
<b>Co-Head of Household</b>	“Co-Head of Household” means any person eighteen years of age or over who is not an Applicant and will make the Residence his/her Principal Residence within 60 days of Closing.
<b>Common Areas</b>	“Common Areas” means all portions of a Condominium other than the Condominium Units.
<b>Common Elements</b>	“Common Elements” means an area or facility owned in common by owners of a Residence, the ownership of which is incidental to owning the Residence.
<b>Condominium</b>	“Condominium” means the real property, including the land, the buildings located on the land containing one or more Condominium Units, and all other improvements and structures on the land, portions of which are designated for separate ownership and the remainder of which are designated for common ownership by the owners of those portions under a declaration pursuant to the Condominium Act. The undivided interest in the Common Areas must be vested in the owners of the Condominium Units.

<b>Condominium Act</b>	“Condominium Act” means the Maine Condominium Act, Title 30 MRSA §1601-101 et seq.
<b>Condominium Association</b>	“Condominium Association” means all of the owners of Condominium Units in the Condominium acting as a group in accordance with the bylaws and declaration.
<b>Condominium Unit</b>	“Condominium Unit” means a portion of the Condominium, containing one or more rooms or enclosed spaces located on one or more floors or a part or parts thereof in a building designated for separate ownership and occupancy, with a direct exit to a public street or highway or to a common area leading to such street or highway, the boundaries of which are described in the declaration.
<b>Cooperative Interest</b>	“Cooperative Interest” means an ownership interest in a cooperative affordable housing corporation organized and governed in accordance with the Maine Cooperative Affordable Housing Ownership Act, 13 MRSA §1741 et seq.
<b>Correspondent</b>	“Correspondent” means a Lender that sells Mortgage Loans it originates to another Lender with which it has an ongoing relationship. The Correspondent performs the loan processing functions (such as taking Applications; ordering credit reports, appraisals, and title reports; verifying a borrower’s income and employment; etc.), as well as underwriting. The Mortgage Loan may or may not close in the Correspondent’s name.
<b>Correspondent Participation Agreement</b>	“Correspondent Participation Agreement” means an agreement entered into by and between MaineHousing and a Correspondent in a form prescribed by MaineHousing. The Correspondent Participation Agreement permits the Correspondent to process, underwrite, and close Mortgage Loans pursuant to a Third-Party Origination Agreement with a Selling Lender.

<b>Designated Qualified Servicer</b>	“Designated Qualified Servicer” means the Qualified Servicer designated by Lender, and approved by MaineHousing, to service Mortgage Loans sold by Lender to MaineHousing.
<b>ESIGN</b>	Electronic Signatures in Global and National Commerce Act. A federal law that gives broad legal effect to the use of electronic signatures and records in interstate commerce.
<b>Existing Home</b>	“Existing Home” means any Residence that does not qualify as a New Home.
<b>Fannie Mae</b>	Formally known as the Federal National Mortgage Association (FNMA)
<b>Federal Targeted Areas</b>	“Federal Targeted Areas” means census tracts in which 70% or more of the families have incomes that are at or below 80% of the State median income
<b>FHA</b>	“FHA” means the Federal Housing Administration.
<b>First-Time Homebuyer</b>	A person who has not had a present ownership interest in their principal residence during the three-year period prior to Closing.
<b>Fixture</b>	“Fixture” means personal property which is fixed or attached to a Residence and is intended to be a permanent part of the Residence, including without limitation, built-in stoves and dishwashers, furnaces, wall-to-wall carpeting and curtain rods.
<b>Freddie Mac or FHLMC</b>	“Freddie Mac” or “FHLMC” means the Federal Home Loan Mortgage Corporation.
<b>Gross Income</b>	“Gross Income” means the total annual income of a Household as determined in accordance with Section 2.5 of this Procedural Guide.

<b>Home Quality Standards</b>	“Home Quality Standards” means the minimum Residence and energy standards set forth in Section 3 of this Procedural Guide.
<b>Household</b>	“Household” means the Applicant, any Co-Head of Household and any dependents who will permanently live in a Residence.
<b>HUD</b>	“HUD” means the United States Department of Housing and Urban Development. FHA is a division of HUD.
<b>HUD Metro Fair Market Rent Area (HMFA)</b>	“HUD Metro Fair Market Rent Area” or “HMFA” means an area in and around a municipality containing 50,000 or more residents as designated by HUD. See the Rate Sheet for a list of HMFAs.
<b>Income Limit</b>	“Income Limit” means the maximum Gross Income allowed a Household in order to participate in the Program. Income Limits are set forth on the applicable Rate Sheet available on MaineHousing’s Internet website <a href="https://lol.mainehousing.org">https://lol.mainehousing.org</a>
<b>Interest Rate</b>	“Interest Rate” means the interest rate for Mortgage Loans established by MaineHousing and set forth in the Rate Sheet, as changed from time to time.
<b>IRS</b>	“IRS” means the United States Department of the Treasury, Internal Revenue Service.
<b>Lender</b>	“Lender” means a financial institution that has been approved by MaineHousing to participate in the Program and has executed a Mortgage Purchase Agreement or Correspondent Participation Agreement.

**Lender Online**

“Lender Online” (LOL) means the electronic reservation system that allows Lenders to enter loan reservations and access loan information via the Internet. The system was developed by Emphasys.

**Loan-to-Value**

“Loan-to-Value” (LTV) means the original principal value of the Mortgage Loan divided by the lower of sale price or appraised value. Financing of the UFMIP (up front mortgage insurance premium) is excluded from the Loan-to-Value calculation.

1. For New Homes located on land that is gifted to the Applicant or that is not being financed with the Mortgage Loan, value includes the fair market value of the land.
2. For New Homes, purchase price includes the total cost of building the New Home and all site improvements.

**Lock Period**

“Lock Period” means the period during which Lender locks the Interest Rate as set forth in Section 5.4 of this Procedural Guide.

**Mobile Home**

“Mobile Home” means a Residence which is constructed at a manufacturing facility on a permanent chassis (i.e. the wheel assembly necessary to transport the Residence is removable, but the steel undercarriage remains intact as a necessary structural component) and is transportable in one or more sections, which in traveling mode is 12 body feet or more in width and as erected on site is 500 or more square feet.

**Modular Home**

“Modular Home” means a Residence which is constructed at a manufacturing facility, but not constructed on a permanent chassis, and is transportable in one or more sections on an independent chassis, such as a truck or train.

**Mortgage**

“Mortgage” means a written instrument that grants an interest in a Residence as security for repayment of and compliance with the obligations of a Mortgage Loan.

<b>Mortgage Loan</b>	“Mortgage Loan” means an interest-bearing obligation which is secured by a Mortgage and other written instruments and which provides permanent financing for a Residence.
<b>Mortgage Purchase Agreement</b>	“Mortgage Purchase Agreement” means the Maine State Housing Authority Home Mortgage Purchase Program Mortgage Purchase Agreement entered into by and between MaineHousing and a Lender in a form prescribed by Maine State Housing Authority.
<b>Mortgage Purchase Date</b>	“Mortgage Purchase Date” means the date upon which MaineHousing purchases a Mortgage Loan pursuant to the terms and conditions of the Mortgage Purchase Agreement and this Procedural Guide from a Lender or from a Selling Lender pursuant to a Third Party Origination or a Correspondent Participation Agreement.
<b>New Home</b>	“New Home” means a home that is newly constructed and has not been previously occupied.
<b>Note</b>	“Note” means a promissory note evidencing the Mortgage Loan which is executed by the Borrower in favor of Lender.
<b>Party-wall Structure</b>	“Party-wall Structure” means a duplex, triplex or similar structure that contains a common wall or walls with other units that are owned by persons other than the Borrower.
<b>Payment Shock</b>	“Payment Shock” is a risk layer for underwriters to consider in their loan analysis. Payment Shock is calculated as: proposed PITI (including lot rent, homeowner and Condominium Association dues if applicable) ÷ current housing expense - 1 = ____ x 100 = Payment Shock percentage.

<b>Person with Disability</b>	“Person with a Disability” means a person with a physical or mental disability pursuant to the Maine Human Rights Act, 5 MRSA §4551 et seq., and the Americans with Disabilities Act or an individual with a handicap pursuant to Section 504 of the Rehabilitation Act of 1973, as amended.
<b>PITI</b>	“PITI” include the principal, interest, real estate taxes and homeowners insurance as well as lot rent, homeowners association and Condominium Association dues if applicable.
<b>Principal Residence</b>	“Principal Residence” means a Residence occupied or intended for occupancy as a permanent home, not as a vacation home or an investment property and not primarily used in a trade or business.
<b>Procedural Guide</b>	“Procedural Guide” means this set of instructions, guidelines, terms and conditions for the origination and sale of Mortgage Loans to MaineHousing including all amendments and supplements made by MaineHousing from time to time.
<b>Program</b>	“Program” means the MaineHousing Home Mortgage Program.
<b>Purchase Price Limit</b>	“Purchase Price Limit” means the limit on the Acquisition Cost of a Residence that can be financed under the Program. The Purchase Price Limits are set forth on the Rate Sheet.
<b>Qualified Servicer</b>	“Qualified Servicer” means a Lender who has been designated by MaineHousing as eligible to directly service Mortgage Loans and has executed a Servicing Agreement.



<b>Rate Sheet</b>	“Rate Sheet” means the document issued by MaineHousing which contains without limitation the Interest Rate for the First Home Program and the maximum income limits for the First Home Program the Purchase Price Limits, a list of Lenders participating in the Program and providers of home buyer education.
<b>RD</b>	“RD” means the United States Department of Agriculture - Rural Development (formerly the Farmers’ Home Administration, FmHA).
<b>Relative</b>	“Relative” means the Applicant’s spouse, fiancée, child, parent, grandparent or any other person related to the Applicant by blood, marriage, adoption or legal guardianship.
<b>Residence or Dwelling</b>	“Residence” or “Dwelling” means a residential housing structure located in the State which contains no more than 4 units, each of which is suitable for occupancy by one or more persons and no more than 15 percent of the area of which is intended for use in a trade, business, profession or other commercial venture (except rental units in 2- to 4-unit Residences) and includes a Condominium Unit, a Mobile Home, a New Home, an Existing Home, a Modular Home, and a Cooperative Interest. Residence includes all Fixtures, and generally excludes furniture, freestanding stoves, refrigerators, washers, dryers and similar items.
<b>Rule</b>	“Rule” means the Maine State Housing Authority Home Mortgage Program Rule, as amended from time to time.
<b>Selling Lender</b>	“Selling Lender” means a Lender who sells Mortgage Loans to MaineHousing that were originated pursuant to a Third Party Origination Agreement.
<b>Servicer</b>	“Servicer” means a financial institution, including a Lender, which has entered into a Servicing Agreement with MaineHousing.

<b>Servicing Agreement</b>	“Servicing Agreement” means an agreement between MaineHousing and a Servicer for the servicing of Mortgage Loans purchased by MaineHousing, in such form as prescribed by MaineHousing.
<b>Start Date</b>	“Start Date” means the effective date of the Mortgage Purchase Agreement.
<b>State</b>	“State” means the State of Maine.
<b>Sub-Servicer</b>	“Sub-Servicer” means a financial institution designated by MaineHousing to service Mortgage Loans in which Lenders release their servicing rights to MaineHousing at the time the Mortgage Loans are sold.
<b>Termination Date</b>	“Termination Date” means the date on which the Mortgage Purchase Agreement terminates pursuant to the terms of the Mortgage Purchase Agreement.
<b>Third Party Origination Agreement</b>	“Third Party Origination Agreement” means a written agreement whereby a Lender uses another party to completely or partially take Applications, process, underwrite, close, fund, or package Mortgage Loans intended for sale to MaineHousing.
<b>Uniform Electronic Transactions Act (UETA)</b>	Any of several state adoptions of an Act that has provisions for the use of electronic signatures and records in interstate commerce that are virtually identical in all material respects to similar provisions of ESIGN.
<b>VA</b>	“VA” means the United States Department of Veterans Administration.

## **SECTION 1 LENDER RELATIONSHIPS**

### **SECTION 1.1 INTRODUCTION**

MaineHousing provides residential mortgages through a statewide network of participating Lenders. A lender must submit an Application for Participating Lender Approval (HMP-30) for MaineHousing to determine whether the lender is eligible to participate in the Program.

### **SECTION 1.2 LENDER ELIGIBILITY REQUIREMENTS**

- A. **Eligibility.** To be eligible for initial approval and continued participation in the Program, a lender must:
1. Be an approved seller/servicer for Fannie Mae or Freddie Mac. The Lender shall at all times during the term of the Mortgage Purchase Agreement and at its own expense maintain in effect a fidelity bond (or surety bond) and mortgage errors and omissions insurance covering all agents, officers, employees, other personnel and agents of the Lender. Such coverage shall be equal to or greater than the minimum coverage required; and shall provide for deductibles that do not exceed the maximum deductible amounts permitted by Fannie Mae or Freddie Mac. The policy must provide coverage for Maine State Housing Authority in addition to the interest of the Lender.
  2. Be an approved lender for at least one of the following government insurer/guarantors: Federal Housing Administration (FHA), Department of Veteran Affairs (VA) or Rural Development (RD).
  3. Be able to demonstrate that the Lender has maintained one or more mortgage loan origination offices within the State for the past 12 months, at a minimum, providing customers the opportunity for face-to-face contact with qualified staff who originate and close mortgage loans secured by first liens on owner occupied residences located in the state.
  4. Be duly licensed or certified to originate Mortgage Loans in the State under all applicable State and federal laws; be legally organized, validly existing and in good standing under the laws of its state of organization; and must be duly authorized to do business and in good standing under the laws of this State (if different from its state of organization).
  5. Have the capacity to process, underwrite, close and fund Mortgage Loans in its own name, and using its own funds.
  6. Have full legal and organizational authority to participate in the Program, to execute the Mortgage Purchase Agreement or Correspondent Participation Agreement and to perform the obligations under the Mortgage Purchase Agreement or Correspondent Participation Agreement and this Procedural Guide.

7. Not be under any cease and desist order or other order of a similar nature, temporary or permanent, of any federal or state authority, nor have any proceedings in progress or, to its knowledge, contemplated, which would, if successful, lead to issuance of any such order.
8. Have quality control and management systems to evaluate Mortgage Loan originations which conform to Fannie Mae and/or Freddie Mac guidelines and satisfy requirements of all mortgage insurers used by the Lender.
9. Have ability to service Mortgage Loans until loan has been funded by MaineHousing. Lender shall not assign or transfer its servicing rights and interest in Mortgage Loans without prior written consent of MaineHousing.

**B. Application for Lender Participation.** To be considered for participation, a lender must submit a completed Application for Participating Lender Approval (HMP-30), including the following documentation:

1. Lender Contact Information (HMP-28)
2. Wiring Instructions (HMP-29)
3. Resumes for principal officers and underwriters
4. A certificate of good standing from the lender's state of organization and the State of Maine (if different from the state of organization)
5. Evidence that the lender is duly licensed or certified to originate Mortgage Loans in the State of Maine
6. Copy of an acceptable fidelity bond
7. Copy of acceptable errors and omissions insurance coverage
8. Audited financial statements, including year-end statements for past two years. State or federally supervised institutions must provide copy of the latest published statement submitted to regulatory or insuring agency.
9. Narrative describing general scope and history of lender's operation, including description of any mergers or acquisitions in the last 12 months
10. Written quality control plan that meets the requirements of Fannie Mae or Freddie Mac and meets requirements of mortgage insurers used by lending institution
11. Description of management systems for loan origination activities
12. Description of type and frequency of existing and new staff training
13. Description of experience in financing Maine properties and marketing plan to promote MaineHousing programs including expected volume

14. Description of experience with other state housing finance agency programs

Application for Participating Lender Approval (HMP-30) and the other forms referenced in this section are available from MaineHousing upon request.

- C. **Approval Process.** On receipt of the application package, MaineHousing will review and notify the lender of its determination in writing. **MaineHousing will not review incomplete applications.**

Lender's application approval is conditioned on the following:

1. MaineHousing's receipt of Mortgage Purchase Agreement or Correspondent Participation Agreement executed by the Lender and Maine State Housing Authority;
2. Lender's staff responsible for originating, underwriting, and closing Mortgage Loans attending MaineHousing training;
3. Lender's designated Lender Online Administrator attending MaineHousing training; and
4. MaineHousing's pre-approval of the Lender's first five (5) Mortgage Loans prior to Closing.

### **SECTION 1.3 NOTICE REQUIREMENTS**

The Lender will notify MaineHousing within 15 business days, in writing, if the Lender:

1. has changed its name, tax identification number, or corporate structure;
2. has filed for bankruptcy protection, has been forced into involuntary bankruptcy, or has requested an assignment for the benefit of creditors;
3. has taken any action to cease operations;
4. receives or expects to receive a notice of cancellation or non-renewal or any change in the terms and conditions of the fidelity bond and errors and omissions insurance policy;
5. has filed a claim against the fidelity bond and errors and omissions insurance policy; or
6. becomes aware of instances of embezzlement, fraud and criminal and dishonest acts by any director, officer, employee and agent of the Lender that is involved in the origination and sale of Mortgage Loans under the Program.

## SECTION 1.4 LENDER CONTACTS

- A. **Using the Lender Contact Information form (HMP-28).** Lender shall designate the contact persons who shall receive all Program updates to the Procedural Guide and all other official MaineHousing notices. The Lender will be responsible for disseminating such information to other staff within their organization. Lender must provide MaineHousing with written notification of any changes in their designated contact persons.

## SECTION 1.5 THIRD PARTY ORIGINATIONS

- A. **General.** A Lender may use third parties to completely or partially originate, process, underwrite, close, fund, package or deliver the Mortgage Loans they sell to MaineHousing.
1. All Third Party Origination Agreements are subject to the review and prior written approval of MaineHousing.
  2. The Lender and third party entity must have full legal authority to perform their obligations under the Third Party Origination Agreement.
  3. The Lender shall not cause or agree to any amendment, modification or waiver of the terms and conditions of the Third Party Origination Agreement without MaineHousing's prior written approval. The Lender shall not assign or transfer any of their rights and interests or agree to an assignment or transfer of the other party's rights and interests under a Third Party Origination Agreement without MaineHousing's prior written approval.
  4. MaineHousing has the right to refuse to purchase Mortgage Loans that are originated and sold pursuant to a Third Party Origination Agreement that has not been approved by MaineHousing.
- B. **Correspondent Originations.** Correspondent originations are Mortgage Loans originated pursuant to a Third Party Origination Agreement whereby one Lender, referred to as the Correspondent, takes and processes Applications, and underwrites and closes Mortgage Loans, and transfers all of its rights, title and interest in the Mortgage Loans to the other Lender, referred to as the Selling Lender. In turn, the Selling Lender sells the Mortgage Loans to MaineHousing.
1. The Correspondent must be approved by MaineHousing to participate in the Program, must execute a Correspondent Participation Agreement with MaineHousing, and must attend MaineHousing training. The Lender must have full legal authority to perform their obligations under the Correspondent Participation Agreement.
  2. The Correspondent and the Selling Lender must each meet the minimum Mortgage Loan origination requirement set forth in Section 1.7 of this Procedural Guide. Mortgage Loans originated and transferred to a Selling Lender by Lender, as

Correspondent pursuant to a Third Party Origination Agreement, shall not be considered in determining whether Selling Lender has satisfied the minimum origination requirement.

3. The Correspondent and the Selling Lender shall be subject to the lender performance standards established by MaineHousing set forth in Section 1.8 and Section 1.9 of this Procedural Guide.
4. The Correspondent shall reserve the Mortgage Loans with MaineHousing and lock in the Interest Rate for the Mortgage Loans in accordance with Section 5.3 and Section 5.4 of this Procedural Guide.
5. The Correspondent or the Selling Lender may deliver the Mortgage Loans to MaineHousing. At the time of delivery, the Lender delivering the Mortgage Loans shall notify MaineHousing of all of the Lenders involved in the origination and sale of the Mortgage Loans and specify each Lender's role.
6. The Correspondent is responsible for clearing conditions/exceptions listed on Lender Online.
7. MaineHousing will purchase the Mortgage Loans from the Selling Lender. MaineHousing will pay origination fees and servicing release fees, as applicable, to the Selling Lender. The distribution of any origination and servicing release fees between the Selling Lender and the Correspondent shall be made by Selling Lender in accordance with the Third Party Origination Agreement.
8. If the Mortgage Loan closes in the name of the Correspondent, then the Correspondent shall assign the Mortgage and endorse the Note to the Selling Lender, and the Selling Lender shall assign the Mortgage and endorse the Note to Maine State Housing Authority.
9. The Selling Lender shall repurchase any Mortgage Loan that MaineHousing determines does not comply with the requirements of the Mortgage Purchase Agreement and this Procedural Guide. The Selling Lender may seek recourse against the Correspondent pursuant to the Third Party Origination Agreement. Only Selling Lender's Designated Qualified Servicer or Sub-Servicer may service Mortgage Loans originated and sold to MaineHousing.

C. **Broker Originations.** Broker originations are Mortgage Loans originated pursuant to a Third Party Origination Agreement whereby a Broker agrees with a Lender to perform, on behalf of the Lender, some (or most) of the Mortgage Loan processing functions (such as taking Applications; ordering credit reports, appraisals, and title reports; verifying an Applicant's income and employment). A Broker does not underwrite, close, or sell the Mortgage Loans to MaineHousing. A Broker may be a Lender or an entity that is not a Lender.

1. Third Party Origination Agreement between two Lenders. One Lender, referred to as a Broker, takes Applications and performs some (or most) of the processing functions on behalf of another Lender, referred to as a Selling Lender. The Selling Lender underwrites, closes, and sells Mortgage Loans to MaineHousing.

- a. Mortgage Loans will be credited towards the Selling Lender's minimum origination requirement as set forth in Section 1.7 of this Procedural Guide.
  - b. The Broker shall give MaineHousing a 30-day prior written notice of the specific types of Mortgage Loans that it will process pursuant to the Third Party Origination Agreement and the types of Mortgage Loans it will originate and sell directly to MaineHousing.
  - c. The Selling Lender shall reserve the Mortgage Loans with MaineHousing and lock in the Interest Rate for the Mortgage Loans in accordance with Section 5.3 and Section 5.4 of this Procedural Guide.
  - d. The Selling Lender shall deliver the Mortgage Loans to MaineHousing. At the time of delivery, the Selling Lender shall notify MaineHousing of all parties involved in the origination and sale of the Mortgage Loans.
  - e. The Selling Lender is responsible for clearing conditions/exceptions listed on Lender Online.
  - f. MaineHousing will pay origination fees and servicing release fees, as applicable, to the Selling Lender. The distribution of any origination fees and servicing release fees between the Selling Lender and the Broker shall be made by the Selling Lender in accordance with the Third Party Origination Agreement.
  - g. The Selling Lender shall repurchase any Mortgage Loan that MaineHousing determines does not comply with the requirements of the Mortgage Purchase Agreement and this Procedural Guide. The Selling Lender may seek recourse against the Broker pursuant to the Third Party Origination Agreement.
2. Third Party Origination Agreement between a Lender and an entity that is not a Lender. The Broker takes Applications and performs some (or most) of the processing function on behalf of a Lender, referred to as a Selling Lender. The Selling Lender underwrites, closes, and sells the Mortgage Loan to MaineHousing.
- a. The Selling Lender shall be fully responsible for training and providing Program information to the Broker.
  - b. The Selling Lender shall reserve the Mortgage Loans with MaineHousing and lock in the Interest Rate for the Mortgage Loans in accordance with Section 5.3 and Section 5.4 of this Procedural Guide.
  - c. The Selling Lender shall deliver the Mortgage Loans to MaineHousing. At the time of delivery, the Selling Lender shall notify MaineHousing of all parties involved in the origination.
  - d. The Selling Lender is responsible for clearing conditions/exceptions listed on Lender Online.
  - e. MaineHousing will pay origination fees and servicing release fees, as applicable, to the Selling Lender. The distribution of any origination and servicing release



fees between the Selling Lender and the Broker shall be made by the Selling Lender in accordance with the Third Party Origination Agreement.

- f. The Selling Lender shall repurchase any Mortgage Loan that MaineHousing determines does not comply with the requirements of the Mortgage Purchase Agreement and this Procedural Guide. The Selling Lender may seek recourse against the Broker pursuant to the Third Party Origination Agreement.

## **SECTION 1.6 ORIGINATION REQUIREMENTS**

- A. **Type of Loan Originations.** Lender agrees to originate MaineHousing loans in combination with all loan types that are part of its normal lending services, such as FHA insured, RD and VA guaranteed Mortgage Loans.
- B. **Minimum Origination Requirement.** Lender shall originate a minimum of five (5) Mortgage Loans eligible for purchase by MaineHousing during a consecutive twelve (12) month period. New Lenders will be added to marketing material and rate sheet once a minimum of five (5) loans are sold to MaineHousing.

The following shall be credited to a Lender's minimum origination requirement:

1. Mortgage Loans the Lender sells to MaineHousing pursuant to a Third Party Origination Agreement with a Broker;
  2. Mortgage Loans the Lender originates as a Correspondent; and
  3. Mortgage Loans the Lender both originates and sells to MaineHousing.
- C. **Limitation on Origination for Certain Types of Residences.** MaineHousing reserves the right to limit or suspend loan origination for certain types of Residences including but not limited to the following:
    1. New construction;
    2. Mobile Homes;
    3. Condominium Units;
    4. Party-wall Structures (duplexes, etc.); and
    5. Residences with Common Elements

MaineHousing will provide adequate advance notice and an effective date for any such limitation or suspension. MaineHousing may refuse to purchase a Mortgage Loan originated on or after the effective date announced for the limitation or suspension of a specific Residence type.

## **SECTION 1.7      SERVICING OPTIONS**

A Lender may either release all of its servicing rights and interest in the Mortgage Loans to the MaineHousing or assign its servicing rights and interest to Lender's Designated Qualified Servicer as approved by the MaineHousing.

For loans sold with servicing rights released to MaineHousing, and transferred to a Sub-Servicer, a servicing release fee of .50% of the original principal balance of each Mortgage Loan will be paid to the Lender. Information about the Sub-Servicers is available on MaineHousing's Internet website <https://lol.MaineHousing.org>.

If Lender is assigning its servicing rights and interest in Mortgage Loans to Lender's Designated Qualified Servicer, Lender and the Designated Qualified Servicer, with the prior written approval of MaineHousing, shall execute an assignment and assumption agreement in substantially the form set forth in Appendix A of the Purchase Agreement. Lenders who transfer Mortgage Loans to Designated Qualified Servicers will not receive a servicing release fee from MaineHousing.

Lender shall not assign or transfer its servicing rights and interest in Mortgage Loans originated hereunder in whole or in part, voluntarily or involuntarily, without the prior written consent of MaineHousing. MaineHousing shall have the right to restrict or prohibit the assignment and assumption of servicing rights to the Mortgage Loans at any time upon notice to Lender.

Lender's assignment or release of servicing rights to MaineHousing's or Lender's Designated Qualified Servicer shall not be deemed in any manner to waive, release or otherwise affect MaineHousing's right to require the Lender to repurchase Mortgage Loans under this Mortgage Purchase Agreement.

## **SECTION 1.8      CONTINUED LENDER PARTICIPATION**

A Lender's continued participation in the Program is subject to acceptable Lender performance under the Program including without limitation, the following:

- A. compliance with Program requirements set forth in the Mortgage Purchase Agreement and this Procedural Guide;
- B. satisfactory Lender Performance Reports issued by MaineHousing;
- C. adequate staff and facilities to originate and sell quality Mortgage Loans to MaineHousing within acceptable time frames established by MaineHousing;
- D. knowledgeable and trained staff to originate and sell Mortgage Loans under the Program;
- E. presentation of Mortgage Loans in accordance with MaineHousing's loan reservation and Interest Rate lock policy set forth in Section 5.3 and Section 5.4 of this Procedural Guide;

- F. meeting the Mortgage Loan delivery deadlines set forth in Section 5.22 of this Procedural Guide;
- G. meeting the minimum Mortgage Loan origination requirement set forth in Section 1.6 of this Procedural Guide;
- H. maintaining a good level of quality in originating and selling Mortgage Loans under the Program, as determined by MaineHousing in accordance with Section 1.9 of this Procedural Guide;
- I. immediately notifying MaineHousing of all significant changes with respect to Lender's staff, contact information, financial position, mergers, consolidations, reorganizations and other transfers, and lending practices;
- J. reference to MaineHousing by Lender and its staff, in its written and oral communications with other persons and entities, in a professional and positive manner; and
- K. providing documentation to MaineHousing, if requested, in order for MaineHousing to conduct an annual re-certification.

## **SECTION 1.9 MEASUREMENT OF LENDER PERFORMANCE**

- A. **Loan Purchase Commitment.** Lender can view committed/approved Mortgage Loans on Lender Online. Mortgage Loans with conditions/exceptions will not be purchased until the conditions/exceptions are remedied to the satisfaction of MaineHousing. Lender can run a Lender Online conditions/exceptions report, which outlines any outstanding issues/requirements that must be remedied.
- B. **Lender Performance Report.** At a minimum, MaineHousing will evaluate each Lender's performance and issue a Lender Performance Report annually. The Lender Performance Report will contain, at a minimum, the following information:
  1. the number of Mortgage Loans purchased from each Lender;
  2. the percentage of Mortgage Loans submitted by the Lender that were approved for purchase; and
  3. a comparison of Lender's performance to the performance of other Lenders.

MaineHousing will send the Lender Performance Report to the Lender's chief executive officer and the persons designated by the Lender on the Lender Contact Information form (HMP-28).

## **SECTION 1.10 ANNUAL RE-CERTIFICATION**

In order to maintain eligibility to originate Mortgage Loans for MaineHousing, the Lender must comply with all provisions of the Mortgage Purchase Agreement and Procedural

Guide. Annually by April 1st, Lenders must provide the following documentation to MaineHousing:

- A. Lender's Annual Re-certification (HMP-31);
- B. Lender's year-to-date audited financial statement;
- C. evidence of an acceptable fidelity bond;
- D. evidence of acceptable errors and omissions coverage, listing the deductible and named insured on the endorsement cover page;
- E. updated Lender Contact Information form(HMP-28) ; and
- F. information about new employees of the Lender who will administer the Program and, if applicable, evidence that any new employees responsible for originating, underwriting, and closing Mortgage Loans have undergone MaineHousing training; and have access to and have reviewed the Procedural Guide and the Lender Online training manual.

The re-certification process will include an evaluation of a Lender's continued participation in the Program.

## **SECTION 1.11 NOTICE OF SUSPENSION AND/OR TERMINATION**

- A. **Program Suspension.** MaineHousing may, upon written notice to Lender, suspend either the Program, a portion of the Program, or Lender's participation in the Program. The suspension shall be effective for the dates specified in writing.
- B. **Program Termination.** MaineHousing may terminate a Lender for noncompliance with a provision of the Mortgage Purchase Agreement and/or this Procedural Guide by giving the Lender 30 days written notice. The notice will describe the specific reason(s) for termination. If a Lender is terminated for any reason, it will not be allowed to reapply for Lender approval for a minimum of six months.

## SECTION 2 BORROWER ELIGIBILITY

### SECTION 2.1 FIRST-TIME HOMEBUYER REQUIREMENT

- A. **Prior Ownership.** Except as expressly provided by MaineHousing in this Procedural Guide, (see **Veterans Initiative and Mobile Home Replacement Initiative**), an Applicant may not have had a present ownership interest in a Principal Residence at any time during the three-year period prior to the Mortgage Loan Closing.

Ownership interests that may disqualify an Applicant are set forth in Section B below. Interests that will not disqualify an Applicant are set forth in Section C below.

- B. **Disqualifying Ownership Interests.** Ownership interests in a Principal Residence which will disqualify an Applicant for a Mortgage Loans if held by the Applicant at any time during the three-year period prior to Closing include the following:
1. A fee simple interest. A fee simple interest is a complete or absolute ownership interest whereby the Applicant has all rights, powers, privileges and immunities which are legally possible for an owner to have and the Applicant has complete dominion, possession and enjoyment of the Principal Residence.
  2. A joint tenancy, tenancy in common, or tenancy by the entirety. The Applicant owns or has owned a Principal Residence as a joint tenant, tenant in common or tenant by the entirety even if the Applicant is now divorced or no longer living at the Principal Residence e.g. a husband and wife who are now divorced.

Divorce situations can sometimes complicate this type of ownership interest. For example:

*Example #1 A husband and wife own a home as joint tenants. They divorced 2 years ago. The husband lives in the home. The wife has moved from the home, but her name remains on the deed pending a property settlement. The wife is not an eligible Applicant because she retains an ownership interest in the home and lived in the home during the last 3 years.*

*Example #2 Same facts as Example #1, but the husband and wife divorced 4 years ago and the wife moved from the home. The wife is an eligible Applicant because she ceased using the home as her Principal Residence more than 3 years ago, even though she retained title to the home.*

3. The interest of a tenant-shareholder in a cooperative. The Applicant has or had a shareholder and ownership interest in a housing cooperative and lives or lived in a unit in the cooperative as the Applicant's Principal Residence. The Applicant's right to occupancy as possession of the cooperative unit may be evidenced by a proprietary lease.
4. A life estate. A life estate is an interest in property measured by the life of the Applicant that ends at the Applicant's death.
5. A bond-for-deed or installment sale contract. The Applicant entered into an agreement pursuant to which the Applicant has or had possession of and

responsibility for a Principal Residence and agrees or agreed to make payments in accordance with an installment schedule, but the seller retains or retained ownership of the Principal Residence until the Applicant makes or made the final scheduled payment, at which time the seller is or was obligated to give the Applicant a deed to the Principal Residence.

6. Ownership of a Mobile Home on land. The Applicant owns or has owned a Mobile Home and land, whether the Mobile Home is permanently attached or not.
7. Ownership of Mobile Home on leased land. The Applicant owns or has owned a Mobile Home permanently attached to privately leased land or in a mobile home park.
8. Any of the above interests in a trust. Any of the interests described above held in trust for the benefit of the Applicant.

C. **Acceptable Previous Interests.** Ordinarily, the following interests will not disqualify an Applicant:

1. An ordinary lease, with or without option to buy. The Applicant rents an apartment or a Residence even though the Applicant may have a right to purchase the apartment or Residence.
2. The interest of a buyer under a standard residential Purchase & Sale Agreement does not constitute a prohibited ownership interest.
3. An expectancy to inherit property. The Applicant has a mere possibility or expectancy of coming into possession of a home at some later time pursuant to a will or the law.
4. A remainder interest. A remainder interest is an interest in property that arises immediately after some prior interest in property.
5. A present ownership interest in a vacation home or rental property. An ownership interest in a vacation home, a rental home or a home held for investment purposes is not an ownership interest in a Principal Residence.
6. Ownership of Mobile Home that is not attached to leased land. The Applicant owns or has owned a Mobile Home that is not permanently attached to leased land.
7. An interest in the Residence financed by the Mortgage Loan. Any interest the Applicant has in the Residence to be financed by the Mortgage Loan is excluded, except as provided in Section 2.4 of this Procedural Guide (the New Mortgage Requirement).

*Example: An Applicant has inherited a home together with siblings. The Applicant is eligible for a Mortgage Loan to purchase the siblings' interest in the home even though the Applicant has used the home as his/her Principal Residence.*

**D. Applicant Certification & Income Tax Returns.** At the time of application, the Lender must obtain and verify the following information to determine that the Applicant, Co-Applicant, and all Co-Heads of Household who will hold title to the Residence meet the first-time homebuyer requirement.

1. An Applicant Certification (HMP-01A) completed by each Applicant and title holder.
2. Complete, signed federal income tax returns for the three preceding years for each Applicant or title holder. Returns for the immediately preceding year must be included with Applications dated on or after the IRS annual filing deadline for the current year. Filing extensions will not be accepted in lieu of the tax return. Lender may not accept penciled copies. If the Applicant, Co-Applicant or title holder has not provided signed copies of federal tax returns, Lender must use IRS Form 4506-T, Request for Transcript of Tax Return to request tax information.

See MaineHousing's internet website <https://lol.mainehousing.org> for specific instructions and tips for requesting tax return information from the IRS, Form 4506-T, Request for Transcript of Tax Return.

**E. Review of Federal Income Tax Returns or Transcript of Tax Return for the past 3 years.** The Lender must review copies of the Applicant's, Co-Applicant's, and title holder's signed federal income tax returns to satisfy the first-time homebuyer requirement.

1. If the tax payer filed Form 1040A or 1040EZ or Lender receives a letter from the IRS stating that tax payer filed 1040A or 1040EZ or 1040 with no deductions for mortgage interest or real estate taxes, no further inquiry is required.
2. If the tax payer filed a Form 1040 with Schedule A, Lender must analyze the Schedule A to determine whether the tax payer claimed any deductions for mortgage interest or real estate taxes. If the tax payer did not file a Schedule A or claim any deductions for mortgage interest or real estate taxes, no further inquiry is required. If the Applicant, Co-Applicant, or title holder claimed any such deductions, the Lender must verify and document in the Mortgage Loan file that such deductions pertain to loans or real estate taxes on property that would not disqualify a title holder per Section 2.1 above. The Applicant, Co-Applicant or title holder must provide a written explanation of any such deductions on the Applicant Certification (HMP-01A).
3. If the Applicant, Co-Applicant, or title holder certifies on the Applicant Certification (HMP-01A) that he or she was not required to file a Federal income tax return for any of the three previous tax years, and provides a written explanation, then no further inquiry with respect to the tax return for that year is required.

## SECTION 2.2 VETERANS INITIATIVE

- A. Interest rate discount - Salute ME:** To show appreciation for the commitment and sacrifices made by Maine's veterans, MaineHousing is pleased to provide qualified active duty, veterans and retired military an interest rate discount of 0.50% to the First Home Loan rates in effect at loan reservation. Eligible **Salute ME** Applicants:
1. have been honorably discharged from active duty; or
  2. remain on active duty; or
  3. have served on active duty for 180 days or within a war zone and remains on inactive duty. (National Guard members who meet this qualification are eligible).
- B. Waiver of First-time homebuyer rule - Salute Home Again:** MaineHousing waives the first-time homebuyer requirement for qualified active duty, veterans, and retired military (including their spouses).
- C.** An Applicant who has had an ownership interest in their Principal Residence in the past three years, but no longer owns or occupies the property at the time of Closing is eligible. Eligible **Salute Home Again** Applicants:
1. who own real estate must have an executed Purchase & Sale Agreement at the time of Application and complete the sale prior to Closing on the MaineHousing Mortgage Loan.

## SECTION 2.3 PRINCIPAL RESIDENCE REQUIREMENT

The Applicant must occupy the Residence financed by the Mortgage Loan as his/her Principal Residence no later than 60 days after the Mortgage Loan Closing. (See Section 2.6 of this Procedural Guide for information regarding resident aliens.)

## SECTION 2.4 NEW MORTGAGE REQUIREMENT

The Borrower may not currently have any loan in connection with the Residence on which the Lender will take a Mortgage to secure the Mortgage Loan, except if:

- A.** the loan qualifies as a construction loan having a term not substantially in excess of the expected construction period for the Residence;
- B.** the loan qualifies as interim financing having a term of 24 months or less; or
- C.** the purpose of the loan is to purchase the land only.

The Borrower may not use the proceeds of the Mortgage Loan to repay, in whole or in part, directly or indirectly, any loan owed by the Borrower or members of his family other than the loans described in this section.



## SECTION 2.5 INCOME LIMIT

**A. Income Eligibility.** An Applicant is eligible for a Mortgage Loan if at the time of Application the verified combined Gross Income of the Applicant and anyone else who is expected to both (1) reside at the Residence and (2) be obligated on the Note and/or the Mortgage is within the Income Limit or Limits established by MaineHousing under the Program. The applicable Income Limits are set forth on the Rate Sheet and may vary by geographic area and Household size.

HUD Metro Fair Market Rent Area. Income Limits maybe higher in HUD Metro Fair Market Rent Areas (HMFAs). The Lender must use the Income Limits for the city or town in the HMFA, rather than the county where the Residence is located. See the Rate Sheet for a complete list of HMFAs.

Federal Target Areas. Income Limits maybe higher in Federal Targeted Areas. The property must be located within a qualified census tract as verified by the Federal Financial Institutions Examination Council's (FFIEC) website at <https://geomap.ffiec.gov/ffiecgeomap/>

**B. Household Size.** Household size is determined at the time of Application. A Household includes the Applicant, anyone else who is expected to both reside at the Residence and be obligated on the Note and/or Mortgage, and dependents who will permanently reside at the Residence.

1. When a parent is applying for financing, they may include a child as a member of the Household as long as the parent is entitled to claim the child as a dependent for the tax year in which the Closing occurs, and the child will live in the Residence at least 50% of the time.
2. Foster children are not members of the Household because they are not considered dependents.
3. Dependent children who are 18 years or older, are full-time students and are claimed by the Applicant as dependents on income taxes are members of the Household.

**C. Verification.** Lender must certify the Applicant's verified Gross Income, as calculated on the Income Eligibility Worksheet (HMP-04). Lender must verify the combined Gross Income of the Applicant and anyone else who is expected to both (1) reside at the Residence and (2) be obligated on the Note and/or Mortgage using one of the following forms:

1. Fannie Mae/Freddie Mac forms;
2. VA or FHA forms when VA or FHA is the mortgage insurer, or guarantor; or
3. Alternative documentation such as W-2's, 1099's, current pay stubs, or letter from an employer concerning the employment status of the Applicant or anyone else who is expected to both (1) reside at the Residence and (2) be obligated on the Note and/or Mortgage.

**D. Re-certification.** If four or more months pass between the date of Application and the date of Closing, the Borrower, Co-Borrowers and the title holders must re-certify their current income by completing the Reaffirmation section of the Closing Affidavit (HMP-01B) at the Closing. MaineHousing does not require the Lender to verify the re-certified income.

**E. Calculating Gross Eligibility Income.** Lender must use the Income Eligibility Worksheet (HMP-04) to determine the Gross Income for the Applicant and anyone else who is expected to both (1) reside at the Residence and (2) be obligated on the Note and/or Mortgage. The tax code requires a twelve-month forward projection of the Household's gross monthly income. Lenders should note that Gross Income for purposes of determining eligibility under the Program will often be higher and include types of income not included in stable monthly income for underwriting purposes. Lender must use the following guidelines to determine Gross Income.

1. Annual Gross Income. Gross Income includes the regular base pay plus any other income from overtime, part-time employment and bonuses received by the Applicant and anyone else who is expected to both (1) reside at the Residence and (2) be obligated on the Note and/or Mortgage, and is calculated as follows:
  - a. Regular, weekly gross earnings (base pay) multiplied by 52 weeks. Any recent increase in income resulting from circumstances such as pay raises or job promotions that is in effect at the time of Application and is used in qualifying income must be included. Recent decreases in income may be considered if the employer provides a satisfactory written explanation of the change, e.g. that the decrease is permanent and also affects employees other than the Applicant or other individual who is expected to both (1) reside at the Residence and (2) be obligated on the Note and/or Mortgage.
  - b. Periodic payments should be included in income eligibility if they are reasonably likely to continue for a minimum of 3 years and used in qualifying income. The gross amount of any other regular income received periodically multiplied by the number of periods in a year.
  - c. The actual gross income received during the past 52 weeks if income is irregular, unstable, seasonal or temporary, provided the individual has been employed for more than one year.

If employed less than one year, multiply the weekly average by 52 weeks.
  - d. The actual gross amount of overtime, bonuses, shift differentials or commissions during the past 52 weeks, only if the employer states it is likely to continue, provided the individual has been employed for more than one year. One-time sign on bonuses are excluded from income eligibility.
  - e. If employed less than one year, multiply the average weekly gross amount of overtime, bonuses, shift differentials or commissions by 52 weeks if the employer states it is likely to continue.

- f. The actual gross amount of any unemployment benefits received in the past 52 weeks.
2. **Foregone Income.** Gross Income includes all income that would have been earned by an individual who has taken a temporary leave of absence or has temporarily resigned from employment during the previous six month period ending on the date of Application. Lender should use the income earned by the individual at the time of the leave of absence or resignation to calculate the foregone income. Temporary leaves of absence may include maternity leave or a voluntary reduction in the number of work hours and compensation.
3. **Temporary Unemployment.** If during the three-month period ending on the date of Application, the individual has become unemployed due to a temporary or indefinite layoff, or has ceased to be self-employed, include the rate of pay immediately prior to such event in Gross Income.
4. **Alimony and Child Support.** Lenders should include in Gross Income the amount of alimony and child support specified in the original or subsequent legal amendment to a divorce settlement or separation agreement. If the individual certifies in an affidavit that the income has not been received, and that reasonable efforts have been made within the past 12 months to collect amounts due, then the amounts should not be included. "Reasonable effort" includes verification from the Department of Human Services, another welfare agency or an attorney who has made efforts to collect on behalf of the individual. A copy of a court filing is also acceptable. Any reductions to the amount specified in the original legal agreements cannot be considered unless the new amount has been confirmed in writing by the court.
5. **Periodic Payments of Lump Sum Income.** Gross Income includes any lottery winnings, insurance settlements, etc., which are paid in periodic payments.
6. **Self-Employment.** Gross Income includes the net income from the operation of a business or profession, including salaries paid to, or other cash or assets withdrawn by the individual. Gross Income does not include the reimbursement of cash or assets invested by the individual.

Lender must obtain a profit and loss statement and balance sheet from the present calendar or fiscal year and a copy of the prior year's federal tax return. Statements and balance sheets prepared by an accountant, when available, are preferable; otherwise, Part II of IRS Schedule C, Profit or Loss from Business or Profession, is acceptable. The following should not be deducted in determining net income from self-employment: depreciation or other non-cash expenses; principal payments on loans; or expenses for business expansion and outlays for capital improvements. Business expenses and interest payments on loans may be deducted. A net loss should not be deducted from income, but rather should be considered zero income.

7. **Military Allowances.** Gross Income includes allowances for basic quarters, variable housing, and rations, clothing and basic subsistence received by an individual who serves in the military.

8. Clergy. Gross Income includes housing allowances paid to clergy.
9. Flex Benefits. If an individual receives flex benefits and chooses not to utilize them, or to use only part of them, Gross Income includes any amount received in cash. Income received in lieu of health insurance does not need to be included in income eligibility if the individual does not show any health insurance costs and must be documented with a Verification of Employment (VOE).

Student Loan reimbursement: If the individual can show that the full benefit went towards student loan debt, this amount could be excluded from income eligibility.

10. Rental Income. Gross Income includes the net income received from the ownership of rental units other than the Residence by the Applicant or anyone else who is expected to both (1) reside at the Residence and (2) be obligated on the Note and/or the Mortgage. The income of any party residing in the Residence but not obligated on the Note and/or Mortgage is not included. Nonetheless, any rental income or similar reoccurring payments made by such a party to the Applicant or to service providers at the Residence must be counted in the eligibility determination and should be documented by a lease agreement or other written documentation to verify the amount.
11. Housing Choice Voucher Assistance (HCVA). Gross Income includes HCVA that will be received by the Household on a continuing basis.
12. Other Income. All other income should be included based on the mortgage insurer's or Fannie Mae's underwriting qualification guidelines.

**F. Amounts not included in Gross Income.** Gross Income does not include the following types of income:

1. Flex Benefits. Gross Income does not include amounts received from an employer as flexible benefits when those amounts are excluded from the employee's taxable income as reported to the IRS, except when a benefit amount is taken in cash. In so-called "cafeteria plans," a pre-determined amount of money is made available to employees which can be spent on various benefit plan options. The employee can also choose to take cash instead of benefits. Any amount taken in cash is Gross Income.

This method for providing employer-paid benefits differs from the "flexible spending accounts" offered by some employers, in which the employee elects to defer some salary into an account pre-tax and later withdraws the funds for eligible payments such as child care or medical bills not covered by insurance. Flexible spending accounts are not employer-paid benefits and are Gross Income.

2. Anticipated Rental Income. Gross Income does not include anticipated income from rental units in a two- to four-unit Residence that the Applicant wants to finance with the Mortgage Loan.

3. Foster Parent Payments. Gross Income does not include amounts received from the State for the care of one or more persons who are under eighteen years of age, are wards of the State, and were placed in the Household by the State.
4. Dependent Students. Income earned by dependents is not included in Gross Income unless the dependent is paying rent to the Applicant. Any rental income from dependents over 18 years old would be included in the income eligibility calculation.
5. Educational Scholarships. Gross Income does not include any amounts received as a scholarship or fellowship grant used for tuition, fees, books, supplies or equipment required for enrollment or attendance in courses for a degree at an eligible educational organization. An educational organization is eligible if it normally maintains a regular faculty, curriculum, and has a regularly enrolled body of students in attendance.
6. Medical Cost Reimbursements. Gross Income excludes any insurance payments for personal injuries or sickness that are paid as reimbursement for medical expenses or amounts attributable to deductions allowed for medical expenses in any prior tax year.
7. Work-Related Reimbursements. Gross Income excludes amounts paid by an employer as direct reimbursement for travel or other work-related expenses.
8. Lump Sum Income. Gross Income does not include temporary, non-recurring or sporadic amounts, such as:
  - a. casual, sporadic or irregular gifts;
  - b. lump sum additions to assets, such as inheritances insurance payments, capital gains, or settlement for personal or property losses;
  - c. hazardous duty pay to a member of the armed forces away from home and exposed to hostile fire; or
  - d. lump sum payments caused by delays in processing periodic benefits such as welfare, unemployment and social security.
  - e. Sign on bonuses.
9. Permanent Voluntary Resignation or Retirement from a full-time or part-time position. If at the time of Application, any individual has voluntarily resigned from a full-time or part-time position, the Lender must verify with the former employer that the termination or retirement is permanent and the individual is not collecting unemployment. Gross Income does not include the rate of pay immediately prior to the termination or retirement. Examples include an individual who permanently retires or chooses to resign from work following maternity leave. If an individual terminates a full-time or part-time position after the date of Application, the income must be included in income eligibility.

10. Interest. Gross Income does not need to include pre- or post-closing interest and excludes interest earned on trusts, IRAs, Keoghs, 401K Plans or other retirement accounts which are not available to or paid to the individual.
11. Value of In-house Services for Disabled. Gross Income excludes grants or other amounts received specifically for auxiliary aids for a disabled person, expenses for attendant care provided by someone other than a family member living in the Household, or medical expenses. Gross Income includes all general allowances; any income excluded must be designated for a specific purpose.

## **SECTION 2.6 APPLICANT'S IMMIGRATION STATUS**

- A. Permanent Resident.** Applicants must be U.S. citizens or permanent residents, except as noted in Section 2.6B of this Procedural Guide. A permanent resident has the right to live and work permanently in the United States. Permanent residents must have a U.S. Department of Immigration and Naturalization Services (INS) Permanent Resident Card I-151 or I-551 formerly known as an Alien Registration Receipt Card or Green Card.
- B. Non-Permanent Resident.** These are citizens who are permitted to reside in the U.S. on a temporary basis and may have been granted authorization to work in the U.S. by the U.S. Citizenship & Immigration Services (USCIS). Loans to non-permanent residents are permitted under the following conditions:
  1. The Applicant has lived and been employed in the U.S. for at least one year.
  2. The Applicant has established a credit history, either traditional or nontraditional, in the U.S. according to Uninsured or Mobile Home Self-Insured Option Guidelines.
  3. Evidence of occupancy status for a non-permanent resident will be validated by one of the following documents:
    - a) Unexpired foreign passport containing INS Arrival and Departure Record form I-94, stamped "Employment Authorized"
    - b) Employment Authorization Card form I-766

A non-permanent resident who does not meet these criteria may be a co-Applicant for a Mortgage Loan, provided at least one of the Applicants for the Mortgage Loan is either a U.S. citizen or a permanent resident alien.

Lender must satisfy any additional requirements imposed by the mortgage guarantor or insurer.

## **SECTION 2.7 OTHER APPLICANT ELIGIBILITY REQUIREMENTS**

- A.** The Applicant does not have to be a Maine resident at the time of Application, provided the Applicant will occupy the Residence within 60 days of Closing.

- B.** Lender must comply with the following requirements if the Applicant's spouse or any Co-Head of Household will not be a co-Applicant.
1. Spouse or Co-Head of Household will not hold title. If an Applicant meets the underwriting criteria, Lender may not require the Applicant's spouse to become a co-Applicant or consider the spouse's credit history in underwriting the Mortgage Loan. Notwithstanding this requirement, the Lender must consider the total Gross Income of the Household in determining whether the Applicant meets the requirements of the Program, even though the spouse is not an Applicant or owner of the Residence.
  2. Ineligible spouse or Co-Head of Household cannot hold title. An Applicant is not eligible for a Mortgage Loan under the Program, if any Co-Head of Household does not qualify as a first-time homebuyer in accordance with Section 2.1 of this Procedural Guide, unless the title to the Residence is held in the Applicant's name alone and the Applicant meets the underwriting criteria without the income of the Co-Head of Household. Notwithstanding this requirement, the Lender must consider the total income of the Household in determining whether the Applicant meets the requirements of the Program, even though the Co-Head of Household is not an Applicant.
  3. Spouse or Co-Head of Household will hold title. If a non-Applicant will hold title to the Residence, the non-Applicant must sign the Applicant Certification (HMP-01A), Closing Affidavit (HMP-01B), and execute the Mortgage and meet the requirements of the Program. The non-Applicant is not required to sign the promissory Note.
- C. Legal Separation or Divorce.** Applicants who are legally separated or divorced must provide evidence of legal separation or final divorce prior to Mortgage Loan approval and provide information regarding property settlement, child support, alimony, or separate maintenance.

If an Applicant is separated, but no legal separation or divorce has been obtained, Lender must verify that the Applicant has a separate residence and finances. Verification may be in the form of bank statements, rent receipts, etc.

## **SECTION 3 RESIDENCE ELIGIBILITY**

A Residence financed under the Program must meet the requirements set forth in this Section 3.

### **SECTION 3.1 OCCUPANCY**

A Residence financed under the Program must be occupied by and be the Principal Residence of the Borrower for the term of the Mortgage beginning no later than 60 days of after Closing.

### **SECTION 3.2 ACQUISITION COST/PURCHASE PRICE LIMITS**

- A. Purchase Price Limits.** The total Acquisition Cost of a Residence may not exceed the Purchase Price Limits in effect on the date of Application. The Purchase Price Limits are set forth on the Rate Sheet and are subject to change by MaineHousing upon notice to the Lender. Lender shall determine that the Acquisition Cost of the Residence does not exceed the applicable Purchase Price Limit at the time of Application and re-verify the Purchase Price Limit at the time of Mortgage Loan commitment. Different Purchase Price Limits may apply to various types of Residences and to Residences in different counties, Metropolitan Statistical Areas or Federal Targeted Areas.
- B. HUD Metro Fair Market Rent Areas.** Purchase Price Limits may be higher in HUD Metro Fair Market Rent Area (HMFA). The Lender must use the Purchase Price Limit for the city or town in the HMFA, rather than the county where the Residence is located. See the Rate Sheet for a complete list of HMFAs.
- C. Federal Targeted Areas** have higher Purchase Price Limits than surrounding areas. Lender agrees to take all reasonable steps to originate Mortgage Loans in Federal Targeted Areas within their normal lending areas, including without limitation, the following steps:
1. displaying placards, announcements and other notices provided by MaineHousing in Lender's regular lending offices that service any Federal Targeted Areas; and
  2. determining whether a Residence is located in a Federal Targeted Area.

### **SECTION 3.3 CALCULATING ACQUISITION COST**

Lender must calculate the Acquisition Cost of a Residence in accordance with this section to determine that the cost of the Residence to the Borrower does not exceed the Program Purchase Price Limits.



**A. Acquisition Cost Worksheet (HMP-06)** is designed to help the Lender calculate the Acquisition Cost of a Residence. Lender is responsible for calculating the Acquisition Cost and completing the Acquisition Cost Worksheet accurately. Lender's underwriter must sign the completed Acquisition Cost Worksheet (HMP-06) and retain it in the Mortgage Loan file.

**B. Purchase Price.** Acquisition Cost includes the purchase price of the Residence. The purchase price of the Residence is the purchase price amount detailed in the Purchase & Sale Agreement plus the value of any gift of equity from a Borrower's Relative, if applicable.

If the seller of the Residence is a Relative to any member of the Applicant's Household (i.e., not "arms-length") and the purchase price is less than 90% of the appraised value, the difference between the appraised value and the Purchase and Sale Agreement contract price, and any additional gift of equity or cash from the Relative's proceeds is considered a gift of equity and needs to be added to the purchase price listed on the Acquisition Cost Worksheet (HMP-06). If the purchase price equals 90% or more of the appraised value of the Residence, there is no implied gift of equity.

An "arms length" purchase between unrelated individuals is not considered a "gift of equity" when the appraised value is higher than the purchase price.

**C. Unfinished New Homes.** The New Home must meet all occupancy laws at time of Closing. If there remains (i) incomplete and or unfinished space; and (ii) the New Home lacks adequate living space for the number of people who intend to occupy the Residence, that cost must be added on the Acquisition Cost Worksheet (HMP-06). In calculating Acquisition Cost, Lender will use a builder's estimated cost. Lender **must** retain a copy of the builder's estimate in the Mortgage Loan file.

*Example: New Home with Unfinished Area. The cost to complete a New Home which has an occupancy permit and an unfinished area need not be listed on the Acquisition Cost Worksheet (HMP-06) if the Lender concludes that there is adequate living space completed at time of Closing for the number of people who will reside in the Residence.*

**D. New Construction.** Construction period costs must be included in Acquisition Cost. These include commissions, builder's fees, utility hook-up and tap-in fees, permits, architectural fees, cost of site improvements, all subcontracted items, construction loan interest, discount points or origination fees.

**E. Improvement.** Acquisition Cost includes the cost of all rehabilitation of the Residence not included in the purchase price of the Residence.

**F. Previously-owned Land.** Acquisition Cost includes the following:

1. the value of any land to be financed with the proceeds of the Mortgage Loan;
2. the original cost of the land to the Applicant if the Applicant has owned the land less than 2 years from the date construction began or the Residence was sited; or

3. the amount of the debt on the land to be refinanced with the proceeds of the Mortgage Loan, if any, (not the value of the land) if the Applicant has owned the land for 2 years or more from the date construction began or the date the Residence is sited.

**G. Gift of Land.** Acquisition Cost does not include the value of any land given to the Applicant as a gift. Lender must obtain a notarized letter from the donor that the land is a gift and the Applicant is not under any obligation to pay for the land. Lender must retain the letter in the Mortgage Loan file.

**H. Leased Land.** Acquisition Cost includes the capitalized value of the lease. Divide 50% of the annual lease amount by the Bond yield factor in effect on the date of Application. The Bond yield factor is .0350. MaineHousing may change the Bond yield factor upon written notice to the Lender. The acquisition cost for mobile homes on leased land must be under the 1-unit acquisition cost limit.

**I. Excess Land.** Typically, Acquisition Cost includes the total cost of the land. However, Acquisition Cost does not include the value of excess land. There is excess land if the entire parcel exceeds the applicable lot size limit set forth in Section 3.5 of this Procedural Guide and its value exceeds 30% of the appraised value of the Residence (including the land).

If the total value of land exceeds 30% of the appraised value of the Residence (including the land), the value of land which must be included in Acquisition Cost and which may be financed with proceeds of the Mortgage Loan is calculated as follows:

1. The total value of land less the appraised value for:
  - a. that portion of the land which exceeds one acre, for a Mobile Home on a new site or a New Home; or
  - b. that portion of land which exceeds 3 acres for Existing Homes; or
  - c. that portion of land which exceeds the legal minimum lot size of the municipality in which the land is located.

MaineHousing will rely on the appraiser's written determination of value including the opinion that the value of the excess land is zero.

2. The proceeds of Mortgage Loans may not be used to finance the value of excess land. If the appraised value of the excess land is less than or equal to the Borrower's down payment, closing costs and prepaid items paid at Closing, whether paid by the Borrower or by the Seller on the Borrower's behalf, the Lender may deem that the Borrower paid for the excess land with funds other than Mortgage Loan proceeds.
3. Advantage Option funds may not cover the value of excess land as Advantage Options funds are considered financed by the Mortgage Loan.

- J. Mobile Homes.** Acquisition Cost includes the purchase price of the Mobile Home, the set-up and installation costs and any other improvements, fees and permits, utility connections and any necessary road construction.
- K. Fixtures.** Acquisition Cost includes the value of Fixtures. Fixtures may be financed with the proceeds of Mortgage Loans.
- L. Personal Property.** Acquisition Cost does not include the value of personal property.
1. Personal property includes movable items which are not Fixtures, including without limitation, appliances, wood stoves, beds, bedding, chairs, couches, tables, lamps, televisions, radios and stereo systems.
  2. The Borrower and the seller may agree that the seller will convey the used personal property to the Applicant at no cost and that the total purchase price in the Purchase and Sale Agreement represents the cost for the real property, i.e. the land, Residence and other improvements, only. MaineHousing will accept such an agreement, provided:
    - a. the Purchase and Sale Agreement clearly and expressly provides that the used personal property has no value;
    - b. the appraised value of the real property exceeds or equals the purchase price in the Purchase and Sale Agreement; and
    - c. the appraised value does not include the value of any personal property, i.e. there is no positive adjustment for personal property in the analysis of comparable sales.
  3. Notwithstanding the foregoing, the Borrower and the seller cannot agree that new appliances have no value. New appliances are deemed to have value; and the value of the new appliances must be provided in the Purchase and Sale Agreement, determined by an appraiser or provided in a written estimate from the vendor. Acquisition Cost does not include the value of new appliances unless they are fixtures.
  4. The proceeds of Mortgage Loans may not be used to finance personal property except for appliances specifically permitted under Section 6.4 F of this Procedural Guide. If the value of the personal property is less than or equal to the Borrower's down payment, closing costs and prepaid items paid at Closing, whether paid by the Borrower or by the Seller on the Borrower's behalf, the Lender may deem that the Borrower paid for the personal property with funds other than Mortgage Loan proceeds.
  5. Advantage Option funds may not cover the value of personal property as Advantage funds are considered financed by the Mortgage Loan.
  6. The value of personal property, including personal property with no value, must be reflected on the Acquisition Cost Worksheet (HMP-06) even though Acquisition Cost does not include the value of the personal property.

**M. Points and Closing Costs.** Acquisition Cost does not include points or closing costs paid in connection with a Mortgage Loan except as specified in Section 3.3D of this Procedural Guide for New Construction.

## **SECTION 3.4 COMMERCIAL USE LIMIT**

**A.** Applicant must not use more than 15 percent of the area of the Residence in a trade or business. The area of the Residence includes the total square footage of all buildings, including outbuildings, but does not include land. Examples of commercial use include storage for business purposes and providing day care services.

Foster care for persons who are less than 18 years of age, wards of the State or placed in the Household by the State is not considered a commercial use.

**B.** Lender must use the following formula to determine the percentage of a Residence used for day care services, taking into consideration the percentage of time and the square footage of floor space used. This formula does not apply to any other commercial use except day care.

$$\frac{\text{Hours of Care / Week}}{168 \text{ (Total hrs/week)}} \times \frac{\text{Sq. Footage of Rooms Used}}{\text{Total Sq. Footage of Residence}} = \text{Commercial Use Percentage}$$

*Example: Applicant will operate a day care facility in a 2500-square-foot Residence nine hours per day, five days per week, for a total of 45 hours per week. The percentage of time the Residence is used for day care services is 26.8% (45 divided by 168). The Applicant has determined that 800 square feet, or 32% of the total square footage of the Residence, will be used for day care. The commercial use of the Residence is 8.6% (.268 x .32), which complies with the 15% commercial use limit.*

**C.** The 15% commercial use limit applies to each unit in a 2- to 4-unit Residence. For purposes of determining the commercial use percentage, the total square footage of a unit includes any portion of the attic, basement, garage or outbuilding the occupant of the unit is authorized to use.

**D.** Applicant must not receive income, other than incidental, from the land appurtenant to the Residence.

## **SECTION 3.5 LAND LIMITS**

Mortgage Loans may only be used to finance land that is appurtenant to the Residence and is necessary to maintain the basic livability of the Residence.

**A.** Land necessary to maintain the basic livability of the Residence does not include non-contiguous lots, regardless of their value. Exceptions to this are if local zoning or other law requires that a non-contiguous lot be conveyed with the Residence, or if the utilities for the Residence, such as a well or septic system are located on a non-contiguous lot.

**B.** The land appurtenant to the Residence must not provide a source of income, other than incidental.

- C. If the total value of land exceeds 30% of the appraised value of the Residence (including the land), the value of land which may not be financed by the Mortgage Loan is:
1. the portion of the land which exceeds one acre for a Mobile Home on a new site or a New Home;
  2. the portion of land which exceeds 3 acres for Existing Homes, or
  3. the portion of land which exceeds the legal minimum lot size in the municipality in which the land is located.
- D. MaineHousing will rely on the lot size in the appraisal report. MaineHousing will accept a +/- designation given by an appraiser for the lot size.

The appraiser must determine the value of land in excess of the amount needed to protect the basic livability of the residence and the value of land which will provide a source of income, other than incidental income. If the total value of land exceeds 30% of the appraised value of the Residence and land, the value of land which may be financed with proceeds of the Mortgage Loan is calculated as follows: The total value of land less the appraised value of the greater of (i) (a) the portion of the land which exceeds one acre for a Mobile Home on a new site or a New Home or (b) the portion of land which exceeds 3 acres for Existing Homes, and (ii) the portion of land which exceeds the legal minimum lot size in the municipality in which the land is located. MaineHousing will rely on the appraiser's determination of value, i.e. MaineHousing will accept an appraiser's determination that the value of the excess land is zero.

- E. A Borrower may purchase excess land and income-producing land with funds other than the proceeds of the Mortgage Loan. If the appraised value of the excess land or income-producing land is less than or equal to the Borrower's down payment, closing costs, and prepaid items paid at Closing whether paid by the Borrower or by the seller on the Borrower's behalf, the Lender may deem that the Borrower paid for the excess land and income-producing land with funds other than Mortgage Loan proceeds.
- F. The Mortgage Loan must be secured by a Mortgage on the entire parcel of land purchased by the Borrower, including excess land and income-producing land, even though the Mortgage Loan proceeds may not be used to finance such excess and income-producing land, unless otherwise approved by MaineHousing.

### **SECTION 3.6 APPRAISAL REQUIREMENTS/HOME QUALITY STANDARDS: EXISTING HOMES**

Lender must obtain an appraisal of all property financed with the proceeds of Mortgage Loans, even if the Lender's underwriting process does not require an appraisal. The appraisal must be performed by a licensed appraiser and conform to the requirements set forth in this Procedural Guide and the guidelines of the applicable mortgage insurer, if the Mortgage Loan is insured or guaranteed by a private or governmental mortgage insurer.

Minimally, the appraiser must use the following Fannie Mae / Freddie Mac appraisal reports:

Residence Type	Fannie Mae / Freddie Mac Appraisal Report	Form Number
1- unit stick built type Residence, Modular Home or PUD	Uniform Residential Appraisal Report	1004 / 70
Condominium	Individual Condominium Appraisal Report	1073 / 465
Mobile Home	Manufactured Home Appraisal Report	1004C / 70B
2-, 3- and 4- unit Residence	Small Residential Income Property Appraisal Report	1025 / 72

plus any additional reports as required by mortgage insurer, or guarantor.

Generally, an appraiser should determine the value of the property using the market data, cost and income approaches. However, if special circumstances prevent determination of value using the cost or income approach; MaineHousing will accept the market data approach alone.

MaineHousing will rely completely on the appraiser's judgment with respect to property value and marketability.

- A. Principal Residence.** The appraiser must determine that the Residence's location, design and use are consistent with the Applicant's intended use of the Residence as a Principal Residence.
- B. Year-Round Occupancy.** The bathrooms, kitchen, heating, plumbing and electrical services in the Residence must be of quality similar to those in other Residences in the market area and must be suitable for year-round occupancy.
- C. Commercial Use.** The appraiser must determine that no more than 15% of the Residence will be used for commercial purposes. (See Section 3.4 of this Procedural Guide.)
- D. Condition of Property.** The Residence must satisfy the home quality standards of prudent lending practices and the applicable mortgage insurer, if the Mortgage Loan is insured or guaranteed by a private or governmental mortgage insurer. The physical condition and the quality of the construction and the materials used in the construction of the Residence must be sufficient to support the Mortgage Loan.
- E. Economic Life.** The remaining economic life of the Residence must be equal to or longer than the term of the Mortgage Loan.
- F. Property Rating.** The items in the property rating section of the appraisal are designed to summarize the principal factors bearing on the condition and marketability of the

property. The effect on marketability of any conditions rated “fair” or “poor” should be properly noted in the “Comments” section and repaired or remedied if deemed appropriate by Lender’s underwriter. The appraiser should comment about properties that are not compatible with the neighborhood, or are undesirable in the marketplace because of the plumbing, heating, and electrical services, design, quality or overall condition.

**G. Value Based On Improvements.** If the appraised value is based on the completion of any repairs or improvements, the appraiser must perform a final inspection to certify satisfactory completion of the repairs or improvements. The Lender may perform the final inspection for minor property repairs if allowed by any applicable mortgage insurer. Lender must retain the inspection report in the Mortgage Loan file.

**H. Comparability.** The property should have broad market appeal for good marketability. The property should be comparable in value with others in the neighborhood. The marketing period should be less than 6 months. A slow market may reduce the Borrower’s equity and weaken the Borrower’s motivation to cure defaults.

Lender must evaluate the property with reference to three comparable properties provided by the appraiser. At least two of the comparables must be closed sales. Except in rural locations, at least two of the comparables must be within one mile of the subject property.

**I. Neighborhood.** The neighborhood should be acceptable to enough buyers to support an active, on-going market for the property. Good neighborhood amenities and public services should generally support the property. The property should fall within the typical price range predominant in the neighborhood. Residences generally maintain their value if situated in neighborhoods consisting of similar Residences.

**J. Location.** Property located in primarily seasonal or vacation areas may be financed under the Program provided the property is suitable for year-round use.

**K. Zoning and Present Land Use.** The intended use of the Residence must be a conforming use or a lawfully nonconforming use, e.g., a “grandfathered” use, and must comply with all applicable state and local land use and zoning statutes, ordinances and laws. Lender must closely scrutinize residential property located in a mixed residential/commercial or industrial zone. The appraiser must determine that the land will not be used to generate income.

**L. Private Road.** If the property is located on a private road, the Applicant should have a written road maintenance agreement. Any costs associated with maintenance of the road must be included in the Applicant’s debt ratios. If there is no formal agreement, MaineHousing will accept a private road addendum from the appraiser certifying that it is common locally not to have an agreement and that the property’s location does not negatively affect marketability.

**M. Water Test.** MaineHousing does not require water tests, unless the Lender requires them as a normal lending practice, or the applicable mortgage insurer, requires them if the Mortgage Loan is insured or guaranteed by a governmental mortgage insurer,

MaineHousing strongly recommends water test to ensure the health and safety of the occupants and to maintain the habitability of the property.

- N. Lead Paint.** MaineHousing recommends that Lenders ensure that Applicants have received the pamphlet, “Protect Your Family From Lead in Your Home,” published by the United States Environmental Protection Agency pursuant to the Residential Lead-based Paint Hazard Reduction Act of 1992 and rules promulgated thereunder, all as amended, and that Applicants are aware of the hazards of lead-based paint described in the pamphlet.

MaineHousing does not require lead-based paint risk assessments or inspections of Residences, unless the Lender requires them as a normal lending practice or the applicable mortgage insurer, requires them (if the Mortgage Loan is insured or guaranteed by a private or governmental mortgage insurer.). MaineHousing strongly recommends lead-based paint inspections and risk assessments in Residences built prior to 1978.

- O. Home Inspections.** MaineHousing does not require home inspections. However, MaineHousing strongly recommends home inspections to ensure that potential hazards or physical defects are disclosed to the Applicant. Potential hazards or defects include, without limitation, lead-based paint, radon gas, asbestos in walls and siding, defective plumbing systems, structural problems and pest infestation.

### **SECTION 3.7 HOME QUALITY STANDARDS: NEW HOMES**

New Homes must meet the Appraisal Requirements/Home Quality Standards for Existing Homes set forth in Section 3.5 of this Procedural Guide and the requirements set forth in this Section.

- A. Compliance Requirements.** New Homes must be designed and constructed to provide both present and continuing utility, durability, energy efficiency, economy of maintenance, and safe, healthful habitation. Toward these objectives, New Homes must comply with all applicable land use, zoning, building, health, safety and similar codes and requirements, including without limitation, the following.

1. Maine State Plumbing Code administered by Department of Human Services, Division of Health Engineering. For information, contact: Plumbing Section, 157 Capitol Street, Augusta, ME 04333, and Telephone (207) 287-5672.
2. National Fire Protection Association (NFPA) Life Safety Code 101 administered by State Fire Marshall Office. For information, contact: Licensing and Inspection Unit, State House Station 164, Augusta, ME 04333-0164 or 397 Water Street, Gardiner, ME, telephone (207) 624-8744; or National Fire Protection Association, 1 Batterymarch Park, Quincy, MA 02269, or National Fire Protection Association (NFPA) telephone (617) 770-3000 or 1 (800) 344-3555; or Oil and Solid Fuel Board, Department of Professional & Financial Regulation, State House Station No. 35, Augusta, ME 04333, Telephone (207) 624-8603.



3. National Electric Code (NEC). For information, contact: State Electrician Examining Board, Department of Professional & Financial Regulation, State House Station No. 35, Augusta, ME 04333, Telephone (207) 624-8603.
4. One of the following codes and standards:
  - a. MUBEC - Maine Uniform Building and Energy Code applies to all towns within the State of Maine. See "MUBEC Rules and Laws."  
<https://www.maine.gov/dps/fmo/building-codes/mubec-rules>. For more information, contact: Office of the State Fire Marshal, 52 State House Station, Augusta, ME 04333-0052 Phone: (207)626-3880.
  - b. The minimum square footage of the residence is 500 square feet of living space.
  - c. CABO One and Two Family Residence Code (1992). For information, contact: Publication Order Department, International Code, 5203 Leesburg Pike, Suite 600, Falls Church, VA 22041, telephone (703) 931-4533.
  - d. HUD Minimum Property Standards, MPS 4000.1 (1982 One and Two Family Residences). For information, contact: US Department of HUD, Customer Service Center, Room B-100, 451 7<sup>th</sup> Street, SW, Washington, DC 20410, telephone 1 (800) 737-7468.

**B. New Dwelling Warranty (HMP-18).** The contractor must sign the New Dwelling Warranty (HMP-18) and certify that the New Home was constructed in accordance with the above requirements.

**C. Final Compliance Inspection.** The appraiser must perform a final inspection upon completion of construction of the New Home if the original appraisal was done prior to construction completion. The Lender must retain the inspection report in the Mortgage Loan file.

**D. Escrow.** The construction of a New Home must be complete, except work that is seasonally restricted such as landscaping and exterior paint. Lender may escrow funds to complete such seasonal work. The amount of escrowed funds may not exceed 10% of the Acquisition Cost. Lender shall comply with the procedural requirements for administering the escrow in accordance with Section 5.21 of this Procedural Guide.

**E. Improvement Funds.** The Lender must ensure that the entire escrow for newly constructed home is used for allowable improvements within 90 days after the Mortgage Purchase Date.

The Lender or Lender's Designated Qualified Servicer will have all contractors and providers of services sign lien waivers prior to disbursement of escrow funds.

Unused improvement funds, if any, must be applied to the principal of the Mortgage Loan.

The Purchase Plus Improvement Option may not be used to complete newly constructed homes. Purchase Plus Improvement may be used to replace appliances with

new stovetops, ranges, and clothes dryers; to replace appliances with Energy Star qualified refrigerators, washers, dishwashers, and freezers; and to make other energy improvements. In all cases at Closing, newly constructed homes must have an occupancy permit, as applicable, from local code enforcement officer.

### **SECTION 3.8 NEW HOMES IN SUBDIVISIONS**

New Homes in subdivisions are eligible under the Program. New Homes in subdivisions must comply with the requirements set forth in Section 3.7 of this Procedural Guide. Lender must comply with the subdivision saturation limits and other requirements of any applicable mortgage insurer, if the Mortgage Loan is insured or guaranteed by a private or governmental mortgage insurer.

### **SECTION 3.9 MODULAR HOME REQUIREMENTS**

Modular Homes financed with Mortgage Loans must be constructed in compliance with the Manufactured Housing Act, 10 M.R.S.A. § 9001 et seq. and all regulations promulgated thereunder, all as amended from time to time. The manufacturer of the Modular Home must certify that the Modular Home is constructed in accordance with the Manufactured Housing Act. Unlike a Mobile Home, a Modular Home must be built to MUBEC – Maine Uniform Building and Energy Code standards, State Plumbing Code rules, National Electrical Code standards, and Oil Burning Equipment standards. A Modular Home is typically transported to the site on a flatbed trailer and is installed on a permanent foundation that has been prepared on the lot. A Modular Home must be installed on a permanent foundation and connected to required utilities so as to be suitable for year round usage.

Previously **unoccupied** Modular Homes must satisfy the Home Quality Standards for New Homes set forth in Section 3.7 of this Procedural Guide. Previously **occupied** Modular Homes must satisfy the Appraisal Requirements/Home Quality Standards for Existing Homes set forth in Section 3.6 of this Procedural Guide. All Modular Homes must meet the requirements of the applicable mortgage insurer, if the Mortgage Loan is insured or guaranteed by a private or governmental mortgage insurer.

### **SECTION 3.10 MOBILE HOME REQUIREMENTS**

- A.** Lender may finance Mobile Homes which are permanently attached to (i) land owned by the Applicant, or (ii) a lot leased within a Mobile Home park, or (iii) privately leased land.
- B. Age.** Mobile Homes may not be older than 20 years at time of Application.
- C. Term.** The Mortgage Loan term is tied to the age of the Mobile Home.

<b>Age of Mobile Home</b>	<b>Term must be equal to:</b>
0 – 10 years	30 years
11 – 15 years	25 years

16 – 20 years	20 years
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**D. Acceptable Mobile Home Transactions.** The following Mobile Home transactions are eligible for financing under the Program:

1. the purchase of a Mobile Home, land and site improvements, including the cost to permanently attach the Mobile Home to the land;
2. the purchase of a new or existing Mobile Home to be situated in a mobile home park or on other leased land, including the cost to permanently attach the Mobile Home to the land and any site improvement costs;
3. the cost to relocate an unattached Mobile Home from a mobile home park or other leased land to land previously owned or purchased by the Borrower, including repayment of any outstanding debt on the Mobile Home, the purchase of the land and any site improvement costs; and
4. other transactions approved by MaineHousing in writing prior to Closing.

**E. Unacceptable Mobile Home Transactions.** Refinancing existing debt on a Mobile Home on land currently owned by an Applicant, regardless of whether the Mobile Home is permanently attached to the land or not.

**F. Mobile Homes must meet the following requirements:**

1. Mobile Home must have been constructed at a manufacturing facility on a permanent chassis (i.e. the wheel assembly necessary to transport the Residence is removable, but the steel undercarriage remains intact as a necessary structural component) and is transportable in one or more sections, which in traveling mode is 12 body feet or more in width and as erected on site is 500 or more square feet.
2. Mobile Home must not be older than 20 years at time of Application. Lender must obtain an appraisal report that confirms the date of manufacture of the Mobile Home.
3. Mobile Home must have been built in accordance with the National Manufactured Housing Construction and Safety Standards Act of 1974, 42 U.S.C. § 5401 et seq., as amended. Lender must obtain an appraisal report that confirms the existence of a HUD Certification Label and a HUD Data Plate/Compliance Certificate on the Mobile Home. MaineHousing strongly encourages the Lender to require the appraiser to include legible photos of the HUD Data Plate/Compliance Certificate.
  - a. The HUD Certification Label is attached to the exterior of the Mobile Home and is located at the tail light end of each transportable section. The HUD

Certification Label number consists of a three letter prefix followed by a series of six or seven numbers (ex. RAD 123456). HUD Certification Label:



- b. The HUD Data Plate/Compliance Certificate is an 8” x 11” paper certificate that lists the name and address of the manufacturing plant where the unit was manufactured, the date of manufacture, the manufacturer’s serial number and model, along with heating/cooling and wind zone information. The Data Plate/Compliance Certificate is located inside the Mobile Home, usually near the main electrical panel, but may be attached to the Mobile Home in another readily accessible and visible location, (i.e. a kitchen cabinet or in a bedroom closet). HUD Data Plate/Compliance Certificate:

- c. If the interior HUD Data Plate/Compliance Certificate is missing, the Lender may use the HUD Certification Label number stated in the Appraisal Report to request verification of the Mobile Home serial number, manufacturer, and year from (i) the Institute for Building Technology and Safety (IBTS) at <https://ivr2.ibts.org/>, or (ii) the In-Plant Primary Inspection Agency (IPIA), a third party inspection agency that works in conjunction with the Department to inspect manufactured homes during the manufacturing process to ensure that the manufacturer meets the Federal Manufactured Home Construction and Safety Standards. A list of IPIA inspection agencies can be found at [https://www.hud.gov/program\\_offices/housing/rmra/mhs/mhsid](https://www.hud.gov/program_offices/housing/rmra/mhs/mhsid).

Lender must include the IBTS or IPPIA letter of verification in the Mortgage Loan file submitted to MaineHousing.

**If both the interior HUD Data Plate/Compliance Certificate and the exterior HUD Certification Label are missing, the Mobile Home is NOT eligible for MaineHousing financing.**

4. The Mobile Home must have a remaining economic life greater than or equal to the term of the Mortgage Loan. The appraiser must certify the remaining economic life of the Mobile Home.

5. The Mobile Home must be permanently attached to or anchored to land in accordance with the manufacturer's specifications, preferably using anchor bolts and underpinning at each corner. The wheels, axles and hitches on the Mobile Home must be removed. The Mobile Home must have a permanent support system that meets the manufacturer's specifications and applicable State and local laws and must be permanently connected to water, sewer, electric, fuel and other similar facilities and utilities. The appraiser must inspect the Mobile Home to verify that the Mobile Home meets these requirements.
6. The Mobile Home must have a compatible exterior covering or skirting material that extends from the bottom of the Mobile Home to the ground.
7. A final inspection must be performed for all Mobile Homes requiring improvements. MaineHousing requires a satisfactory Final Inspection Supplement (HMP-15B) as a supplement to the final inspection for Mobile Home transactions where the unit was not permanently sited at the time of the original Appraisal. A legible photo of the interior HUD Data Plate/Compliance AND exterior HUD Certification label as found attached to the home must be obtained and included within the Appraisal or Final Inspection Supplement (HMP-15B).

## **SECTION 3.11 CONDOMINIUM UNITS**

- A.** All Condominium Units financed under the Program must satisfy the Appraisal Requirements /Home Quality Standards for Existing Homes set forth in Section 3.6 of this Procedural Guide. The appraiser must use the Fannie Mae 1073/Freddie Mac Form 465, Individual Condominium Unit Appraisal Report, plus any additional reports required by the mortgage insurer or guarantor. Newly constructed Condominium Units must also satisfy the Home Quality Standards) for New Homes set forth in Section 3.7 of this Procedural Guide.
- B.** All Condominium Units must meet the requirements of the applicable mortgage insurer or government guarantor. If the Condominium project has been approved by FHA, VA, RD, Fannie Mae or Freddie Mac, the Lender may rely on that approval for MaineHousing Condominium Unit Mortgage Loans and must include verification of the approval in the mortgage loan file presented to MaineHousing for purchase.
- C.** The Lender must determine and certify to the following:
  1. The declaration and bylaws of the Condominium Association are in conformance with the Condominium Act and do not adversely affect the first-lien priority position and enforceability of the Mortgage Loan.
  2. The Condominium satisfies all of the applicable insurance requirements set forth in Section 5.12 of this Procedural Guide.
    - a. The operating budget of the Condominium Association must support that the budget adequately provides for current operations.

- b. At least 10% of the budget must provide for the funding of replacement reserves for capital expenditures and deferred maintenance.
    - c. The budget must provide adequate funding for insurance deductible amounts.
  3. The Condominium Association documents must give the mortgagee and guarantor of the mortgage on any Condominium Unit the right to timely written notice of the following:
    - a. any condemnation or casualty loss that affects either a material portion of the project or the Condominium Unit securing its Mortgage Loan;
    - b. any 60 day delinquency in the payment of fees, assessments or charges owed by the owner of any Condominium Unit on which it holds a Mortgage Loan;
    - c. a lapse, cancellation, or material modification of any insurance policy maintained by the Condominium Association.
  4. Any "rights of first refusal" in the declaration, bylaws or elsewhere will not impair the rights of the first-lien mortgagee, its successors and assigns to pursue any/all of the following options:
    - a. foreclose or take title to a Condominium Unit pursuant to the remedies in the Mortgage.
    - b. accept a deed or assignment in lieu of foreclosure in the event of default by a mortgagor.
    - c. sell or lease a Condominium Unit acquired by the mortgagee or its assignee.
  5. Lender has notified the Condominium Association of the Mortgage Loan in accordance with the Condominium Act and obtained approval of the Condominium Association if required under the declaration.
  6. Lender and MaineHousing, upon assignment of the Mortgage Loan to Maine State Housing Authority, will have, at a minimum, the rights of an "Eligible Mortgage Holder" as set forth in the Condominium Act.
  7. The Mortgage Loan is secured by the Condominium Unit and all Borrower's/owner's rights and interest in the Common Areas.
- D.** The Lender must represent and certify that the Condominium Unit meets the following guidelines:
  1. Control of the Condominium Association has been transferred to the Condominium Unit owners.
  2. Each Condominium Unit in the subject Condominium Unit's phase has been conveyed fee simple.

3. Each Condominium Unit in the subject Condominium Unit's phase has a tax assessment valuation established by the municipality or taxing authority.
  4. At least 90% of the total Condominium Units in the subject Condominium Unit's phase are conveyed to the Condominium Unit purchasers.
  5. At least 50% of the total Condominium Units in the subject Condominium Unit's phase are conveyed as an owner-occupied Principal Residence or to second home purchasers.
  6. The subject Condominium Unit's phase is 100% complete including all Condominium Units and Common Elements in the subject Condominium Unit's phase.
  7. No single investor owns more than 10% of the Condominium Units in the subject Condominium Unit's phase.
  8. No more than 15% of the total Condominium Units in the subject Condominium Unit's phase may be 30 days or more past due on their Condominium Association assessments/fees.
  9. The Condominium Association is not in litigation other than the collection of delinquent payments.
  10. Additional warranties for Condominium projects consisting of two to four units:
    - a. No single entity, individual, investor group, partnership or corporation may own more than one Condominium Unit within the project.
    - b. All but one Condominium Unit in the subject Condominium Unit's phase must have been conveyed as an owner-occupant Principal Residence or to second home purchasers.
  11. Condominium Units in newly constructed Condominium projects consisting entirely of single family detached dwellings that have no shared garages or any other attached buildings do not have to satisfy items 1, 4 and 5 in Section 3.11.D. above.
- E.** The Lender may rely on information certified by the Condominium Association's designated employee or authorized representative on a fully executed Condominium Questionnaire (HMP-55) to be included in the appraisal report of the Condominium Unit.

### **SECTION 3.12 TWO-, THREE- AND FOUR-UNIT RESIDENCES**

- A.** All 2-, 3- and 4-unit Residences financed under the Program must satisfy the Appraisal Requirements/Home Quality Standards for Existing Homes set forth in Section 3.6 of this Procedural Guide. All 2-, 3- and 4-unit Residences must meet the requirements of the applicable mortgage insurer, if the Mortgage Loan is insured or guaranteed by a governmental mortgage insurer. The appraiser must use the Fannie Mae 1025 / Freddie

Mac Form 72 Small Residential Income Property Appraisal Report plus any additional reports as required by the mortgage insurer, or guarantor.

- B.** All 2-, 3- and 4-unit Residences financed under the Program must satisfy the following requirements:
1. The Borrower must occupy at least one unit in the Residence for the term of the Mortgage.
  2. The Residence must first have been occupied as a residential property, not as a commercial property, at least 5 years prior to Closing.
  3. All of the units must be located on one contiguous parcel of land. Detached units on the same site qualify as an Eligible Residence if:
    - a. all units have been used as residences for more than 5 years; and
    - b. the land on which the housing units are located cannot be subdivided or if the land can be subdivided, the housing units must be permanently attached in such a way so as to be one structure (See Section 3.13 below).
- C.** A Residence which has been converted through a change in the footprint or silhouette from a single family to a 2-, 3-, or 4-unit Residence within, the past 5 years is not an Eligible Residence.

### **SECTION 3.13 DETACHED UNITS**

- A.** Detached units located on a parcel of land are eligible under the Program if each structure has been used as a residence/residential property for more the 5 years and the land cannot be subdivided.
- B.** Detached structures on a parcel of land that can be subdivided are eligible under the Program **only** under the following circumstances:
1. Each of the units has been used as a residence/residential property for more than 5 years.
  2. All of the detached units are permanently and structurally attached.
  3. The newly created attachments are not financed with proceeds of the Mortgage Loan. (The attachment does not have to have existed for 5 years.)
  4. The Borrower intends to treat and use the units as one building/Residence. The Borrower cannot intend to physically separate and/or sell one or more of the units.



## **SECTION 3.14 APARTMENT QUALITY STANDARDS**

Apartment units in 2-, 3-, and 4-unit Residences created with Mortgage Loan proceeds must meet the following requirements.

- A.** Each unit must include its own sanitary facilities which are in proper operating condition, can be used in privacy, are adequate for personal cleanliness and the disposal of human waste, contain a flush toilet in a separate and private room; a fixed basin with hot and cold running water, and a shower or tub with hot and cold running water.
- B.** Each unit must contain suitable space and equipment to store, prepare, and serve food in a sanitary manner, have adequate facilities and services for the sanitary disposal of food waste and refuse, and have a stove and refrigerator hook-up and a kitchen sink with hot and cold running water which drains into an approved disposal system.
- C.** Each unit must allow the occupants adequate space and security, including a living room, kitchen area, bathroom and at least one sleeping room or living/sleeping room.
- D.** Each unit must provide and maintain a healthy temperature for the occupants.
- E.** Each room must have adequate natural or artificial lighting to permit normal indoor activities and to support the health and safety of the occupants. Each living and sleeping room must have at least one window. Each bathroom and kitchen area must have at least two electrical outlets, one of which may be an overhead light, in working order. The living, kitchen and bedroom area must have at least two electrical outlets, one of which may be an overhead light, in working order.
- F.** The Residence and unit must be structurally sound, not pose any threat to the health and safety of the occupants, and protect the occupants from the environment.
- G.** The Residence and the unit must be free of pollutants in the air at levels that threaten the health of the occupants. Air circulation must be adequate throughout the unit. Bathroom areas must have at least one operable window or adequate exhaust ventilation.
- H.** The unit must have an approved public or private sanitary water supply.
- I.** The Residence and the unit must be accessible and capable of being maintained without the use of other units. There must be an alternate means of exit in case of fire.
- J.** The site and neighborhood must be reasonably free from disturbing noises, reverberations and other hazards to the health, safety and general welfare of the occupants.
- K.** The unit must contain a smoke detector system.
- L.** The plumbing system in the unit must be free from leaks and corrosion.
- M.** The unit must be free from electrical hazards.

- N. The occupants may not use oil or a kerosene space heater as a heating source. A vented kerosene heating systems, such as monitor heaters, is an eligible heating source, provided it is installed to industry standards and will supply adequate heat for the total square footage size of the unit.

### **SECTION 3.15 PARTY-WALL STRUCTURES**

- A. All Party-wall Structures financed under the Program must satisfy the Appraisal Requirements/Home Quality Standards for Existing Homes set forth in Section 3.6 of this Procedural Guide. Newly-constructed Party-wall Structures must also satisfy the Home Quality Standards for New Homes set forth in Section 3.7 of this Procedural Guide.

All Party-wall Structures must meet the requirements of the applicable mortgage insurer, if the Mortgage Loan is insured or guaranteed by a governmental mortgage insurer.

- B. MaineHousing requires a written agreement between the owners of the Residences in the Party-wall Structure, which defines the rights and responsibilities of the owners with respect to the Common Areas which are part of the property described in the Mortgage given as security for the Mortgage Loan. The form and content of the agreement must be acceptable to prudent lending practices. The Lender must retain a copy of the agreement in the Mortgage Loan file.
- C. The Borrower must assign its rights and interest in the common areas in a Party-wall Structure, including the Borrower's rights under the written agreement described above, to Lender as security for the Mortgage Loan.
- D. The Lender must certify that the rights of other owners of Residences in the Party-wall Structure do not adversely affect the first-lien priority position and enforceability of the Mortgage Loan.
- E. No more than one Residence in a Party-wall Structure is eligible for financing under the Program.

### **SECTION 3.16 RESIDENCES WITH COMMON ELEMENTS**

- A. All Residences with Common Elements financed under the Program must satisfy the Appraisal Requirements/Home Quality Standards for Existing Homes set forth in Section 3.6 of this Procedural Guide. New Homes with Common Elements must also satisfy the Home Quality Standards for New Homes set forth in Section 3.7 of this Procedural Guide.

All Residences with Common Elements must meet the requirements of the applicable mortgage insurer, if the Mortgage Loan is insured or guaranteed by a governmental mortgage insurer.

- B. MaineHousing requires a written agreement among all persons with right, title and interest in the Common Elements, which defines the rights and responsibilities of the

persons with respect to the Common Elements. The form and content of the agreement must be acceptable according to prudent lending practices. Lender must retain a copy of the agreement in the Mortgage Loan file.

- C.** The Borrower must assign its rights and interest in the Common Elements, including the Borrower's rights under the written agreement described above, to Lender as security for the Mortgage Loan.
- D.** If the Mortgage Loan is insured by a governmental insurer; the planned unit development plan, if any, and the written agreement must be approved by the applicable mortgage insurer.
- E.** Lender must determine that an operating budget or other mechanism for funding the operation, maintenance, repair and replacement of the Common Elements has been established and is adequate to satisfy these needs during the term of the Mortgage Loan.

### **SECTION 3.17 COOPERATIVE INTERESTS**

All Mortgage Loans for Cooperative Interests are subject to MaineHousing's prior written approval. Lender must notify MaineHousing if Lender receives an Application for a Mortgage Loan on a Cooperative Interest and provide all information required by MaineHousing.

## SECTION 4 UNDERWRITING

- A. **Mortgage Insurance or Guarantee.** All Mortgage Loans with a Loan-to-Value ratio in excess of 80% must be insured by a MaineHousing approved private mortgage insurer, FHA, or through the MaineHousing Mobile Home Self-Insured Option or be guaranteed by VA or RD. Lender must underwrite Mortgage Loans in accordance with the criteria imposed by the applicable mortgage insurer and MaineHousing's guidelines as set forth below. Additional underwriting criteria for the Mobile Home Self-Insured Option are set forth in SECTION 4.1 of this Procedural Guide. Additional underwriting criteria for Uninsured Loans are set forth in Section 4.2 of this Procedural Guide.
- B. **MaineHousing approved Private Mortgage Insurers.** A list of private mortgage insurance companies approved to issue mortgage insurance on MaineHousing Mortgage Loans is available on the Private Mortgage Insurance Summary Sheet. Private Mortgage Insurance is limited to certain areas in Maine and subject to the additional requirements set forth below:
1. Private Mortgage insurance is only eligible for MaineHousing applicants that are purchasing properties located in the following areas: Auburn, Bangor, Lewiston, Portland, South Portland, or Westbrook.
  2. Eligible products. Borrower monthly, single premiums and split premiums.
    - a. Private Mortgage Insured loans requires a minimum 3% contribution from the Borrower's own funds. Funds from MaineHousing's down payment and closing cost assistance option may be applied toward the minimum contribution.
    - b. Maximum LTV/CLTV: 97%/100%. Subordinate liens must meet Fannie Mae's Community Seconds or Freddie Mac's Affordable Seconds underwriting requirements.
  3. Underwriting submission method. All privately insured Mortgage Loans will be underwritten by the approved mortgage insurer. Lenders may not utilize their own delegated approval. Mortgage Loans underwritten by an approved private mortgage insurer may have more expansive approval guidelines and may have up to a 45% overall debt to income ratio.
  4. To be eligible for purchase by MaineHousing all Private Mortgage Insurance commitments and certificates must indicate Non-Delegated.
  5. Eligible property types. 1-4 Unit properties and approved Condominiums.
- C. **Maximum Loan-to-Value.** The maximum Loan-to-Value for Mortgage Loans, including those guaranteed by RD is 100% of the lower of the sales price or appraised value. Financing of the UFMIP (up front mortgage insurance premium) is excluded from the Loan-to-Value calculation.
1. For New Homes located on land that was gifted to the Applicant or that is not being financed with the Mortgage Loan, value includes the fair market value of the land.

2. For New Homes, purchase price includes the total cost of building the New Home and all site improvements.

**D. Maximum Debt Ratios.** The qualifying debt ratio guidelines for MaineHousing Mortgage Loans are 33% for the housing debt to income ratio (PITI), or receipt of Automated Underwriting System approve/eligible finding and 45% for the total debt to income ratio (DTI). Overall debt ratios exceeding 45% require the Lender to complete a pre-closing **Underwriting Risk Assessment (HMP-54)** as required in Section 4.3. Mortgage Loans underwritten by an approved private mortgage insurer will not require a pre-closing **Underwriting Risk Assessment (HMP-54)** because they are subject to a full-file underwrite by the insurer.

**E. Minimum Credit Score.** A credit score equal to or greater than 640 is required for MaineHousing's Mortgage Loans. Credit scores are used to underwrite a Borrower's credit reputation. Too little information, or information that is significantly inaccurate makes the credit score unusable for underwriting. The Lender must determine that each credit score is usable, based on the guidelines established by the insurer and/or government guarantor. For Uninsured and Self-Insured loans, the Lender will use the following guidelines:

1. Validating the Credit Score. To ensure that the FICO score is an adequate representation of the Borrower's credit reputation, the FICO score should be based on two eligible trade-lines. Eligible trade-lines consist of credit accounts with at least 12 months of repayment history. The Lender should disqualify a FICO score based on less than two trade-lines.
2. Inaccurate information. The Lender must determine that the FICO score is based on accurate information. The Lender should disqualify a FICO score based on significant inaccuracies.

Credit scores under 640 require the Lender to complete a pre-closing **Underwriting Risk Assessment (HMP-54)** as required in Section 4.3.

**F. Housing Verification.** The Lender must verify the Applicant's housing obligation payment history for all MaineHousing's Mortgage Loans.

The Lender will list a three year residency history on all Applications. This will provide additional verification of the Applicant's first-time homebuyer status. The Lender will verify the last 12 months of housing payments by verification of rent received directly from the landlord, or by canceled checks that cover the most recent 12 month period.

**G. Underwriting Risk Assessment (HMP-54).** MaineHousing will review Underwriting Risk Assessment (HMP-54) submitted by Lenders for any Mortgage Loans that deviate from MaineHousing's underwriting standards as set forth above. The Lender must receive MaineHousing's acceptance of the Underwriting Risk Assessment (HMP-54) prior to Closing. The underwriting risk assessment process is described in Section 4.3 of this Procedural Guide.

- H. Credit History.** Lender must evaluate the Applicant's credit history. Lender should not rely on the credit score alone or assume that no credit history means the Applicant has good credit. Authorized user accounts may not be considered in the credit reputation analysis unless the Applicant provides documentation that they have made payments on the account for the previous 12 months prior to the Application.
- I. Non-traditional Credit.** An Applicant without an established credit history can demonstrate he or she is capable of paying the Mortgage Loan if the Applicant has a history of paying rent, utilities, telephone bills or other regular expenses in a timely manner. The Lender must verify the Applicant has 3 credit references that are open and active for the most recent 12 months with all recent credit paid as agreed.
- J. Co-Signers.** Contrary to standard industry practice, Mortgage Loans secured by a personal endorsement, co-signer, guaranty or surety are not eligible under the Program. The Applicant must satisfy the underwriting criteria without these credit enhancements. A co-signer can neither compensate for an Applicant's unacceptable credit standing, nor compensate for lack of sufficient income.

#### **SECTION 4.1 MOBILE HOME SELF-INSURED OPTION**

MaineHousing self-insures eligible Mobile Home Mortgage Loans having a Loan-to-Value greater than 80% and less than or equal to 95%. Borrowers will be charged a higher Interest Rate in lieu of mortgage insurance. The Mobile Home Self-Insured Option Interest Rate is available on MaineHousing's Rate Sheet located on the public website.

The Mobile Home Self-Insured Option is available to Applicants purchasing either a single-wide or double-wide Mobile Home located on owned land, in a park, or on privately leased land. Additionally, the Mobile Home must meet the property requirements set forth in Section 3.10 of this Procedural Guide.

Lender must use the current underwriting criteria of MaineHousing set forth in Section 4 of this Procedural Guide. For anything not covered by Section 4 Lender must follow the Fannie Mae guidelines in applying, verifying and documenting the underwriting criteria. Lender's underwriter must certify compliance with the following underwriting guidelines on the Mobile Home Self-Insured & Uninsured Option Certification (HMP-21).

- A. Down Payment.** The minimum down payment is 5 % of the purchase price or the appraised value of the Mobile Home, whichever is less.

The Applicant must provide a minimum cash contribution of 3% of the purchase price from their own funds.

<b>Applicant's own funds (at least 3% of the Down Payment)</b>	
<b>Acceptable Sources</b>	<b>Unacceptable Sources</b>
<ul style="list-style-type: none"> <li>• Checking, savings, money markets, certificate of deposits, stocks, and bonds</li> <li>• Equity in owned or gifted land</li> <li>• IRA/Keogh/401(k) accounts</li> <li>• Loan against a 401(k) account, if within acceptable debt ratios</li> <li>• Family Development Account Program*</li> <li>• Trusts</li> <li>• Disaster relief grants or loans, and employer assistance programs.</li> <li>• Sale of assets (See B below.)</li> <li>• Loans against verified assets of the Applicant within an acceptable debt ratio for the Applicant</li> </ul>	<ul style="list-style-type: none"> <li>• Cash on-hand (i.e. “mattress money”)</li> <li>• Seller contributions</li> <li>• Gifts</li> <li>• Equity in Mobile Home</li> <li>• Advantage Option</li> </ul>

\*The Family Development Account Program offers a savings match for income eligible individuals and families who want to save money to buy a home. For information see CashMaine.org.

The balance of the 5% down payment may be from other sources. 2% may be from a cash gift from a Relative, grant funds, zero percent deferred or forgivable subordinate mortgage from a non-profit organization. Lender must obtain a gift letter from the donor to verify and document a gift of cash, land, or equity. Advantage Option may be used toward the 2% provided that the 2% down payment is not applied to the value of excess land or personal property.

If an Applicant makes a 20% or greater down payment in connection with a Mobile Home Mortgage Loan, the Lender must underwrite the Mortgage Loan pursuant to Section 4.2 the Uninsured Program Option, not the Mobile Home Self-Insured Option.

**B. Closing Costs.**

Closing Cost Funds
<b>Acceptable Sources</b>
<ul style="list-style-type: none"><li>• Cash from gifts</li><li>• Applicant's savings</li><li>• Grant funds or zero percent deferred or forgivable subordinate mortgages from a non-profit organization, and /or seller contributions up to 6% of the purchase price</li><li>• Loan against a 401(k) account, if within acceptable debt ratios</li><li>• Sale of assets</li><li>• Advantage Option funds</li></ul>

Proceeds from the sale of the Applicant's personal assets, including without limitation a previously owned "unattached" Mobile Home, may be used for down payment, and closing costs provided the Applicant provides evidence that the Applicant owned the asset, sold the asset (a copy of the bill of sale or a statement from the purchaser), and received the sale proceeds (deposit slip or bank statement). The sale must be a bona fide sale and the sale proceeds must be genuine. If the asset sold is the Applicant's only vehicle, Lender should ascertain what the Applicant will use for transportation and whether the replacement transportation is affordable.

**C. Buy-Downs.** Lender may not permit Interest Rate buy-downs in conjunction with the Mobile Home Self-Insured Option.

**D. Credit History.** Lender must evaluate the Applicant's credit history to ensure that the FICO score is an accurate representation of an acceptable credit history.

An Applicant's credit history is acceptable if the Applicant has:

1. no payments greater than 30 days past due for housing related debt during the last 12 months prior to the date of Application; and
2. no payments greater than 30 days past due for all installment credit accounts, such as a car loan, during the last 12 months prior to the date of Application; and
3. no payments 60 days or more past due and no more than two payments 30 days past due for all revolving credit accounts, such as credit cards, during the last 12 months prior to the date of Application; and
4. no instances or patterns of negative credit references during the last 24 months that by reasonable standards would raise concerns about the Applicant's ability to pay the Mortgage Loan.

Lender must investigate each negative credit reference. A negative credit reference more than 12 months old is acceptable if the Applicant provides a satisfactory written explanation and meets all of the following:



1. The Applicant's reasons for failure to pay as agreed must be reasonable, corrected and unlikely to reoccur.
2. The reasons are contained in a credit explanation letter which includes a time frame that matches the time of the delinquency.
3. The Applicant is current at time of Application.

The Applicant must pay any **judgments, garnishments, collection accounts or liens** in full before Closing. MaineHousing will allow an exception if the balance of an individual medical collection account is less than \$250 or if the total balance of all medical collection accounts is less than \$1,000 and (1) the unpaid account will not affect MaineHousing's lien position or diminish the borrower's equity and (2) the Applicant has an agreement with the creditor to make regular and timely payments.

A **bankruptcy** must be fully discharged and the Applicant must have re-established good credit. MaineHousing considers at least 2 years between the discharge of a bankruptcy and the date of Application to be the minimum period of time necessary to re-establish good credit. The Applicant must provide at least 3 credit references open and active in the most recent 12 months with all recent credit paid as agreed to demonstrate that the Applicant has re-established good credit.

Any **foreclosure** sale (or transfer of title in a deed in lieu of foreclosure) must have occurred at least three years prior to the date of Application. The factors causing the foreclosure or deed in lieu of foreclosure must be attributable to events beyond the Applicant's control and a written explanation must be provided explaining the events in detail. The Applicant must have re-established good credit as described in the bankruptcy section above.

- E. Nontraditional Credit.** Lender should not assume that no credit history means the Applicant has good credit. Applicants without an established credit history must demonstrate they are capable of paying the Mortgage Loan if the Applicant has a history of paying rent, utilities, telephone bills or other regular expenses in a timely manner.

A nontraditional credit report may not be used as a means for discounting a derogatory traditional credit report. A nontraditional credit report may be acceptable when the traditional credit report cannot be generated or provides less than the minimum required tradelines.

Applicant must provide a total of 3 credit references which are open and active, during the last 12 months. Creditors that require payment at time of services rendered would not be considered a credit reference.

Acceptable documentation for all credit references includes:

1. a current account statement with 12 months canceled checks or paid receipts; and
2. signed, Lender direct-written verification which must include the creditor's name, date account opened, current account status, required payment and payment frequency.

**F. Employment and Income Stability.** Lenders must consider the Applicant's employment at the time of Application and the likelihood that the Applicant will remain employed.

Lender must verify that an Applicant, including a self-employed Applicant, has a history of stable employment for at least the last 24 months. Overtime, commissions, and part-time income must be received for a minimum of 12 months and must be steady to be considered. Self-employed Applicants must provide signed IRS Form 1040's for the past 2 years and a year-to-date Profit & Loss Statement. An Applicant who has been self-employed for less than 2 years, but was previously employed in a related field may be considered by the Lender to have a history of stable employment. Lender should consider the likelihood of continued employment when analyzing the Applicant's income stability.

Lender should gross up all non-taxable income, e.g. social security, Housing Choice Voucher Assistance (HCVA or Section 8), to 125%. Child support and alimony is acceptable qualifying income, even if such payments are not obligations under a divorce decree or a separation agreement, provided that the Lender can verify that the Applicant has regularly and continuously received payments for at least 12 months prior to the date of Application and is likely to continue receiving payments for the next 3 years. Supplemental Nutrition Assistance Program (SNAP) (formerly known as Food stamps) are acceptable income if the applicable governmental agency provides documentation of the amount, frequency and duration of benefits. Lender must retain a copy of the documentation in the Mortgage Loan file.

**G. Evaluating Family-Employed Borrowers.** An Applicant employed by a relative or a closely held family business must provide signed federal income tax returns for the preceding 2 years, verification of employment and any other information ordinarily required by prudent lending practices. Lender must obtain third party verification of the Applicant's income to avoid the risk that the family member or employer may misstate the Applicant's income.

**H. Home Quality Standards.** Residences must be owner-occupied Principal Residences. Residences must meet the Residence Eligibility requirements as set forth in Section 3.10 of this Procedural Guide, including without limitation:

1. Mobile Homes must not be more than 20 years old at time of Application.
2. Applicants must adhere to commercial use limits set forth in Section 3.4 of this Procedural Guide.
3. Appraisal. MaineHousing requires that the Manufactured Home Appraisal Report 1004C / 70B be completed in accordance with Fannie Mae Property Underwriting Standards for all Mortgage Loans. See Instructions to Appraisers For Manufactured Home Appraisal Report 1004C / 70B (HMP-15B). The appraisal must be prepared by a certified licensed appraiser in accordance with recognized appraisal methods that consistently and accurately reflect the condition and characteristics of the Residence. The value and marketability of the Residence must be sufficient to provide adequate security in the event of a default of the Mortgage Loan. Appraiser

must confirm the existence of a HUD Certification Label and a Data Plate/Compliance Certificate on the Mobile Home.

4. MaineHousing requires a satisfactory final inspection and re-certification of value for all Residences with improvements.
5. MaineHousing requires a satisfactory Final Inspection Supplement For Mobile Home Loans (HMP-15B) as a supplement to the final inspection for Mobile Home transactions where the unit was not permanently sited at the time of the original appraisal.

**I. Terms.** The Mortgage Loan term correlates to the age of the Mobile Home as outlined in Section 3.10 of this Procedural Guide.

## **SECTION 4.2 UNINSURED OPTION LOANS**

Mortgage insurance is not required for a first-lien Mortgage Loan with a Loan-to-Value of 80% or less. Soft second mortgage financing which reduces the amortizing Loan-to-Value to 80% or less eliminates the need for mortgage insurance for first-lien Mortgage Loans. Lender must underwrite Mortgage Loans with a Loan-to-Value of 80% or less in accordance with the underwriting criteria set forth in this Section. Lender must follow the Fannie Mae guidelines in applying, verifying and documenting the underwriting criteria. Lender's underwriter must certify compliance with the following underwriting guidelines on the Mobile Home Self-Insured & Uninsured Option Certification (HMP-21).

**A. Down Payment.** The Applicant may use the Applicant's personal savings, equity in owned or gifted land, a grant, a zero percent deferred or forgivable subordinate Mortgage from a non-profit organization, a gift of cash or equity from a Relative, or Advantage Option funds to pay the down payment. (See Section 6.2 of this Procedural Guide for additional down payment requirements for the Advantage Option.) The Applicant may also use a loan against the Applicant's assets (as verified by Lender) or a loan against a 401(k) or other retirement account. Debt ratios must be within acceptable limits, unless the balance in the 401(k) or other retirement account is sufficient to repay the loan in the event of default.

**B. Minimum Cash Contribution.** Applicant must provide minimum cash contribution of \$500 toward the down payment or closing costs. Advantage Option funds may not be used toward the Applicant's \$500 minimum cash contribution.

1. The minimum cash contribution may be a gift from a Relative.
2. Proceeds from the sale of the Applicant's personal assets such as automobiles, snowmobiles and motorcycles and previously owned "unattached" Mobile Homes may be used towards the minimum cash contribution if the Applicant provides evidence that the Applicant owned the asset (title or registration), sold the asset (bill of sale or receipt from the purchaser), and received the sale proceeds (deposit slip or bank statement). The sale must be a bona fide sale and the sale proceeds must be genuine. If the asset sold is the Applicant's only vehicle, Lender should ascertain

what the Applicant will use for transportation and whether the replacement is affordable.

3. Equity in owned or gifted land may be used towards the minimum cash contribution. Equity in owned or gifted land can be used to meet the 1% minimum cash contribution for Advantage.

**C. Subsidy Programs.** The Applicant may use assistance from community based organizations and governmental agencies to bridge the gap between the amount of MaineHousing's first-lien Mortgage Loan and the lower of the purchase price or the appraised value of the Residence. The assistance may be a grant or loan. Secured loans may include amortizing, deferred, or forgivable terms. Subsidy programs must meet the following criteria:

1. Subsidy or secondary financing program must be sponsored by a federal, state, or local government agency, or other source that is acceptable to MaineHousing.
2. Borrowers must meet MaineHousing's minimum equity requirement.
3. If a "grant like" mortgage and/or note instruments require payments during the mortgage loan term, such payments will be considered a monthly debt obligation of the Borrower and shall be included in the monthly housing debt ratio.
4. In cases where MaineHousing's requirements are more restrictive than the requirements of the subsidy program, MaineHousing's requirements must prevail.
5. The "grant like" mortgage instruments, deeds, and/or any laws or documents must be subordinate to the Mortgage Loan to MaineHousing and **must not** contain any restrictive provisions that would prevent the first mortgage holder from reselling the eligible property to any qualified purchaser after foreclosure or acceptance of a deed in lieu of foreclosure.

**D. Subordinate Financing.** If the assistance is a secured loan, the lien must be subordinate to MaineHousing's first-lien mortgage. Terms and details of the subordinate financing must be included in the file when the Loan is submitted for purchase. When subordinate financing is used Lenders will adhere to the maximum combined Loan-to-Value (CLTV) limits below:

1. The combined first lien and a "grant like" mortgage loan that has 0% Interest Rate and payments that are either deferred until the sale or refinancing of the Residence or are forgivable at the end of a specified term may not exceed 106% of the lower of the purchase price or the appraised value of the Residence. For transactions involving accessibility rehab, the combined Loan-to-Value including "grant like" Mortgage Loans may not exceed 120% of the lower of the purchase price or the appraised value of the Residence.
2. The combined first lien and amortizing mortgage loan including one that initially defers the loan for a specific period of time may not exceed 97% of the lower of the Purchase Price or appraised value of the Residence. On a case-by-case basis,

MaineHousing may approve subordinate amortizing Mortgage Loans where the combined Loan-to-Value (CLTV) is higher than 97%,

- E. Closing Costs.** The Applicant may use a gift from a Relative, the Applicant's personal savings, proceeds from the sale of personal assets in accordance with Section 4.1B above, a grant, a zero percent deferred or forgivable subordinate mortgage from a non-profit organization, seller contribution not to exceed 6% of the purchase price of the Residence, or Advantage Option funds to pay closing costs.
- F. Credit History.** Lender must evaluate the Applicant's credit history to ensure that the FICO score is an accurate representation of an acceptable credit history.

An Applicant's credit history is acceptable if the Applicant has:

1. no payments greater than 30 days past due for housing related debt during the last 12 months prior to the date of Application; and
2. no payments greater than 30 days past due for all installment credit accounts, such as a car loan, during the last 12 months prior to the date of Application; and
3. no payments 60 days or more past due and no more than two payments 30 days past due for all revolving credit accounts, such as credit cards, during the last 12 months prior to the date of Application; and
4. no instances or patterns of negative credit references during the last 24 months that by reasonable standard would raise concerns about the Applicant's ability to pay the Mortgage Loan.

Lender must investigate each negative credit reference. A negative credit reference more than 12 months old is acceptable if the Applicant provides a satisfactory written explanation. Even though an Applicant's history may include an acceptable level of late payments:

1. Applicant's reasons for failure to pay as agreed must be reasonable, corrected and unlikely to reoccur.
2. These reasons should be contained in a credit explanation letter. The explanation should include a time frame that matches the time of the delinquency.
3. All Applicants must be current at time of loan application.

The Applicant must pay any **judgments, garnishments, collection accounts or liens** in full before Closing. MaineHousing will allow an exception if the balance of an individual medical collection account is less than \$250 or if the total balance of all medical collection accounts are less than \$1,000 **and (1)** the unpaid account will not affect MaineHousing's lien position or diminish the borrower's equity **and (2)** the Applicant has an agreement with the creditor to make regular and timely payments.

A **bankruptcy** must be fully discharged and the Applicant must have re-established good credit. MaineHousing considers at least 2 years between the discharge of a

bankruptcy and the date of Application to be the minimum period of time necessary to re-establish good credit. The Applicant must provide at least 3 credit references open and active in the most recent 12 months with all recent credit paid as agreed to demonstrate that the Applicant has re-established good credit.

A **foreclosure sale** (or transfer of title in a deed in lieu of foreclosure) must have occurred at least three years prior to the date of Application. The factors causing the foreclosure or deed in lieu of foreclosure must be attributable to events beyond the Applicant's control and a written explanation must be provided explaining the events in detail. The Applicant must have re-established good credit as described in the bankruptcy section above.

**G. Non-traditional Credit.** Lender should not assume that no credit history means the Applicant has good credit. Applicants without an established credit history can demonstrate they are capable of paying the Mortgage Loan if the Applicant has a history of paying rent, utilities, telephone bills or other regular expenses in a timely manner.

A non-traditional credit report may not be used as a means for discounting a derogatory traditional credit report. A nontraditional credit report may be acceptable when the traditional credit report cannot be generated or provides less than the minimum required tradelines.

Applicant must provide a total of 3 credit references which are open and active, during the last 12 months. Creditors that require payment at time of services rendered would not be considered a credit reference.

Acceptable documentation for all credit references includes:

1. current account statement with 12 months canceled checks or paid receipts
2. signed, Lender direct-written verification which must include the creditor's name, date account opened, current account status, required payment and payment frequency.

**H. Employment and Income Stability.** Lenders must consider the Applicant's employment at the time of Application and the likelihood that the Applicant will remain employed.

Lender must verify that an Applicant, including a self-employed Applicant, has a history of stable employment for at least 24 months. Overtime, commissions, and part-time income must be received for a minimum of 12 months and must be steady to be considered. Self-employed Applicants must provide signed 1040's for the past 2 years and a year-to-date Profit & Loss Statement. An Applicant who has been self-employed for less than 2 years, but was previously employed in a related field may be considered by the Lender to have a history of stable employment. Lender should consider the likelihood of continued employment in its analysis of the Applicant's income stability.

Lender should gross up all non-taxable income, e.g. social security, Housing Choice Voucher Assistance (HCVA or Section 8), to 125%. Child support and alimony is acceptable qualifying income, even if such payments are not obligations under a divorce

decree or a separation agreement, provided that the Lender can verify that the Applicant has regularly and continuously received payments for at least 12 months prior to the date of Application and is likely to continue receiving payments for the next 3 years. Food stamps are acceptable income if the applicable governmental agency provides documentation of the amount, frequency and duration of benefits. Lender must retain a copy of the documentation in the Mortgage Loan file.

- I. **Evaluating Family-Employed Borrowers.** An Applicant employed by a Relative or a closely held family business must provide signed federal income tax returns for the preceding 2 years, verification of employment and any other information ordinarily required by prudent lending practices. Lender must obtain third party verification of the Applicant's income to avoid the risk that a Relative or employer may misstate the Applicant's income.
- J. **Housing Quality Standards.** Residences must be owner-occupied Principal Residences. Residences must meet the Residence Eligibility requirements set forth in Section 1 of this Procedural Guide, including without limitation the commercial use limitation set forth in Section 3.4.
  1. Appraisal. MaineHousing requires the appropriate Fannie Mae / Freddie Mac appraisal report for the specific property type as set forth in Section 3.6 of this Procedural Guide be completed in accordance with Fannie Mae Property Underwriting Standards for all Mortgage Loans. The appraisal must be prepared by a certified licensed appraiser in accordance with recognized appraisal methods that consistently and accurately reflect the condition and characteristics of the Residence. The value and marketability of the Residence must be sufficient to provide adequate security in the event of default of the Mortgage Loan.
  2. MaineHousing requires a satisfactory final inspection and re-certification of value for all Residences with improvements. MaineHousing requires a satisfactory **Final Inspection Supplement for Mobile Home Loans (HMP-15B)** as a supplement to the final inspection for Mobile Home transactions where the unit was not permanently sited at the time of the original appraisal.

### **SECTION 4.3 UNDERWRITING RISK ASSESSMENT**

Lenders approve Mortgage Loans subject to the underwriting guidelines of MaineHousing and the mortgage insurer/guarantor. Lenders will underwrite according to the more stringent guidelines of either the insurer/guarantor (FHA-RD-VA-PMI in eligible area), or MaineHousing. The Underwriter can approve loans with total debt ratios up to 45% and loans with credit scores of at least 640 as long as the loan gets an approved/eligible in an automated underwriting system. The Underwriter will be required to complete a risk assessment for any Mortgage Loan that deviates from MaineHousing's underwriting standards as set forth below.

**Underwriting Risk Assessments (HMP-54)** Loans that have one or more of the following characteristics will require the underwriter to document the accepted secondary market compensating factors relied upon for approving the Mortgage Loan, as evidenced by

completing and signing the Underwriting Risk Assessment (HMP-54). Housing ratios need to be within the mortgage insurer or Fannie Mae guidelines for uninsured and self-insured loans.

**Guidelines Subject to Risk Assessment:**

1. Total Debt Ratios exceeding 45%. Maximum underwriting ratio is 49%.
2. Loan is referred for manual underwriting.
3. Credit Scores less than 640 including those without an underwriting credit score.

Mortgage Loans with these characteristics need to be approved by the Lender's underwriter and meet the manual underwriting guidelines if required by the guarantor and be reserved in MaineHousing's Lender Online System. Lender will be required to upload the following documents to MaineHousing's Lender Online system under the Pre-Purchase Package at least three (3) business days prior to scheduling the closing:

- Underwriting Risk Assessment (HMP-54) outlining compensating factors
- Underwriting Transmittal Summary From 1008
- Automated Underwriting System (AUS) Findings

MaineHousing will review to determine that the documentation is complete and consistent with the guidelines. MaineHousing will indicate its acceptance on the Underwriting Risk Assessment and upload the completed Form HMP-54 to the Lender Online System. MaineHousing's acceptance is not a substitute for the underwriting judgment of the Lender's Underwriter on which MaineHousing will rely to approve the Loan for purchase.

**SECTION 4.4 ADVANTAGE OPTION**

Advantage Option funds can be used with Maine State Housing Authority's 0 point option only. Applicable private mortgage insurers, government guarantors and Maine State Housing Authority program guidelines should be used when underwriting Maine State Housing Authority Mortgage Loans combined with the Advantage Option. Advantage's \$5,000 (subject to change) can be used for down payment, closing costs, and prepaid escrow expenses according to the private mortgage insurers, government guarantors and Maine State Housing Authority program guidelines.

**A. Advantage Option funds may be applied as follows:**

1. FHA and Private Mortgage Insurance: required minimum down payment and closing costs.
2. Mobile Home Self-Insured Option: closing costs and/or 2%, only, of the required minimum down payment.



3. VA, RD and the Uninsured Option: closing costs and/or a portion of the down payment.

**B. Advantage Options funds may NOT be applied to:**

1. Mobile Home Self-Insured Option: 3% down payment that is required from the Borrower's funds. (See Section 4.1A of this Procedural Guide.)
2. Uninsured Options. Applicant's minimum cash contribution of \$500. (See Section 4.2B of this Procedural Guide.)
3. The Borrower's 1% minimum contribution required to receive Advantage.
4. The value of excess land or personal property as per Section 3.3I and Section 3.3L of this Procedural Guide as Advantage funds are considered to be financed by the Mortgage Loan.

For more information regarding the Advantage Program Option, please go to Section 6.2.

## **SECTION 4.5 FUNDS FOR CLOSING**

- A. Assets.** Lender must determine that the Applicant has sufficient assets to make the down payment and pay the closing costs and to reduce debt obligations to satisfy underwriting criteria at the time the Lender issues the Mortgage Loan commitment.
- B. Down Payment.** The minimum down payment is the percentage of the cost of acquiring the Residence according to the guidelines of the applicable private mortgage insurer or government guarantor. Mortgage Insurers may require higher minimum down payments for certain types of Residences, such as Condominium Units, 2- to 4- unit Residences and Mobile Homes.

The amount of the down payment may increase if the Applicant is acquiring excess land or personal property, which may not be purchased with Mortgage Loan proceeds. The Applicant's closing costs, prepaid items paid at Closing and down payment must equal the value of the excess land and personal property. (See Section 3.3I and Section 3.3L of this Procedural Guide.)

Example 1:

- *If the down payment required by the mortgage insurer or guarantor plus the Applicant's closing costs and prepaid items paid at Closing equal \$4,500, and*
- *the cost attributable to excess land is \$5,800; then*
- *the minimum Applicant's contribution, ie down payment, must be increased for the total closing costs, prepaid items paid at Closing and down payment to equal \$5,800.*

Example 2:

- *If down payment required by the mortgage insurer or guarantor plus the Applicant's closing costs, prepaid items paid at Closing are equal to \$5,000, and,*
- *the cost attributable to excess land is \$3,800, then*
- *the Applicant satisfies both requirements by making the \$5,000 contribution.*

- C. Cash or Equity.** The Applicant may make the down payment in cash or equity in land if acceptable to the applicable mortgage insurer. If the Applicant uses equity in land subject to a bond-for-deed or installment sale contract with a term of 24 months or less, the maximum amount of equity that may be applied to the down payment is equal to the difference between the original sales price and the remaining balance of the bond-for-deed or installment sale contract.
- D. Gifts.** If the Applicant uses a gift of cash or land to make the down payment, the Applicant must provide a written certification from the donor that the gift of cash or land is truly a gift and there is no repayment obligation.
- E. Housing Choice Voucher Assistance.** As allowed by HUD and the governing public housing authority, Housing Choice Voucher Assistance that has or will become part of the Household savings before or at Closing may be used for down payment or closing costs as allowed by the mortgage insurer or guarantor. Housing Choice Voucher Assistance that has or will become part of the Household savings before or at Closing maybe used for part or all of the minimum contribution, down payment and/or closing costs for the Mobile Home Self-Insured and Uninsured Options.
- F. Advantage Option.** Advantage's \$5,000 can be used for down payment, closing costs, and prepaid escrow expenses according to the government insurers and Maine State Housing Authority program guidelines. (See Section 6.2 of this Procedural Guide for Advantage Option requirements.)

## **SECTION 4.6 INTEREST RATE BUY-DOWNS**

Lender may permit the seller of the Residence financed under the Program or other person to buy-down the Interest Rate on the Mortgage Loan, provided the buy-down is approved by the applicable government insurer, if the Mortgage Loan is insured or guaranteed by a governmental mortgage insurer, and the buy-down complies with the requirements set forth in this Section. Lender may not permit Interest Rate buy-downs in conjunction with the Mobile Home Self-Insured Option.

- A. The term** of the buy-down may not be less than 1 year nor more than 3 years.
- B. The amount of the buy-down** may not be reduced more often than annually.
- C. The amount of any buy-down** reduction may not exceed the amount which would produce (i) an increase in the Interest Rate on the Note greater than one percent or (ii) an increase in the monthly principal and interest payment under the Note greater than an amount equal to 7.5% of the monthly principal and interest payments in the prior year.
- D. The Note, the Mortgage and other Mortgage Loan documents** must **not** reference the buy-down.
- E. Lender must not consider the buy-down** in calculating the Interest Rate and the monthly principal and interest payments for a Mortgage Loan.

- F. Escrow Account.** At least 24 hours before the Mortgage Purchase Date, Lender must establish an escrow account and the seller or other person buying down the Interest Rate must deposit a sufficient amount of funds in the account to effect the buy-down. The seller or other person may deposit the full amount required to affect the buy-down or if the account is interest-bearing, an amount, which combined with the projected interest earnings based on the passbook interest rate of the Lender on the account, is sufficient to affect the buy-down. Lender must credit all accrued interest to the account periodically.
- G. Administration of Escrow Account.** Lender, Lender's Designated Qualified Servicer or MaineHousing's Sub-Service will hold and administer the account during the buy-down period. Lender, Lender's Qualified Servicer or MaineHousing's Sub-Servicer will provide funds from the account on a monthly basis and apply the funds to the monthly payments of principal and interest under the Mortgage Loan in accordance with the buy-down arrangement between the seller or other person, the Borrower and Lender.
- H. Remaining Escrow Funds.** If the Borrower sells the Residence or prepays the Mortgage Loan in full before the funds are disbursed from the account, Lender must **apply the remaining funds in the account to the outstanding balance**, including accrued interest and charges, owed under the Mortgage Loan.
- I. Lender may not use the escrow funds to pay any past due amounts owed under the Mortgage Loan.**

## SECTION 5 MORTGAGE LOAN REQUIREMENTS

### SECTION 5.1 APPLICATIONS FOR MORTGAGE LOANS

Applications are subject to the following:

**A. Forms.** Applications must be written on the appropriate form as follows:

1. The most current Fannie Mae Form 1003
2. The most current Freddie Mac Form 65
3. The most current FHA/VA Addendum to Mortgage Application Forms (92900-A)

**B. Accepting Applications.** Lenders may not accept Applications until the Start Date. Lenders and Brokers must accept Applications at all of their regular lending offices, and may not reject an Application because the Applicant is not a depositor or customer. Lenders and Brokers must accept and process Applications and provide Mortgage Loans on a first-come, first-serve basis. Lenders and Brokers must accept all Applications for all Mortgage Loan types with all insurance and guaranty options offered by the Lender and allowed under the Program, unless the Applicant is not an eligible Borrower.

**C. Pre-Qualification.** Although it is common practice for Lenders to accept Mortgage Loan Applications and pre-qualify potential borrowers prior to property selection and the execution of a Purchase and Sale Agreement, Applicants must meet the eligibility requirements of the Program as of the date of the Application. Notwithstanding this requirement, Lenders must use the Interest Rate in effect on the date the Mortgage Loan is reserved with MaineHousing, not the Interest Rate in effect on the date of the Application. Lenders should exercise caution in quoting or committing to Interest Rates prior to receiving a completed Application and, in particular, prior to the Applicant submitting a valid, executed Purchase and Sale Agreement. The Lender must receive a valid, executed Purchase and Sale Agreement before the Lender can reserve the Mortgage Loan with MaineHousing.

**D. At the time of Application,** the Applicant must provide:

1. Applicant's signed federal tax returns for the preceding 3 years, if available. (See Section 2.1D and Section 2.1E of this Procedural Guide.)
2. Construction contract for New Homes, if applicable.
3. Estimates for improvements, if currently available.
4. Any other documents and information required by prudent lending practices in order to approximate MaineHousing Program eligibility.

**E. At the time of Application,** Lender must complete the following forms using information provided by the Applicant. The Lender's originator must review the completed forms with the Applicant and sign the forms in order to approximate MaineHousing eligibility. The

Lender's underwriter must verify the information provided by the Applicant in the forms, correct the forms if necessary, and sign the verified forms.

1. Income Eligibility Worksheet (HMP-04)
2. Acquisition Cost Worksheet (HMP-06)

**F. At the time of Application,** the following documents must be properly completed and signed by **each** Applicant, Co-Applicant or non-Applicants who will take title of the property:

1. Applicant Certification (HMP-01A), this form must be executed by all persons who will hold title.
2. Consent to verify income assets and credit for co-heads of household, whether or not taking title.
3. If the Applicant, Co-Applicant or non-Applicant who will hold title has not provided signed copies of federal tax returns, Lender must use IRS Form 4506-T, Request for Transcript of Tax Return to request tax information.
4. See MaineHousing's Internet website <https://lol.mainehousing.org> for specific instructions and tips for requesting tax return information from the IRS, Form 4506-T, Request for Transcript of Tax Return.
5. If the Applicant is applying under the Purchase Plus Improvement (PPI) Option, page 2 of the PPI Borrower Information; Certifications; and Escrow Agreement (HMP-19).
6. Any other forms or documents required by prudent lending practices.

**G. Electronic Signatures.** Lenders that provide disclosures or obtain signatures electronically must comply with the Electronic Signatures in Global and National Commerce Act (ESIGN ACT) and the Uniform Electronic Transfer Act (UETA) as adopted in Maine, as well as the electronic disclosure and signature provisions of applicable state and federal laws.

Lenders may accept Electronic Signatures on origination documents and disclosures. This includes such documents as:

1. Residential Loan Applications.
2. Loan Estimate.
3. Affiliated Business Disclosure.
4. Servicing Transfer Disclosure.
5. Consumer Product Disclosure.

6. Purchase and Sale Agreements
7. Initial Escrow Account Disclosure

Origination documents ineligible for Electronic Signature:

7. Power of Attorney and any document signed with a Power of Attorney.
8. Any document requiring notarization.
9. All Closing documents.

**H. At the time of Application**, the Lender must provide the following information or documents to the Applicants as follows:

1. New Dwelling Warranty (HMP-18). For New Homes or new Modular Homes, the Applicant must give the New Dwelling Warranty (HMP-18) to the builder before construction begins. Form must be executed by the builder after construction is completed.
2. Instructions to Homeowners Insurance Companies (HMP-24) may be given at this time.

A list of approved hoMEeworks education providers. Lenders must inform Applicants using the Advantage Option of the requirement to complete an approved hoMEeworks homebuyer education class prior to Closing. Lender must inform applicants using the Multi-Unit Advantage Option to also complete an approved Landlord Education course from a Maine hoMEeworks-approved Educator organization.

3. The Lender must provide all other documents and forms to the Applicant required by prudent lending practices.

**I. Prior to reserving Mortgage Loans** with MaineHousing and Locking the Interest Rate pursuant to Section 5.3 and Section 5.4 of this Procedural Guide, the Lender must receive a copy of a properly executed Purchase and Sale Agreement from the Applicant. The Lender must verify that the Purchase and Sale Agreement represents the complete and total agreement between the seller and the Applicant for the Residence.

**J. The Lender may charge for third party services** such as appraisals, surveys, legal representation and credit reports. In addition, Lenders may collect processing fees from the Applicant, if allowed by the federal agency or private mortgage insurer, insuring or guaranteeing the Mortgage Loan. The types and amount of fees cannot exceed the usual and reasonable amount of fees that would be paid by the Applicant to the Lender in the Lender's usual course of residential mortgage lending. Except as allowed in this Procedural Guide and the Purchase Agreement, no other fees, charges or remuneration may be charged directly or indirectly to the Applicant by the Lender.

## SECTION 5.2 LENDER ONLINE (LOL)- ADMINISTRATOR

MaineHousing strongly recommends that each Lender designates **two** LOL Administrators. Each Lender must designate minimum of one LOL Administrator. The maximum number of LOL Administrators per Lender is three. MaineHousing will authorize the Lender's designated LOL Administrator upon Lender Approval and LOL Administrator training. Lender security prevents MaineHousing from performing duties on behalf of the Lenders LOL Administrator, therefore LOL users must contact the Lender's assigned LOL Administrator for any assistance.

### A. Administrator duties are to:

1. Set up new users. The Lender's designated LOL Administrator will assign each user an access level based on their business need. Accounts are for individual use only. Department-wide or generic users are not allowed. User Names and passwords are to remain confidential.
2. Assign appropriate access levels. User Access Level descriptions are available on Lender Online under the Help section. The access level is entered on the user contact details screen when setting up a new user.
3. Reset passwords and re-activate users. Provide users' access to Lender Online. The LOL Administrator will assign a temporary password that will need to be changed by the user at next log in. Duplicate temporary passwords cannot be used for multiple users. To remain active users must sign into the Lender Online system once every 60 days. Accounts will deactivate after 60 days of inactivity. Passwords expire every 60 days and cannot be repeated. After three failed login attempts, users are locked out for 60 minutes.
4. Delete inactive users. Lender Online is a web based system therefore former employees will continue to have access with all rights from any internet connection. Former employees or employees who no longer have a business need for a Lender Online access should be deleted from the system immediately.
5. Assign staff to monitor and run required report monitoring. MaineHousing recommends monitoring loans pending purchase on a weekly basis; Purchase Advice run on each funding date; Final document monitoring on a monthly basis and Rate Expiration report on a monthly basis.
6. Conduct Lender Online training for Lender staff members. Provide Lender Online training to all new users and users whose access level has changed.
7. Complete required annual LOL Administrator training. At least one Lender LOL Administrator must attend annual Lender Online training to stay current on any changes and duty requirements.



### SECTION 5.3 RESERVATION – LENDER ONLINE (LOL)

All Mortgage Loans must be reserved on LOL. Mortgage Loans, which are determined by the Lender to meet the Program requirements, may be reserved at Application. If Lender pre-qualifies an Applicant, Lender may reserve the Mortgage Loan when Lender receives an executed Purchase and Sale Agreement. Lender may not reserve any Mortgage Loans without a properly executed Purchase and Sale Agreement.

- A. Lenders must **reserve a Mortgage Loan with MaineHousing** through the Lender Online (LOL) reservation system <https://lol.mainehousing.org>.
- B. All reservations must have **an identified property address** on the Application and a properly executed Purchase and Sale Agreement.
- C. When a reservation is successfully entered into LOL, a **Reservation Acceptance Notice** will state “Your Reservation has been accepted!” and the LOL Reservation/Loan Number will appear. The Reservation Acceptance Notice can be printed from the acceptance page or from the Loan Status tab of LOL.
- D. **MaineHousing may refuse or cancel the reservation** of a Mortgage Loan that does not meet the Program requirements, including eligibility requirements, processing requirements and delivery deadlines.

### SECTION 5.4 RATE LOCK POLICY

- A. **Interest Rate.** The Interest Rate for a Mortgage Loan is the Interest Rate in effect on the date the Mortgage Loan is reserved with MaineHousing. The Interest Rate is not based on the date of Application, unless the Mortgage Loan is reserved on the date of Application. Lender may reserve the Mortgage Loan when Lender receives an executed Purchase and Sale Agreement.
- B. **Lock Period.**

Existing Homes	90 days
New Homes	210 days

Interest Rates are locked for a period of 90 days from the date of reservation for Mortgage Loans involving Existing Homes and 210 days from the date of reservation for Mortgage Loans involving New Homes. The Interest Rate for New Homes can be locked in anytime between loan Application and construction completion date. The Interest Rates for Mortgage Loans will not change during the Lock Period, even if the Interest Rate increases or decreases. The Mortgage Loan Closing must occur within the Lock Period to be guaranteed. The Interest Rate is locked on the date of reservation of the Mortgage Loan.

- C. **Extensions.** MaineHousing, in its sole discretion, may extend the Lock Period for a Mortgage Loan for 30 days. Lender must submit a Reservation Revision/Extension Request form (HMP-50) to MaineHousing for consideration.

If the Mortgage Loan Closing does not occur within the extended Lock Period, the loan may be re-reserved for 90 days for Existing Homes and 210 days for New Homes. The Interest Rate on the Mortgage Loan will be the Interest Rate in effect on the date funds are re-reserved. To re-reserve funds, Lender may submit a Reservation Revision/Extension Request Form (HMP-50) to MaineHousing.

**D. Mortgage Loan Cancellation/Denial.** Lender shall cancel a reservation on Lender Online within 5 business days from Lender's formal loan cancellation or denial notice. All Mortgage Loans reserved with MaineHousing are expected to be delivered to MaineHousing for purchase, except Mortgage Loans that do not comply with the Program requirements. Lender cannot cancel a reservation with MaineHousing and resubmit the reservation to lock in a lower Interest Rate.

To cancel a reservation on Lender Online:

1. select the Loan Status tab;
2. select Reservation to be canceled; and
3. click Cancel Loan button.

Applicants who withdraw an Application with one Lender or Broker for the same property and then submit an Application with another Lender or Broker to take advantage of a lower Interest Rate will not be entitled to the lower Interest Rate. In such instances, MaineHousing will notify the subsequent Lender of the correct Interest Rate on the Loan Reservation Confirmation. The Applicant will receive the Interest Rate in effect on the date funds were originally reserved with the initial Lender or Broker.

**E. Reserving funds for a previously canceled loan.** If a Lender processes a new reservation for a Mortgage Loan on a different property within 90 days of reservation cancellation for the same Applicants, the system will identify the duplicate social security number and will not allow the Lender to re-reserve funds. Lender must submit a Reservation Revision/Extension Request Form (HMP-50) in order to reserve new funds. The Interest Rate on the Mortgage Loan will be the Interest Rate in effect on the date the new funds are reserved.

If an Applicant applies for a Mortgage Loan more than 90 days after reservation cancellation, new funds can be reserved on Lender Online. The Interest Rate for the Mortgage Loan will be the Interest Rate in effect on the date the new funds are reserved with MaineHousing.

**F. Property Changes.** When an Applicant changes the Residence to be financed with the Mortgage Loan, the Applicant will receive the Interest Rate in effect on the date new funds are reserved. Lender will be required to cancel the Lender Online reservation on the prior Residence. If the Applicant re-applies within 90 days of reservation cancellation, Lender must submit a completed **Reservation Revision/Extension Request HMP-50** to MaineHousing. If the Applicant applies more than 90 days after a reservation cancellation, Lender may process a new reservation on Lender Online.

**G. Reservation Changes.** If the applicant changes Programs or Mortgage Insurer/Guarantor after the loan is reserved, Lender will submit **Reservation**

**Revision/Extension Request HMP-50** to MaineHousing. The Applicant will receive the Interest Rate in effect on the date funds were originally reserved.

**H. Unreserved loans delivered for purchase.** Loans submitted for purchase without reserved funds will require a Lender buy down for the difference between the Note Interest Rate and Interest Rate in effect when the Mortgage Loan file is delivered for purchase

## **SECTION 5.5 EDOCS LENDER ONLINE (LOL)**

Lenders must use MaineHousing's secure document portal, eDoc's to upload documents for MaineHousing review and approval. Lenders may submit pre-purchase packages, purchase packages and pending conditions, and post-purchase packages in Lender Online (LOL).

- A. Pre-purchase package.** Request submitted to MaineHousing in a pre-purchase package include but are not limited to the following:
1. Reservation Revision Request Form HMP-50,
  2. underwriting risk assessment request HMP-54,
  3. pre-purchase waiver request,
  4. income eligibility calculation review
- B. Purchase Package.** The Purchase package along with outstanding conditions required to purchase the Mortgage Loan maybe submitted in the Purchase package.
- C. Post Purchase package.** Post-purchase packages include but are not limited to
1. Post-closing final documents that are not required to be originals,
  2. PPI final document transmittal,
  3. Early default review
  4. Mortgage Insurance Certificate/Loan Note Guarantee
  5. Mortgage Record Change/Loan Record Change
  6. Final Title Policy
  7. Final Goodbye Letter
  8. Final Inspections for weather related items.
- D. eDoc submission.** All eDoc packages must be in PDF format, as one PDF file whenever possible.
1. Log into Lender Online <https://lol.mainehousing.org>

2. Click Loan status tab
3. In search features enter the customers information to search by
4. Click eDocs icon under actions
5. Select the Add New icon above the eDocs package to be submitted
6. Click the Click Here button
7. Click Browse
8. Select the location the document to be uploaded is at
9. Click upload
10. Select a document name from the drop down list or enter a customized document name
11. Enter any additional comments for MaineHousing about the document being uploaded
12. Click Save
13. Click OK
14. Click the Submit icon above the package submitting
15. Package submission Successful message will appear

The Lender has the option to edit, move up or down, or delete documents before submitting.

## **SECTION 5.6 PIPELINE MONITORING - STATUS REPORTS**

Lenders will be responsible for monitoring their MaineHousing pipeline activity from reservation to post purchase final documents on Lender Online (LOL). The Lenders LOL Administrator is responsible for assigning pipeline monitoring to appropriate staff members to be completed on a regular basis.

### **A. Loan Status.**

The Lender Online, Loan Status tab, can be used to search for information regarding one or multiple loans. The Lender Online Loan/Reservation Status Details page posts conditions or exceptions that must be addressed prior to purchase. Lenders are encouraged to check the Lender Online Loan Status tab frequently to expedite the processing of Mortgage Loans. Lenders, seeking a printed deficiency report for individual Mortgage Loans, may print the Loan/Reservation Status Details page.

Lender Online stage/status descriptions:

<b>Stage:</b>	<b>Status:</b>	<b>Description:</b>
Reserved	Approved	Mortgage Loan reserved successfully.
Reserved	Canceled	Mortgage Loan reservation canceled.
Pre-Purchase Recd	Approved	Pre-Purchase Received: MaineHousing received the pre-closing documents.
Pre-Purchase Rev	Incomplete	Pre-Purchase Review: Outstanding conditions must be cleared to complete the pre-closing review.
Pre-Purchase Rev	Approved	Pre-Purchase Review: Pre-purchase request was approved.
Pre-Purchase Rev	Rejected	Pre-Purchase Review: Pre-purchase request does not comply with MaineHousing guidelines and has been denied.
Closed	Approved	Mortgage Loan closed.
Purchase Package Recd	Approved	Purchase Package Received: MaineHousing received the purchase package and/or outstanding conditions for the Mortgage Loan file sent for purchase.
Review	Incomplete	Outstanding conditions must be cleared to purchase Mortgage Loan.
Review	Approved	Mortgage Loan approved and will be purchased on next funding date (published on Lender Online).
Review	Rejected	Mortgage Loan does not comply with MaineHousing's guidelines and is not eligible for purchase.
Committed Purch	Approved	Mortgage Loan approved and will be purchased on next funding date (published on Lender Online).
Purchased	Approved	Mortgage Loan has been or will be purchased on Purchased/Approved date.
<b>Final Docs (Post-Purchase)</b>		
Post Purch Rcd	Approved	Post Purchase Pkg Received: Outstanding conditions package has been received.
Final Docs	Incomplete	Outstanding conditions must be cleared after purchase (i.e. FHA mortgage record changes, title insurance policy and all recorded documents as applicable).
Final Docs	Approved	All outstanding conditions have been cleared.
Final Docs	Rejected	Outstanding condition does not comply with MaineHousing's guidelines.

## **B. Lender Online System Reports**

Reports are selected from the Reports tab in the Lender Online system. A report selected by clicking on the Reservation Number link will bring the user to the Loan Status page where detailed information is given.

Each report can be customized to suit the Lender's needs. After the Lender selects a report one or more selection boxes will narrow the scope of the search. The selection boxes default to All, when no criteria is selected and the report will give the maximum number of loans available. To select individual items, use the Select radio button and/or the Add

button. To delete individual items, use the Remove button.

Range Filters, similar to date periods, allow reports for a closed range, from a starting point, or up to an ending point.

1. Conditions/Exceptions Report- Pending Purchase. Shows loans with incomplete or missing information to purchase the loan. Selecting the Conditions/Exceptions will list all the loans with conditions/exceptions outstanding. The report must be run frequently for loans that have been submitted for purchase. To run a Conditions/Exception report-Pending Purchase, select the following criteria:

Lender/Branches	Officers	Programs	Last Stages
Click All	Click All	Click All	Click Select > Click Reviewed

2. Final Document Conditions/Exception Report. Shows loans with outstanding final post-purchase documents (i.e. recorded Assignments, title insurance policy, Mortgage Insurance Certificates, and Mortgage Record changes, etc. The report must be run monthly to ensure all loans are within compliance with MaineHousing requirements. To run a Final Document Conditions/Exception Report, select the following criteria:

Lender/Branches	Officers	Programs	Final Docs Stage
Click All	Click All	Click All	Click Select > Click Final Docs (Stage Incomplete auto populates)

Purchase Date Range	From	To
Enter Purchase date range	From oldest outstanding final document	To 30-60 days prior to current purchase date

3. Commitment Expiration Report. This report lists all loans with a commitment expiration date. Selecting the Commitment Expiration Report will list all active loans with a commitment expiration date. If the Mortgage Loan Closing does not occur within the commitment period, the Lender must request an extension, re-reserve funds, or cancel the reservation. The report must be run monthly to keep MaineHousing's pipeline current. To run a Commitment Expiration Report, select the following criteria:

Lender/Branches	Officers	Programs	From	To
Click All	Click All	Click All	*Enter date mm/dd/yy	*Enter date mm/dd/yy
			*Leave blank for all reservations	
Sort Criteria Group by Period Date				

To request an extension or to re-reserve funds, please complete Reservation Revision/Extension Request Form (HMP-50) and email via the Lenders secure email or fax to MaineHousing for consideration.

Reservations with a formal loan cancellation or denial must be canceled within Lender Online as set forth in Section 5.3d.D. of this procedural guide.

Lenders shall provide a list of Mortgage Loan Closing dates to MaineHousing by the 15<sup>th</sup> of each month for Mortgage Loans that have Closed but have not been delivered to MaineHousing for purchase.

4. **Current Stage Status Report.** Provides comprehensive information on loans according to the most current loan stage. Selecting the Current Stage Status Report list loans according to the Lender’s needs. For example, to run a Loan Approval report, select the following criteria:

Criteria Selected for an Approved Mortgage Loan Report				
Lender/Branches	Officers	Programs	Last Stages	Stage Status
Click All	Click All	Click All	Reviewed	Approved

5. **Purchase Advice Report.** Provides financial details for all loans purchased to date by MaineHousing. The Purchase Advice will show the total escrow amount netted from the funding and indicate the Servicer account number. The report must be run after each purchase for Lender review.

Lender/ Branches	Bond Series	Purchase Period		Show 2 <sup>nd</sup> Line of Detail
		From	To	
Click All	All	*Enter date mm/dd/yy	*Enter date mm/dd/yy	Check box
*Enter then purchase date in the both fields to result in one transfer data				

## SECTION 5.7 RECAPTURE TAX

Borrowers may be subject to a federal recapture tax, because MaineHousing purchases Mortgage Loans under the Program with tax-exempt Bond proceeds.

- Reimbursement.** Most Borrowers will not be required to pay the recapture tax and for many of those Borrowers who are required to pay, the amount of the recapture tax will be minimal. To eliminate any concern caused by the federal recapture tax, MaineHousing will reimburse Borrowers for recapture tax owed and paid by them when they sell their Residence.

To help Lenders and Borrowers better understand the recapture tax, below is a summary of the recapture tax requirements:

1. The maximum amount of recapture will not exceed the lesser of 50% of the net gain realized by the Borrower on the sale of the Residence or 6.25% of the original

principal amount of the Mortgage Loan. Borrowers who are subject to recapture do not necessarily owe the maximum recapture amount. The amount of the recapture tax is based on the length of time that the Borrower owns the Residence, the net gain from the sale of the Residence, and the Household income and size in the year the Borrower sells the Residence.

2. Only Borrowers who sell their Residences within 9 years from Closing may be required to pay a recapture tax. Borrowers who sell their Residences after 9 years from Closing are not subject to the recapture tax.
3. Only Borrowers who receive a net gain on the sale of their Residences may be required to pay a recapture tax. No recapture tax is due if there is no net gain from the sale of the Residence.
4. If Household income does not significantly increase over the term of the Mortgage Loan, there is no recapture tax. Generally, an increase in Household income of more than 5% per year is considered significant. Any increase in Household size is a factor in determining whether there has been a significant increase in Household income. Recapture applies only if the Household income in the year the Residence is sold is greater than the income limits set forth in the Recapture Tax Adjusted Qualifying Incomes Chart in Appendix A to the Closing Affidavit (HMP-01B). Borrowers may qualify for a “low income” adjustment to the recapture amount based upon the differential of the Borrower’s adjusted gross income and the qualifying income limit and Household size on the date the Residence is sold. The adjustment may result in a reduction to or exemption from the recapture tax.
5. If one or more Borrowers own a Residence jointly and one Borrower dies before the Residence is sold, the surviving Borrower will be responsible for paying the full recapture tax, if any is due. No recapture tax is due if a Borrower is the sole owner of a Residence and dies before the Residence is sold.
6. No recapture tax is due if a Residence is destroyed by natural disaster and the Borrower rebuilds on the same site within 2 years after the year in which the Borrower received property insurance proceeds.
7. If Borrower refinances the Mortgage Loan and later sells the Residence within 9 years from Closing, the Borrower may be required to pay a recapture tax for the period during which the Mortgage Loan was outstanding.
8. Any person who receives a Residence in a divorce is responsible for paying the recapture tax, if any is due.

**B. Calculating Maximum Recapture.** The recapture tax does not eliminate the entire Borrower’s profit from the sale of the Residence. The recapture amount is based on a formula that includes the original principal amount of the Mortgage Loan, the number of years the Mortgage Loan is outstanding, the gain on the sale of the Residence and the adjusted qualifying income of the Household. The amount of recapture increases by 1.25% of the original principal amount of the Mortgage Loan each year for the first 5



years the Mortgage Loan is outstanding, and decreases by 1.25% of the original principal amount of the Mortgage Loan each subsequent year, as follows:

Year After Purchase	Maximum Percentage of Mortgage Loan to be recaptured:
1	1.25%
2	2.50%
3	3.75%
4	5.00%
5	6.25%
6	5.00%
7	3.75%
8	2.50%
9	1.25%

The recapture tax will not exceed the lesser of 50% of the net gain realized by the Borrower on the sale of the Residence or 6.25% of the original principal amount of the Mortgage Loan.

**C. Notice Requirements.** Lender must notify Applicants, Co-Applicants, Non-title holder Applicants, Borrowers, Co-Borrowers, and title holders of the recapture requirements at the time of Application and at Closing. Lender will satisfy the notice requirement at the time of Application if Lender has the Applicants, Co-Applicants and title holding non-Applicants read and sign the Applicant Certification (HMP-01A). Lender will satisfy the notice requirement at the time of Closing if Lender has the Borrower, Co-Borrower, and non-Applicant title holders read the Reaffirmation and Appendix A to the Closing Affidavit (HMP-01B) and sign the Reaffirmation. Lender must provide the current Recapture Tax Adjusted Qualifying Income Table, which is attached to the Closing Affidavit (HMP-01B) in Appendix A.

**Reporting.** Neither MaineHousing, the Lender nor the closing agent are responsible for calculating or collecting the actual amount of recapture tax. The United States Internal Revenue Service tracks recapture using the Borrower’s social security number as reported on the Form 1099 issued in the year a Residence is sold. The Internal Revenue Service will collect the recapture tax through the Borrower’s federal income tax return(s) filed for the year in which the Residence is sold. Borrowers should request Form 8828 and instructions from the Internal Revenue Service or consult an accountant or financial advisor for more information.

**D. Recapture Reimbursement.** MaineHousing will reimburse the Borrower for the actual amount of the recapture tax paid by the Borrower to the IRS. MaineHousing will not reimburse for any payments made in excess of MaineHousing’s maximum reimbursement, fees, interest, expenses or penalties incurred. The maximum amount MaineHousing will reimburse is the lesser of 50% of the gain or the percent of the original loan amount listed in the recapture tax chart not to exceed 6.25%.

1. The Borrower is eligible for recapture reimbursement when:

- a. the Borrower financed their Residence with a MaineHousing Mortgage Loan on or after January 1, 2013; and.
  - b. the Borrower's MaineHousing Mortgage Loan was outstanding at the time of sale or disposition of the Residence.
2. The Borrower must submit the following to MaineHousing no later than July 15th of the calendar year immediately following the year in which the Borrower sold or disposed of the Residence. For example, if the Borrower sells the Residence on May 15, 2014, MaineHousing must receive the request no later than July 15, 2015.
- a. a completed and signed MaineHousing Request for Recapture Tax Reimbursement form;
  - b. a copy of the Borrower's signed and filed federal tax return including the IRS Form 8828, Recapture of Federal Mortgage Subsidy;
  - c. proof federal taxes were paid;
  - d. a copy of a completed and signed Closing Disclosure, related to the sale or disposition of the Residence;
  - e. an original signed IRS form 4506, completed by every Borrower named on the Note; and
  - f. a signed, completed W-9 Form to set the Borrower up as a Vendor in order to be reimbursed for their Recapture Tax.

## **SECTION 5.8 GOVERNMENT INSURANCE AND GUARANTY REQUIREMENTS**

### **A. General.**

1. All Mortgage Loans with a Loan-to-Value ratio in excess of 80% must be insured by a MaineHousing approved private mortgage insurer, FHA, through the MaineHousing Mobile Home Self-Insured Option or be guaranteed by VA or RD.
2. Lenders must provide satisfactory evidence of insurance or guaranty coverage in full force and effect as of the Mortgage Purchase Date.
3. Mortgage insurance must provide coverage for Maine State Housing Authority. Maine State Housing Authority c/o Servicer's name and address must be a named insured or a beneficiary under the mortgage insurance policy as of the Mortgage Purchase Date.
4. For Existing Homes and spec-built New Homes, value means the lesser of the appraised value or the purchase price of the Residence. Purchase price for New Homes means the total cost of building the New Home, including all site improvements. For New Homes located on land which is a gift to the Applicant or

which is not being financed with the Mortgage Loan, value includes the fair market value of the land.

5. **Approved Private Mortgage Insurance Companies.** A list of private mortgage insurance companies approved to issue mortgage insurance on MaineHousing Mortgage Loans is located on our Private Mortgage Insurance Summary Sheet. Private Mortgage Insurance can only be used in the following eligible areas: Auburn, Bangor, Lewiston, Portland, South Portland or Westbrook.

B. All privately insured Mortgage Loans must be underwritten by the approved private mortgage insurer. Lenders may not utilize delegated approval.

1. Maximum Loan-To-Value of 97% with a 640 minimum credit score.
2. Private Mortgage Insurance requires a minimum 3% contribution from the Borrower’s own funds. Funds from MaineHousing’s down payment and closing cost assistance option may be applied toward the minimum contribution.
3. Eligible property types are 1-4 Unit properties and approved Condominiums
4. Lender shall comply with all requirements of the private mortgage insurance Master Policy, policy riders and related contracts or commitments by the private mortgage insurance company, as well as those of MaineHousing.

The minimum mortgage insurance coverage is set forth below even if the Lender’s automated underwriting system allows a lower percentage of insurance coverage.

<u>Loan-To-Value</u>	<u>Insurance Coverage (% of Mortgage Loan)</u>
95.01% - 97%	35%
90.01% - 95%	30%
85.01% - 90%	25%
80.01% - 85%	12%
0 – 80%	None Required

4. Lenders must provide satisfactory evidence of insurance coverage being in full force and effect as of the Mortgage Purchase date.
5. MaineHousing will not accept Mortgage Loans insured by a private mortgage insurance policy with a Loan-To-Value in excess of 97.00%, Lenders utilizing Delegated approval or for property types other than those previously listed.

C. **FHA Insurance.** Lender shall comply with all requirements under the National Housing Act, including all rules, regulations and administrative guidance and publications issued thereunder, all as amended from time to time, if the Mortgage Loan is insured by FHA.

D. **VA Guaranty.** Lender shall comply with all requirements under the Servicemen’s Readjustment Act, including all rules, regulations and administrative guidance and

publications issued thereunder, all as amended from time to time, if the Mortgage Loan is guaranteed by VA.

1. VA Guarantees must cover at least 25% of the principal amount of the Mortgage Loan.

E. **RD Guaranty.** Lender shall comply with all requirements under Title V of the Rural Housing Act of 1949, including all rules, regulations and administrative guidance and publications issued thereunder, all as amended from time to time, if the Mortgage Loan is guaranteed by RD.

F. **MaineHousing Mobile Home Self-Insured Option.** MaineHousing self-insures eligible Mobile Home loans having a Loan-to-Value greater than 80% and less than or equal to 95%. Borrowers will be charged a higher Interest Rate in lieu of mortgage insurance. The Mobile Home Self-Insured Option's Interest Rate is available on our Rate Sheet or internet website <https://lol.mainehousing.org>.

The Mobile Home Self-Insured Option is available to Applicants purchasing single-wide or double-wide Mobile Homes which are permanently attached to (i) land owned by the Applicant, or (ii) a lot leased within a mobile home park, or (iii) privately leased land.

The Mobile Home must meet all Program requirements set forth in this Procedural Guide. The Mortgage Loan must comply with all the option requirements set forth in Section 4, Section 4 and Section 6.5 of this Procedural Guide.

#### Mortgage Loan Commitments

Lender must conform to all laws and standard industry practices governing the issuance of commitments to make Mortgage Loans.

## SECTION 5.9 TITLE INSURANCE REQUIREMENTS

A. **Lenders must obtain a Lender's ALTA title insurance** policy benefitting MaineHousing. The title insurance policy must be in an amount equal to the original principal balance of the mortgage loan. The policy must be issued by a title insurance company qualified to do business in Maine, have an effective date no earlier than the date of Closing and ensure that Maine State Housing Authority has

1. a valid first-lien Mortgage Loan on the Residence securing the Mortgage and
2. the title to the Residence must be good and marketable and free and clear of all liens and encumbrances, except those permitted by the guarantor or insurer.

B. **An ALTA short form residential loan policy is required** unless it is not available from the title insurance company. In the event the ALTA short form is not available, the ALTA long form policy will be required.

If the title jacket was revised as of 6/17/06 the constructive notice phrase is not needed. Absent the revised title jacket, the policy must be dated as of Closing with the following statement added: "or the date of constructive notice, whichever date is later" **or** the

policy must be dated the same date as the Mortgage was recorded at the County Registry of Deeds. All title insurance policies should include the following endorsements or its equivalent:

1. Environmental Lien Endorsement, ALTA 8.1;
2. Secondary Market Endorsement;
3. Condominium Endorsement, ALTA 4.1; if applicable,
4. PUD Endorsement, ALTA 5.1; if applicable,
5. Manufactured Housing Endorsement, ALTA 7; if applicable,
6. Leasehold Endorsement, ALTA 13.1; if applicable.

**C. Lender must be named as an insured** on the title insurance policy, as follows:

“Lender, its successors and assigns, as their interests may appear.”

**D.** The title insurance policy must identify the owner of the property described in the Mortgage. The name of the owner of the property in the policy must be exactly the same as the person giving Lender the Mortgage Loan.

**E.** The title insurance policy must describe the Mortgage, as follows:

“Mortgage from \_\_\_\_\_ [owners] to \_\_\_\_\_  
[Lender] in the original principal amount of \$ \_\_\_\_\_ dated \_\_\_\_\_  
and recorded in the \_\_\_\_\_ [name of County] County Registry of Deeds in  
Book \_\_\_\_\_, Page \_\_\_\_\_.”

**F.** The property description contained in the title insurance policy must be the same as the property description attached to or described in the Mortgage.

**G. Acceptable Title Exceptions.** The title insurance policy may contain certain exceptions. By delivering the Mortgage Loan to MaineHousing, the Lender warrants that any minor impediments do not materially affect the marketability of the property. The following exceptions are permitted:

1. Restrictive covenants and conditions that will not cause forfeiture, reversion or an adverse effect on title. All restrictive covenants must extinguish upon foreclosure or deed in lieu of foreclosure. ALTA form 9 endorsement or its equivalent is required for properties with restrictive covenants.
2. Encroachments of one foot or less on adjoining property by eaves or other overhanging projections or by driveways, as long as there is at least a ten-foot clearance between the buildings on the security property and the property line affected by the encroachment.

3. Encroachments on adjoining properties by hedges or removable fences.
4. Outstanding oil, water, or mineral rights as long as they do not materially alter the contour of the property or impair its value or usefulness for its intended purpose.

Affirmative coverage against any loss or damage is required with each exception.

MaineHousing will rely on Lender's prudent lending standards relating to title exceptions and Lender's warranty of title set forth herein and in the Mortgage Purchase Agreement. If Lender warrants that an exception or encumbrance does not affect the marketability of the insured property and MaineHousing incurs any loss resulting from the exception or encumbrance, MaineHousing will require Lender to pay for all losses incurred by MaineHousing attributable to that exception or encumbrance or repurchase the Mortgage Loan.

**H. Unacceptable Title Exceptions.** Title encumbrances, other than those listed above, require MaineHousing approval and must be acceptable to the mortgage insurer. The following exceptions are **not** permitted:

1. Undischarged mortgages with affirmative coverage are not acceptable (contrary to secondary market allowances) due to the tax exempt bond proceeds used to finance Mortgage Loans.
2. rights or claims of persons in possession.
3. easements or claims of easements not shown by the public records, boundary line disputes, overlaps, encroachments, and any other matters not shown by the public records which would be disclosed by an accurate survey and inspection of the premises (omitted with a mortgage loan inspection or survey). Survey exceptions must be removed or an endorsement providing affirmative coverage must be obtained.
4. any lien or right of a lien for services, labor or material, heretofore or hereafter furnished, imposed by law and not shown by the public record (omitted with an affidavit provided by the title insurance company);
5. any taxes which are not yet due and payable (policy should state that taxes are paid as of a certain date);
6. any water and sewer and other municipal charges not yet due and payable (policy should state that these charges are paid as of a certain date);
7. any defined or undefined right-of-way that adversely impacts marketability;
8. in no event should the mortgaged parcel be subject to an undefined right-of-way because of the adverse impact on future marketability; and
9. any exceptions which are not permitted above or which affect the marketability of the insured property.

- I. A title insurance policy for a leasehold Mortgage must insure that the lessee's interest in the leased property is not subject to any prior liens or encumbrances that will affect the enforceability or first-lien position of the leasehold Mortgage and must include a Leasehold endorsement ALTA form 13.1. Lenders are advised to refer to Procedural Guide Section 5.16 for alternative options to verify that MaineHousing has a first-lien interest in the leasehold Mortgage requirement in lieu of title insurance.
- J. Lender must perform (i) a UCC-11 search and (ii) a Certificate of Title search on the Mobile Home to ensure there are no prior security interests or other ownership interests of record in the Mobile Home.
- K. A title insurance policy for a Condo or PUD unit Mortgage must identify the unit number, address and must describe all the components of the unit estate (e.g. common areas).
- L. See Instructions to Title Insurance Companies (HMP-25) for guidance in communicating the title insurance requirements within the Program to Applicants and title insurance companies.

## **SECTION 5.10 HAZARD INSURANCE REQUIREMENTS**

- A. **The Residence must be covered by a hazard insurance policy which meets the following requirements.**
  - 1. The policy must provide coverage for all fire and extended coverage risks customarily insured against in the geographical area in which the Residence is located. The policy will provide, at a minimum, fire and extended **coverage in an amount equal to the lesser of:**
    - a. 100% of the insurable value of the improvements, as established by the property insurer; or
    - b. Mortgage Loan amount, but not less than 80% of insurable value of the improvements for damage or loss on a replacement cost basis.
  - 2. Hazard insurance must be in effect on the date of the Closing, and the premium must be paid in advance for a full year from the date of Closing.
  - 3. If the Lender is aware that the Residence is exposed to any appreciable hazard that fire and extended coverage does not protect against (e.g., earthquake), then the Lender must advise MaineHousing of the nature of such hazard and the additional insurance coverage which the Lender has obtained to protect against such hazard. MaineHousing may require the Lender to repurchase a Mortgage Loan having inadequate insurance coverage.
  - 4. If the Mortgage Loan is insured or guaranteed by FHA, VA or RD, the hazard insurance policy must meet the requirements of the applicable insurer or guarantor.

5. MaineHousing **recommends** Borrowers secure policies with no more than a \$1,000 deductible.
6. Each policy of hazard insurance must be in form and content customarily acceptable by prudent lending practices.

**B. The hazard insurance policy must be issued by an insurance company that:**

1. has a Best's Policyholder Rating of "B" or better and a Best's Financial Category Rating of Class III or better, as described in Best's Key Rating Guide, and
2. is licensed or authorized by law to transact business within the State.

**C. Common Elements** must be insured under an all-risk hazard insurance policy, a liability insurance policy and, if applicable, a flood insurance policy. Maine State Housing Authority c/o Servicer's name and address must be named as a mortgagee on all of the policies.

**D. Hazard insurance policies that contain or are subject to the following terms and conditions are not acceptable to MaineHousing.**

1. contributions or assessments may be made against Maine State Housing Authority or its designee;
2. contributions or assessments may be made against the Borrower which constitute or may become a lien superior to the Mortgage;
3. claims and loss payments are subject to action by the insurance company's board of directors, policyholders or members; or
4. any limiting clauses (other than the customary insurance conditions) which may prevent the holder of the Mortgage Loan from collecting the insurance proceeds.

**E. Mortgagee Clause.** The hazard insurance policy must contain the standard mortgagee clause naming Maine State Housing Authority c/o Servicer's name and address. The mortgagee clause must provide that the insurance company will notify the applicable Servicer, at least 10 days in advance of the effective date of a reduction in coverage or cancellation of the policy.

**F. It is the Lender's responsibility:**

1. to cause each insurance policy to be properly endorsed to Maine State Housing Authority c/o the applicable Servicer's name and address;
2. to give any necessary notices of transfer in order to fully protect, under the terms of the policy and applicable law, MaineHousing's interest as first mortgagee; and
3. to cause all insurance drafts, notices, policies, invoices, and other documents to be delivered directly to the Servicer, regardless of the manner in which the mortgagee



clause is endorsed. Maine State Housing Authority's address as loss payee should be in care of Servicer, at Servicer's address, to ensure proper notification.

- G. See Instructions to Homeowners Insurance Companies (HMP-24)** for guidance in communicating the hazard insurance requirements under the Program to Applicants and insurance companies.
- H. Insurance Authorization Letter (HMP-32)** Lenders are required to send the signed Mortgagee Clause/Insurance Authorization form to the borrower's Insurance Company on all loans submitted for purchase that will be transferred to MaineHousing's Sub-Servicer. Lenders may use this form in addition to or in place of any Mortgagee Clause letter already being utilized.
- I. Additional Coverage.** MaineHousing may require additional coverage as it deems necessary in connection with any Residence.

## **SECTION 5.11 FLOOD INSURANCE REQUIREMENTS**

- A.** The Residence must be covered by a flood insurance policy if the Residence is located in a municipality that has flood insurance available under the National Flood Insurance Program (NFIP) and the Residence (excluding land) is located in a designated special flood hazard area. The flood insurance policy must be in the form of the standard policy issued by members of the National Flood Insurers Association or a form which meets the guidelines published by the Flood Insurance Administration in the Federal Register of February 17, 1978. The minimum amount of flood insurance required is the lowest of:
  1. the outstanding principal balance of the Mortgage Loan;
  2. the value of the insurable improvements; or
  3. the maximum amount of flood insurance which was available on the date of Closing.

MaineHousing will accept a policy that contains a deductible clause up to \$1,000 subject to the maximum allowed under the National Flood Insurance program (NFIP).

- B. Special Flood Hazard Areas.** Residences (excluding land) located in special flood hazard areas in municipalities that do not participate in the National Flood Insurance Program are **not** eligible under the Program. Special flood hazard areas are identified by the Federal Emergency Management Agency (FEMA) and published in the Federal Register of a Flood Insurance Boundary Map or Insurance Rate Map.

Residences located in designated special flood hazard areas must be covered by flood insurance to be eligible under the Program.

- C. Mortgagee Clause.** The flood insurance mortgagee clause must name Maine State Housing Authority c/o Servicer's name and address.

## SECTION 5.12 CONDOMINIUM INSURANCE

A Condominium Unit must meet the following requirements.

- A. Fidelity Coverage.** If the Condominium Unit is part of Condominium that has more than 20 units, the Condominium Association must have fidelity coverage against dishonest acts on the part of directors, managers, trustees, employees, or volunteers responsible for handling funds collected. The fidelity bond or insurance must name the Condominium Association as the named insured and be equal to the sum of three months of assessments on all units in the project.
- B. Comprehensive Public Liability Insurance.** The Condominium Association must have comprehensive public liability insurance policy covering all Common Areas of the Condominium. The Policy must contain a “severability of interest” endorsement which precludes the insurer from denying the claim of a Condominium Unit owner because of the negligent acts of the Condominium Association or other Condominium Unit owners.
- C. Fire and Extended Coverage Insurance.** The Condominium Unit must be covered by a fire and extended coverage insurance policy. A multi-peril policy covering the entire Condominium or an individual policy on the Condominium Unit is acceptable. The policy must cover replacement cost in an amount equal to 100% of the insurable value of the Condominium or Condominium Unit as applicable. The Condominium Unit must be covered by a boiler and machinery insurance policy in an amount at least equal to the amount of the fire and extended coverage insurance policy if the Condominium has a steam boiler.
- D. Interior Walls.** If the Condominium Association’s policy does not insure the interior walls of the Condominium Unit, the Applicant must obtain an individual insurance policy. The individual condominium insurance policy mortgagee clause must name Maine State Housing Authority c/o Servicer’s name and address.
- E. The name of the insured** under each required policy must be in a form and substance similar to the following:
- “The Condominium Association of the \_\_\_\_\_ Condominium for use and benefit of the individual Condominium Unit owners.” (Designated by name, if required)
- F. The Condominium Association master policy** must expressly provide that any proceeds shall be paid to any insurance trustee designated for that purpose or otherwise to the Condominium Association to be held in trust for unit owners and lien holders as their interests may appear. Any insurance proceeds shall be applied in compliance with §1603-113 of the Maine Condominium Act. The Lender must obtain a certificate or memoranda of insurance from the insurer addressed to MaineHousing. Further, the Lender must obtain a letter from the Condominium Association addressed to the Lender and Maine State Housing Authority pursuant to which the Condominium Association agrees to notify Maine State Housing Authority in the event of (i) damage to the Condominium Unit described in the Mortgage securing the Mortgage Loan which exceeds \$1,000 or (ii) damage to the Common Areas and Facilities of the Condominium

which exceeds \$10,000. The address for Maine State Housing Authority should be c/o of the Lender's Designated Qualified Servicer or a Sub-Servicer, as applicable.

- G. Retention.** The Lender must retain a copy of all of the policies required under this Section.

## **SECTION 5.13 MORTGAGE LOAN CLOSING REQUIREMENTS**

- A. **General.** Lender must confirm that the following documents are in the proper form, completed accurately, executed by the appropriate persons, delivered to Lender as of the Closing, provided to the appropriate persons, and filed with the appropriate offices, as applicable. The spelling and use of the Borrower's name, property address and legal description must be accurate and used consistently throughout the Mortgage Loan file and on all documents.

1. **Note.** Lender must use the most current form of the Fannie Mae, Freddie Mac, FHA, or VA Note, as applicable. Lender must use the FHA form Note for Mortgage Loans insured by FHA. Lender may use the FHA form Note or VA form Note for Mortgage Loans guaranteed by VA.

The Note must be written for a whole dollar amount. Original Note amount may **not** include cents.

2. **Mortgage.** Lender must use the most current form of the Fannie Mae, Freddie Mac, FHA, or VA Mortgage, as applicable. Lender must use the FHA form Mortgage for Mortgage Loans insured by FHA. Lender may use the FHA form Mortgage or VA form Mortgage for Mortgage Loans guaranteed by the VA.

Lender must NOT use a mortgage form containing MERS language.

The Mortgage must create a valid and enforceable first-lien on the real property described in the Mortgage.

Lender must be the mortgagee under the Mortgage.

Lender must record the Mortgage in the Registry of Deeds in the county in which the Dwelling is located as soon as possible after Closing.

3. **Mortgage Rider (HMP-07).** Lender must use the most current **Mortgage Rider (HMP-07)** on all MaineHousing Mortgage Loans. Lender must record the **Mortgage Rider (HMP-07)** with the Mortgage.
4. **Assignment of Mortgage (HMP-08).** Lender may record the **Assignment of Mortgage (HMP-08)** with the **Mortgage and the Mortgage Rider (HMP-07)**. Lender must record the **Assignment of Mortgage (HMP-08)** within 7 days of the Mortgage Loan funding date. The date the **Assignment of Mortgage (HMP-08)** is acknowledged may NOT be prior to the date of the Mortgage.

5. **Closing Affidavit (HMP-01B).** The Borrower, Co-Borrower, and all title holders must sign the **Closing Affidavit (HMP-01B)** at the time of Closing. The Closing Affidavit may not be signed pursuant to a power of attorney unless the Borrower, Co-Borrower or Title Holder is mentally incapacitated, physically incapacitated, or on active military duty and unavailable due to military assignment. The Closing Affidavit must contain Appendix A, Notice of Maximum Recapture Tax and Method to Compute Recapture Tax on Sale of Home, and the current Recapture Tax Adjusted Qualifying Income Table.

If the Closing does not occur within 4 months of the date of Application, Lender must enter the Household's re-certified annual Gross Income provided by the Applicant on the Reaffirmation as of Closing.

Hazard insurance binder or policy with extended coverage and standard mortgagee clause with Maine State Housing Authority c/o Servicer's name and address. Lender must include the final policy in the Mortgage Loan file submitted to MaineHousing for Purchase. Lender to send any subsequent insurance notifications to the Qualified Servicer or Sub-Servicer.

6. Title insurance binder or policy. Lenders using a Sub-Servicer must forward the final title policy to MaineHousing for review. MaineHousing will forward the title policy to the Sub-Servicer. Lenders using a Qualified Servicer must forward the title policy to the Qualified Servicer for retention in the Mortgage file. Title policy must include originating Lender's name, its successors and assigns as their interest may appear. The final title search period will run through the recording of any required corrective documents.
7. Copies of complete, signed federal income tax returns or tax transcripts provided by the Internal Revenue Service for the three years preceding the date of Application for all Borrowers', Co-Borrower's and non-Applicant title holders.
8. Appraisal. The appraisal must be in the appropriate form for the property type as set forth in Section 3.53.6 of this Procedural Guide.
9. Flood insurance binder or policy (if applicable). Lender must send the final policy to the Qualified Servicer or Sub-Servicer for retention in the Mortgage Loan file.
10. Insurance certificate from pool insurer (if applicable).
11. Insurance certificate from special hazard insurer (if applicable).
12. Tax information sheet. A fully completed tax information sheet must be included for all MaineHousing Mortgage Loans. If the property has a tax abatement, base the escrows for the property on the tax amount minus the abatement. For New properties or Mortgage Loans including the Purchase Plus Improvement (PPI) option, Lenders will use the "as complete" appraised value to establish tax escrows.

Taxes that are due within sixty (60) days of Closing must be paid by the settlement agent and disclosed on the Closing Disclosure.

13. **Initial Escrow Disclosure.** Escrow accounts for the payment of taxes, mortgage insurance, hazard insurance, and flood insurance, etc. must be established by the Lender at Closing. Lenders need to use aggregate accounting in the calculation of the escrow account. Adequate funds must be calculated at Closing by the Lender to ensure that a sufficient amount will be available to pay the next installments of taxes and insurance. Lenders are required to collect 2 months escrow cushion as allowed by the mortgage insurer. The account balance must reach the minimum balance at least once every 12 months. The purchase Mortgage Loan file submitted to MaineHousing must include an Initial Disclosure Statement calculated in accordance with the principles of aggregate accounting.

14. All other documentation and information required pursuant to this Procedural Guide.

B. **Certification.** Lender must certify and obtain evidence, to be maintained in the Mortgage Loan file, that the following requirements are satisfied.

1. The first year's premiums for all hazard insurance policies, including any special risk policies, mortgage insurance policies, if applicable, and flood insurance policies, if applicable, have been paid.
2. The premium for the title insurance policy has been paid.
3. All taxes and assessments have been prorated and paid as of the Closing.
4. All special assessments have been paid in full, unless approved in writing by MaineHousing.
5. Lender will determine initial and monthly funding amounts for the following escrows:
  - a. Real estate taxes;
  - b. Hazard insurance premium (including any special risk policies);
  - c. Mortgage insurance premium (if applicable); and
  - d. Flood insurance premium (if applicable).

C. **Lender Fees.** The Lender may collect fees as allowed in Section 5.1 J of this Procedural Guide.

**D. Special Requirements for Certain Mortgage Loans.**

1. **Mobile Homes.** The requirements for properties secured by Mobile Homes can vary based on unit type, location, model year, and the original date the Mobile Home was purchased as a new Residence. Mortgage Loans must meet the requirements set forth in the applicable section of this Procedural Guide.

Location of the Mobile Home	Refer to:
Land owned by the Applicant	Section 5.15
Mobile home park	Section 5.16
Privately leased land	Section 5.17

- a. MaineHousing requires a satisfactory Final Inspection Supplement (HMP-15B) as a supplement to the final inspection for mobile home transactions here the unit was not permanently sited at the time of the original appraisal.
  - b. A legible photo of the interior HUD Data Plate/compliance Certificate and exterior HUD Certification label as found attached to the home must be obtained and included within the Appraisal or **Final Inspection Supplement (HMP-15B)**.
2. New Homes.
- a. New Dwelling Warranty (HMP-18) from builder (not applicable for Mobile Homes)
  - b. Local certificate of plumbing approval from local plumbing inspector or HHE-200 Subsurface Waste Water Disposal System Application, signed by local approving authority.
  - c. Occupancy permit, as applicable, from local code enforcement officer
  - d. Final Compliance Inspection
3. Purchase Plus Improvement option Mortgage Loans and other Mortgage Loans on Residences with improvements
- a. PPI Borrower Information; Certifications and Escrow Agreement (HMP-19)
  - b. Estimate of improvements
  - c. If a Family member is providing labor, an estimate for an arms-length transaction must be obtained and maintained in the file
  - d. Verification of Energy Star Rating for any appliances, i.e. refrigerators, washers, dishwashers and freezers that are financed
  - e. **PPI Borrower Completion Affidavit (HMP-20)** must be provided to the Borrower
  - f. Final Compliance Inspection, not required at Closing if improvements are part of the Purchase Plus Improvement Option;
  - g. Other documents as required by the mortgage insurer,/guarantor;
  - h. Descriptions and amounts reported on the **PPI Borrower Information; Certifications and Escrow Agreement (HMP-19)** must match the estimates

provided. The estimates, amounts released at Closing and amounts held in escrow as described on the **PPI Borrower Information Certifications; and Escrow Agreement (HMP-19)** must reconcile with the Closing Disclosure.

4. Condominium Units.
  - a. All required insurance policies or certificates (to be retained in the Mortgage Loan file.)
  - b. Agreement of Association of Unit Owners to notify Lender and Maine State Housing Authority of damage to the Condominium and the Condominium Unit (See Section 5.12 of this Procedural Guide.)
  - c. Notice of Mortgage Loan to Condominium Association (See Section 3.11 of this Procedural Guide.)
  - d. Condominium Association approval of Mortgage Loan, if required under the Declaration.
5. Party-wall Structures. Written agreement among owners of Residences in a Party-wall Structure.
6. Common Elements.
  - a. Written agreement among all persons with right, title and interest in the Common Elements.
  - b. All-risk hazard insurance policy, liability insurance policy and, if applicable, flood insurance policy on any of the Common Elements.

## **SECTION 5.14 SPECIAL REQUIREMENTS FOR MOBILE HOMES**

**A. General.** Lender may finance Mobile Homes which are permanently attached to (i) land owned by the applicant, or (ii) a lot leased within a mobile home park, or (iii) privately leased land. Properties secured by Mobile Homes are subject to certain requirements in addition to the documentation set forth in Section 5.13 of this Procedural Guide. The documents required to perfect a security interest vary based on unit type, location, model year, and the original date the Mobile Home was purchased as a new Residence.

<b>Location of the Mobile Home</b>	<b>Refer to:</b>
Land owned by the Applicant	Section 5.15
Mobile home park	Section 5.16
Privately leased land	Section 5.17

**B.** Special requirements for newly sited mobile homes:

1. MaineHousing requires a satisfactory Final Inspection Supplement (HMP-15B) as a supplement to the final inspection for mobile home transactions where the unit was not permanently sited at the time of the original appraisal.
2. A Legible photo of the interior HUD Data Plate/Compliance AND Exterior HUD Certification label as found attached to the home must be obtained and included within the appraisal or Final Inspection Supplement (HMP-15B).

## **SECTION 5.15 REQUIREMENTS FOR MOBILE HOMES LOCATED ON OWNED LAND**

To be eligible for purchase by MaineHousing, a Mobile Home must be secured by a perfected lien on real property consisting of the Mobile Home and the land. The following requirements apply to Mobile Homes located on land owned by the Applicant.

- A. Mortgage Rider (HMP-07).** Must include the year, make, model and serial number as obtained by the appraiser from the physical inspection of the HUD Data Plate/Compliance Certificate attached to the interior of the Mobile Home.
- B. Original Certificate of Origin.** Required for new Mobile Homes.
- C. Mobile Home Self-Insured & Uninsured Option Certification (HMP-21).** Applicable for Mortgage Loans for single-wide Mobile Homes which will be located on land owned by the Applicant and have a Loan-to-Value greater than 80% and less than or equal to 95%.
- D. Lender must perform a UCC-11 search** with the Maine Secretary of State and a Certificate of Title search with the Bureau of Motor Vehicles, as applicable, to ensure there is no prior security interests or other ownership interests of record in the Mobile Home.

Single-wide Mobile Homes:	UCC-11 Search	Certificate of Title Search
2006 or older	Required	Not applicable
2007 purchased on or before 09/30/08	Required	Not applicable
2007 or newer purchased used	Required	Required
New units purchased from a dealer do not require a UCC-11 or Certificate of Title search.		
<b>Double-wide Mobile Homes:</b> UCC-11 search required for all model years except new units purchased from a dealer.		

## **SECTION 5.16 REQUIREMENTS FOR MOBILE HOMES LOCATED IN MOBILE HOME PARKS**

The following requirements apply to any Mortgage Loan secured by a Mobile Home located in a mobile home park.



**A. Lease Agreement.** Lenders may use the MaineHousing Lease Agreement (HMP-17) OR the Lessor’s lease agreement AND the MaineHousing Addendum to Lease (HMP-16). The lease duration must be equal to or greater than the term of the Mortgage Loan. The properly completed, fully executed Lease should be placed on record at the County Registry of Deeds prior to Closing.

**B. Written Notice of Lien (HMP-15A).** Must be executed at Closing and provided to the owner of the mobile home park.

**C. Mortgage.** MaineHousing requires a first-lien Mortgage on the leasehold interest as security for a Mortgage Loan on a Mobile Home located in a mobile home park. The property description in the leasehold Mortgage should read as follows:

“A leasehold interest in certain property located at \_\_\_\_\_  
(street address), \_\_\_\_\_ (town or city), \_\_\_\_\_  
County, Maine created by a Lease between \_\_\_\_\_  
 (“Lessee”) and \_\_\_\_\_ (“Lessor”) together with  
the improvements, and fixtures now or to be situated thereon, including without  
limitation, a \_\_\_\_\_  
(description of the Mobile Home, including the make, year, model and serial number) in  
effect for \_\_\_\_\_ years (at least equal to the term of the Mortgage  
Loan) recorded in \_\_\_\_\_ County Registry of Deeds Book \_\_\_\_\_ Page  
\_\_\_\_\_.”

**D. Mortgage Rider (HMP-07).** Must include the year, make, model, and serial number as obtained by the appraiser from the physical inspection of the HUD Data Plate/Compliance Certificate attached to the interior of the Mobile Home.

**E. MaineHousing First-Lien.** The Lender **must** choose **one** of the following three options to verify MaineHousing has a **first-lien Mortgage Loan on the leasehold** interest in the subject property:

1. Lender may submit a title insurance policy for a leasehold Mortgage which insures that the lessee’s interest in the leased property is not subject to any prior liens or encumbrances that will affect the enforceability or first-lien position of the leasehold Mortgage;
2. Lender may submit an attorney’s certification that MaineHousing has a first-lien Mortgage. The certification must be on letterhead, be signed, and contain the following statement:

“I have performed a title search on the property described in the deed(s) to \_\_\_\_\_, recorded in the \_\_\_\_\_ County Registry of Deeds in Book(s) \_\_\_\_\_, Page(s) \_\_\_\_\_, being the source deed(s) for the mobile home park known as \_\_\_\_\_. I certify that the Maine State Housing Authority Mortgage dated \_\_\_\_\_ and recorded in said Registry of Deeds, Book \_\_\_\_\_ Page \_\_\_\_\_ represents a first-lien Mortgage on the leasehold interest created by Lease between \_\_\_\_\_ (“Lessee”) and \_\_\_\_\_ (“Lessor”) together with the

improvements, and fixtures now or to be situated thereon, including without limitation, a \_\_\_\_\_  
 (description of the Mobile Home, including the make, year, model and serial number) said Lease being in effect for \_\_\_\_\_ years (at least equal to the term of the Mortgage Loan) and recorded in said Registry of Deeds Book \_\_\_\_\_ Page \_\_\_\_\_.”; or

3. Lender may submit a property check or present owner update (from Merchants Reporting Service of Maine or a similar service) after Closing to verify MaineHousing has a first-lien Mortgage on the leasehold interest. The Lender must provide the recording information for the Lease and Mortgage to obtain a present owner update.

**F. The security interest in the Mobile Home securing the Mortgage Loan must be a first-lien** on the Mobile Home. The Lender must perform (i) a UCC-11 search with Maine Secretary of State and (ii) a Certificate of Title search with the Bureau of Motor Vehicles to ensure there are no prior security interests or other ownership interests of record in the Mobile Home.

**G. The security interest in a Mobile Home located in a mobile home park** must be perfected according to the State of Maine requirements. The security instrument will vary based on the unit type, location, model year, and the original date the Mobile Home was purchased as a new Residence. Lender must follow the requirements set forth in the applicable section of this Procedural Guide.

<b>Unit Type: Single-wide</b>			
<b>Model Year</b>	2006 or older	2007	2007 or newer
<b>Date purchased new</b>	NA	On or before 09/30/07	On or after 10/01/07
<b>Security instrument</b>	UCC Financing Statement filed with Secretary of State (see Section 5.18)	UCC Financing Statement filed with Secretary of State (see Section 5.18)	Certificate of Title from Bureau of Motor Vehicles (see Section 5.19)
<b>Unit Type: Double-wide</b>			
All double-wide Mobile Homes located in a mobile home park require a UCC Financing Statement filed with Secretary of State (See Section 5.18 of this Procedural Guide.)			

**H. The mobile home park** must be licensed by the Maine State Department of Professional and Financial Regulation, State Manufactured Housing Board and must not have any outstanding violations.

**I. Mobile Home Self-Insured & Uninsured Option Certification (HMP-21).** Eligible property types include single-wide and double-wide Mobile Homes located in a mobile home park. Loan-to-Value must be greater than 80% and less than or equal to 95%.

## SECTION 5.17 REQUIREMENTS FOR MOBILE HOMES LOCATED ON PRIVATELY LEASED LAND

The following requirements apply to any Mortgage Loan secured by a Mobile Home located on privately leased land.

- A. Lease Agreement.** Lease Agreement (HMP-17) or Lessor’s lease agreement and the Addendum to Lease (HMP-16).
  
- B. Mortgage.** MaineHousing requires a first-lien Mortgage on the leasehold interest as security for a loan on a Mobile Home located on privately leased land. The property description in the leasehold Mortgage should read as follows:  
  

“A leasehold interest in certain property located at \_\_\_\_\_  
 (street address), \_\_\_\_\_ (town or city), \_\_\_\_\_  
 County, Maine created by a Lease dated \_\_\_\_\_ between  
 \_\_\_\_\_ (“Lessee”) and  
 \_\_\_\_\_ (“Lessor”) together with the  
 improvements, and fixtures now or to be situated thereon, including without limitation, a  
 \_\_\_\_\_ (description of  
 the Mobile Home, including the make, year, model and serial number) in effect for  
 \_\_\_\_\_ years (at least equal to the term of the Mortgage Loan).”
  
- C. Subordination Agreement** from all lien holders on the leased land.
  
- D. Mortgage Rider (HMP-07).** Must include the year, make, model, and serial number as obtained by the appraiser from the physical inspection of the HUD Data Plate/Compliance Certificate attached to the interior of the Mobile Home.
  
- E. A title insurance policy for a leasehold Mortgage** must insure that the lessee’s interest in the leased property is not subject to any prior liens or encumbrances that will affect the enforceability or first-lien position of the leasehold Mortgage. This involves a title search on the entire property that is the subject of the leasehold. Lender should consult MaineHousing concerning encumbrances on the lessor’s interest in the property that is the subject of the leasehold.
  
- F. The security interest in a Mobile Home** located on privately leased land must be perfected according to the State of Maine requirements. The security instrument will vary based on the unit type, location, model year, and the original date the Mobile Home was purchased as a new Residence. Lender must comply with the requirements set forth in the applicable section of this Procedural Guide.

Unit Type: Single-wide			
<b>Model Year</b>	2006 or older	2007	2007 or newer
<b>Date purchased new</b>	NA	On or before 09/30/07	On or after 10/01/07

<b>Security instrument</b>	UCC Financing Statement filed with Secretary of State (see Section 5.18)	UCC Financing Statement filed with Secretary of State (see Section 5.18)	Certificate of Title from Bureau of Motor Vehicles (see Section 5.19)
<b>Unit Type: Double-wide</b>			
All double-wide Mobile Homes located in a mobile home park require a UCC Financing Statement filed with Secretary of State (see Section 5.18).			

**G. Mobile Home Self-Insured & Uninsured Option Certification (HMP-21).** Eligible property types include single- and double-wide Mobile Homes located on privately leased land. Loan-to-Value must be greater than 80% and less than or equal to 95%.

## **SECTION 5.18 UCC FINANCING STATEMENTS FOR MOBILE HOMES**

**A. UCC-1.** Lender must file a UCC-1 financing statement with the Maine Secretary of State’s Office for Mobile Homes that meet all of the following criteria.

**B. Single-wide or double-wide Mobile Home;**

1. Located in a mobile home park or on privately leased land; and
2. Mobile Homes that are not subject to requirements for a Maine State Certificate of Title; i.e. originally purchased as a new Residence on or before September 30, 2007.

Detailed instructions and forms which can be automatically populated with a Borrower’s Mortgage Loan reservation information are available on Lender Online (<https://lol.mainehousing.org>).

UCC financing statements must NOT be recorded with the Registry of Deeds. If the Lender records a UCC with the Registry of Deeds, MaineHousing will require the Lender to discharge the UCC of record before the Loan is approved for purchase.

If the Lender files a UCC on a Mobile Home that is not subject to the State of Maine UCC financing statement requirements, MaineHousing will require the Lender to terminate the UCC-1 before the Mortgage Loan is approved for purchase.

**C. On-line filing instructions – first select “Manufactured Home Lien-30 year effectiveness”** (<http://maine.gov/sos/cec/ucc/index.html>).

1. Enter the individual debtor’s name(s) and information.
2. Enter the Lender’s name and address as secured party.
3. Enter Maine State Housing Authority, 26 Edison Dr., Augusta, ME, 04330, USA as Assignee. Maine State Housing Authority’s full name must be spelled out.

4. Collateral Description must include the following:
  - a. year, make, model and serial number of Mobile Home;
  - b. property address (street, city, state, zip); and
  - c. “Together with all improvements and fixtures now or to be placed thereon, including without limitation a (year, make, model and serial number of Mobile Home) must be included in the description.

**D. Paper filing instructions.** When filing a paper UCC-1, both a UCC-1 Financing Statement and UCC-1 Ad Financing Statement are required. The UCC-1 secures the property and the Addendum assigns the UCC to Maine State Housing Authority. The paper UCC-1 is the same as the online form, except the party filing the UCC must fill in

the name and address of where to send the acknowledgement in the block at the top of the page under letter C.

1. Form UCC-1:
  - a. Box 1b-1c: Enter the individual debtor’s name and address.
  - b. Box 3a: Enter Maine State Housing Authority as the Name of Total Assignee. Maine State Housing Authority’s full name must be spelled out.
  - c. Box 3c: Enter 26 Edison Dr., Augusta, ME, 04330, USA.
  - d. Box 4: Enter collateral description that must include the following:
    - i. year, make, model and serial number of Mobile Home;
    - ii. property address (street, city, state, zip); and
    - iii. “Together with all improvements and fixtures now or to be placed thereon, including without limitation a (year, make, model and serial number of Mobile Home)” must be included in the description.
  - e. Box 6: Check off box for Manufactured Home Transaction.
2. Form UCC-1 Ad:
  - a. Box 9b: Enter the individual debtor’s name.
  - b. Box 11: Check Assignors S/P.
  - c. Box 11a: Enter the Lender’s name.
  - d. Box 11c: Enter the Lender’s address.

## **SECTION 5.19 CERTIFICATE OF TITLE REQUIREMENTS FOR MOBILE HOMES**

A certificate of title is a document issued by the Maine Secretary of State that shows proof of ownership, existing liens, and identification information. Effective October 1, 2007, certain Mobile Homes are subject to titling under Maine Public Law Chapter 678 as it pertains to Title-29A. A State of Maine certificate of title is required for new and used single-wide Mobile Homes located on leased land that (i) are model year 2007 or newer, and (ii) were originally purchased as a new Residence on or after October 1, 2007.

In addition to the requirements set forth in this Procedural Guide, Lender must include the following **original** documents in the loan package delivered to MaineHousing. MaineHousing requires lenders to complete the Certificate of Title application listing Maine State Housing Authority as lien holder.

1. State of Maine Certificate of Title listing Maine State Housing Authority as lien holder.
2. Manufacturer's Certificate of Origin (required for new Mobile Homes only).
3. If the Lender had the Title issued in their name, an Application for Certificate of Title (Secretary of State/Bureau of Motor Vehicles form # MVT-2) listing Maine State Housing Authority, c/o Homeownership, 26 Edison Dr., Augusta, ME 04330, named as a lien holder and signed by Borrowers and title holders is required.
4. If not assigned to MaineHousing initially, Assignment of Lien (Secretary of State/Bureau of Motor Vehicles form # MVT-48) signed by Lender.
5. Tracking number for mailing to Bureau of Motor Vehicles.
6. The Lender will be responsible for all fees associated with transferring the lien into MaineHousing's name.

If a certificate of title is issued on a Mobile Home that is not subject to the State of Maine titling requirements, Maine Housing Authority will require the Lender to terminate the certificate of title prior to purchase.

## **SECTION 5.20 POINTS**

### **A. MaineHousing offers two pricing options:**

1. 0 point option
2. 2 point option

When the 2 point option is selected, Lender must collect 2 points based on the original principal amount of the first-lien Mortgage Loan. Borrower, Seller or a third party (or a combination thereof) may pay points, as acceptable by mortgage insurer.

- B. Funding.** MaineHousing will net 2 points from the loan funding amount of a Mortgage Loan on the Mortgage Purchase Date when the 2 point option is selected.

## **SECTION 5.21 CONSTRUCTION ESCROWS**

- A.** All construction type escrows permitted by MaineHousing in accordance with this Procedural Guide must be established at or before Closing (See Section 3.7D and Section 3.7E of this Procedural Guide for escrow requirements for New Homes, and Section 6.4I for Purchase Plus Improvement Option Mortgage Loans). MaineHousing will purchase only those Mortgage Loans secured by Residences which are completed living units suitable for occupancy by the persons who will reside in the Residences.
- B. Escrow Accounts.** Lender or Lender's Designated Qualified Servicer must administer and manage disbursements from the escrow accounts. The MaineHousing Sub-Servicers do not manage escrows.
- C. All escrow accounts must be insured** by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation.
- D. Remaining Funds.** If there are any funds remaining in the escrows after the completion of the improvements described in the escrow agreements, the funds must be applied to the principal balance of the Mortgage Loan.
- E. Newly Constructed Residences.**
1. Lender or the Lender's Designated Qualified Servicer must receive invoices and any necessary supporting documentation and collect properly executed lien waivers from all of the contractors and subcontractors and providers of materials prior to the disbursement of funds from the escrows.
  2. Lender or Lender's Designated Qualified Servicer may not disburse any funds from the escrows to the builder or contractor until the improvements described in the escrow agreement are completed.
  3. Escrows must be disbursed for eligible improvements no later than 90 days from the Mortgage Purchase Date.
- F. Purchase Plus Improvement Option.**
1. Lender or the Lender's Designated Qualified Servicer must obtain a properly executed PPI Borrower Completion Affidavit (HMP-20) and other documentation as described in Section 6.4I of this Procedural Guide upon the completion of improvements and prior to final disbursement of funds from escrows. Lender should provide this form to the Borrower at the Mortgage Loan Closing.
  2. Lender must follow requirements in Section 6.4I of this Procedural Guide for escrow disbursement and close out.

3. Escrows must be disbursed for eligible improvements no later than 6 months from the Purchase Plus Improvement Mortgage Loan Closing.

## **SECTION 5.22 RECORDS; MAINEHOUSING REVIEW**

Lender shall retain all documents completed, executed and required in connection with Mortgage Loans pursuant to this Procedural Guide in the Mortgage Loan file. With respect to documents that Lender is required to obtain and review, but not submit to MaineHousing, Lender hereby warrants that it or its Designated Qualified Servicer, as applicable, will retain any and all original documents and information in accordance with the Lenders normal retention policies or a period of not less than 3 years from Mortgage Loan Closing whichever is greater.

Lender shall make available or deliver to MaineHousing, its employees and agents, all information and documentation requested by MaineHousing prior to or after the Mortgage Purchase Date. Lender hereby represents that any copy of any document delivered by it to MaineHousing is a true and accurate copy of the original document. Lender shall pay for the preparation and delivery to MaineHousing of all documents requested by MaineHousing. The examination of documentation by MaineHousing and its employees and agents shall not constitute a waiver of, or evidence that MaineHousing did not rely upon any representation or warranty set forth herein or in the Mortgage Purchase Agreement.

## **SECTION 5.23 SUBMITTING MORTGAGE LOANS FOR PURCHASE**

Lender must submit Mortgage Loans for purchase within 30 days of Closing. Mortgage Loans submitted for purchase are accepted and reviewed on a daily basis. Lenders may confirm that MaineHousing has received the loan file by checking the loan status on Lender Online, at the MaineHousing internet website; <https://lol.mainehousing.org>.

Loan status will show Received/Approved upon MaineHousing's receipt of the Mortgage Loan file.

- A.** Lenders serviced by a Qualified Servicer must submit a copy of all documents listed on **Document Checklist (HMP-26)** excluding documents listed under the Sub-Servicer Lenders Only section utilizing eDocs, MaineHousing's secure document portal located within Lender Online.
- B.** Lenders serviced by a MaineHousing Sub-Servicer must submit the Mortgage Loan file with items listed on **Document Checklist (HMP-26)**.
- C.** Electronic Documents and Images. Lenders may create electronic copies of certain loan origination documents used in the initial loan origination process. The Lender must represent that all electronic loan documents delivered to MaineHousing, which are subsequently printed for the loan purchase file, have been duly authorized by the Lender and are true, complete and correct. All electronic Loan documents must be properly



created and electronically signed (if signing is required) and valid, enforceable and effective in accordance with the terms therein.

Each electronic Loan document that the Lender creates and delivers to MaineHousing in the initial loan origination process must comply with all applicable federal and/or State consumer protection and disclosure laws and all other applicable laws, regulations and guarantor requirements. The Lender must ensure that its technology systems used to create electronic loan documents comply with:

1. Lender's minimum security standards and
2. The Electronic Signatures in Global and National Commerce (E-Sign) Act and/or the Uniform Electronic Transfer Act (UETA), as may be revised, as applicable.

Eligible electronic Loan documents accepted by MaineHousing are:

1. Residential Loan applications.
2. Real Estate Purchase and Sale Agreement.
3. Loan Estimate/Regulation Z Disclosures
4. Initial Consumer Mortgage Product Disclosures
5. Other Federal & State consumer disclosures not requiring notarization.
6. Internal Revenue Service (IRS) forms
7. Other initial documents or forms required by the Lender that do not require a notarization or witness.

MaineHousing does not accept electronic versions of the following:

1. Any Loan documents that requires a notarization or witness.
2. All documents executed in connection with Loan Closing.

**D. Note, Endorsement or Allonge.** Lender must use the most current form of the Fannie Mae, Freddie Mac, FHA, or VA Note, as applicable. Lender must use the FHA form Note for Mortgage Loans insured by FHA. Lender may use the FHA form Note or VA form Note for Mortgage Loans guaranteed by VA. The original Note (and Allonge if used) must be sent to MaineHousing via trackable mail service.

The Note must be written for a whole dollar amount. Original Note amount may **not** include cents.

1. Lender must endorse the Note to Maine State Housing Authority with the following language:

“Payable to the order of Maine State Housing Authority without recourse, except as provided in a certain Mortgage Purchase Agreement between [Lender or Selling Lender] and Maine State Housing Authority in effect on the date of this note.”

\_\_\_\_\_

By:

Title:

2. Lender may use MaineHousing’s Allonge form HMP-57 which includes the following required endorsement language. All data contained in the Allonge must match the Note:

This Allonge is hereby made a part of the Note described below and to which it will be affixed.

Date of Note \_\_\_\_\_

Originating Lender’s  
Loan Number \_\_\_\_\_

Borrower Names(s): \_\_\_\_\_  
(exactly as on Note) \_\_\_\_\_

Property Address: \_\_\_\_\_  
(exactly as on Note) \_\_\_\_\_  
\_\_\_\_\_

Original Note Amount \_\_\_\_\_

Payable to the order of Maine State Housing Authority without recourse, except as provided in a certain Mortgage Purchase Agreement between \_\_\_\_\_  
Lender/Selling Lender  
and Maine State Housing Authority in effect on the date of this Note.

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

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

- E. Assignment of Mortgage (HMP-08).** Lender must record the **Assignment of Mortgage (HMP-08)** with the Mortgage and the Mortgage Rider (HMP-07). The date the Assignment is acknowledged may NOT be prior to the date of the Mortgage.
- F. Acquisition Cost Worksheet (HMP-06).** Accurately completed and signed by Lender.
- G. Income Eligibility Worksheet (HMP-04).** Compliance income is accurately calculated using the methodology set forth in this Procedural Guide and signed by the approving underwriter.
- H. Mortgage Insurance or Government Guaranty Commitments:**
1. Mortgage Insurance commitment/certificate from a MaineHousing approved private mortgage insurance company.
  2. FHA/VA loans; HUD/VA Addendum to Uniform Residential Loan Application, 92900-A, and evidence the funding fee was paid;
  3. RD Loan Guaranty Conditional Commitment, Form 3555-18; or
  4. **Mobile Home Self-Insured & Uninsured Option Certification (HMP-21)** if the Mortgage Loan has a Loan-to-Value which is greater than 80% and less than or equal to 95%. Eligible Mobile Homes are single-wide or double-wide Mobile Homes which are permanently attached to (i) land owned by the Applicant, or (ii) a lot leased within a mobile home park, or (iii) privately leased land. Loans with a Loan-to-Value which is 80% or under will be considered conventional-uninsured and not self-insured.
- I. Hazard Insurance Mortgagee Clause.** The hazard insurance policy must contain the standard mortgagee clause naming Maine State Housing Authority c/o Servicer's name and address. The mortgagee clause must provide that the insurance company will notify the applicable Servicer, at least 10 days in advance of the effective date of a reduction in coverage or cancellation of the policy.

It is the Lender's responsibility:

1. to cause each insurance policy to be properly endorsed to Maine State Housing Authority c/o the applicable Servicer's name and address;
2. to give any necessary notices of transfer in order to fully protect, under the terms of the policy and applicable law, MaineHousing's interest as first mortgagee; and
3. to cause all insurance drafts, notices, policies, invoices, and other documents to be delivered directly to the Servicer, regardless of the manner in which the mortgagee clause is endorsed. Maine State Housing Authority's address as loss payee should be in care of Servicer, at Servicer's address, to ensure proper notification.

4. to submit a copy of the executed Mortgagee Clause/Insurance Authorization Form (HMP-32) that the Lender sent to the Borrower's Insurance Company on all Mortgage Loans that will be transferred to MaineHousing's Sub-Servicer. Lenders may use this form in addition to, or in place of any Mortgagee Clause letter already being utilized.

**J. Submission Time Limitation.** MaineHousing reserves the right to refuse to purchase unapproved Mortgage Loans 120 days after Closing. Lender can view conditions/exceptions for stage reviewed/incomplete loans on Lender Online.

**K.** Lender represents and warrants that all documents executed or provided in connection with each Mortgage Loan must be accurate and the following must be true with respect to each Mortgage Loan.

1. The Mortgage Loans complies with all requirements set forth in this Procedural Guide and the Mortgage Purchase Agreement.
2. The term of the Mortgage Loan is 30 years except as specified in this Procedural Guide.
3. The Mortgage Loans bear the correct Interest Rate.
4. The Mortgage Loan is evidenced by a Note, Mortgage and other documents in form required under this Procedural Guide.
5. The Note, the Mortgage and all other documents required by this Procedural Guide have been properly and completely prepared, have been duly executed, acknowledged and delivered by the appropriate persons with lawful capacity; constitute the legal, valid and binding obligations of the makers thereof; and are enforceable in accordance with their terms, except only as such enforcement may be limited by laws affecting the enforcement of creditor's rights generally.
6. The Mortgage Loan is secured by a valid and existing first-lien Mortgage on the mortgagor's interest in real property located in the State, together with the improvements and fixtures thereon, subject only to real property taxes and assessments not yet due and payable and encumbrances permitted under this Procedural Guide.

If the Mortgage Loan is secured by a Mortgage and/or security interest in a Mobile Home, the Mortgage and/or security interest is a first-lien security interest in the Mobile Home, subject only to any property taxes not yet due and payable.

7. In the judgment of Lender, the Mortgage Loan is in all respects a prudent investment for Lender's own accounts and Lender has no knowledge of any circumstances or conditions with respect to the Mortgage Loan, or the Dwelling securing the Mortgage Loan, or the Borrower's credit standing that could cause prudent investors in the secondary market to regard the Mortgage Loan as an unacceptable investment, cause the Mortgage Loan to become delinquent, or adversely affect the value or marketability of the Mortgage Loan.

8. All costs, fees and expenses associated with making and closing the Mortgage Loans, including without limitation preparing, recording and filing the documents executed in connection with the Mortgage Loan, and the assignment of the Mortgage Loan to Maine State Housing Authority have been paid.
9. The unpaid principal balance of each Mortgage Loan, the term thereof and the Interest Rate thereon are accurately stated on the Note and payment history.
10. The Mortgage Loan is current and the amount of the unpaid principal balance thereof and accrued interest thereon, if any, are justly due and owing.
11. No counterclaim, offset, defense or right of rescission exists or can arise which can be asserted and maintained by the mortgagor or his/her successor in interest against Lender or Maine State Housing Authority, as assignee, with respect to the Mortgage Loan.
12. The indebtedness and lien of the Mortgage Loan has not been modified, satisfied, cancelled, subordinated, or compromised, in whole or in part, except for the payments of principal and interest to the Mortgage Purchase Date disclosed to MaineHousing on the payment history; the terms and conditions of the documents executed in connection with the Mortgage Loan have not been waived, altered or modified in any respect other than as disclosed by Lender to MaineHousing in writing; and no part of the mortgaged property has been released other than releases agreed to in writing by MaineHousing.
13. The Mortgage Loan is not and has not been in arrears and there is no delinquency or default in the payment of or in the performance of the obligations under the Mortgage Loan.
14. There is no pending or threatened proceeding which results in the total or partial condemnation of the real estate securing the Mortgage Loan, the real estate does not contain any hazardous waste or material, and the real estate has not been damaged by fire or other casualty.
15. All of Lender's right, title and interest in the Mortgage Loan has been transferred to Maine State Housing Authority on the Mortgage Purchase Date.
16. The Mortgage Loan is not subject to any existing assignment or pledge by Lender, other than the assignment by Lender to Maine State Housing Authority; Lender has full right and authority to sell the Mortgage Loan to Maine State Housing Authority and to assign the Mortgage and endorse the Note executed in connection with the Mortgage Loan to Maine State Housing Authority; and assignment of the Mortgage Loan conveys a good and marketable mortgagee's title to the Mortgage Loan to Maine State Housing Authority free and clear of all liens and encumbrances except those permitted under this Procedural Guide.
17. The Mortgage has been assigned to Maine State Housing Authority and the Note has been endorsed to Maine State Housing Authority in a form acceptable to Maine State Housing Authority as described in this Procedural Guide.

18. The Mortgage, the Assignment of Mortgage (HMP-08), and other documents required to be filed in a public office to perfect the lien of the Mortgage against third parties have been properly executed.
19. If the Mortgage Loan is guaranteed by a governmental mortgage insurer, Lender has complied with all requirements of the applicable mortgage insurer, and, the mortgage insurance is in full force and effect and will inure to the benefit of Maine State Housing Authority, and all required premiums have been paid.
20. The lien and estate created by the Mortgage Loan is insured by a title insurance policy which complies with the requirements of this Procedural Guide, is in full force and effect and inures to the benefit of Maine State Housing Authority upon purchase of the Mortgage Loan by Maine State Housing Authority, and all title insurance premiums have been paid.
21. All improvements to the real property securing the Mortgage Loan have been completed and the Residence, and the intended use thereof, complies with all applicable local, State and federal laws, rules, regulations, ordinances, codes and standards relating to land use, zoning, subdivision, life safety, health, housing quality, construction, environmental protection in effect on the date the Mortgage Loan is Closed and continues to comply on the Mortgage Purchase Date except as permitted under New Construction (See Section 3.7 of this Procedural Guide) and Purchase Plus Improvement Options (See Section 6.4 of this Procedural Guide).
22. Lender is not aware of any pending or threatened legal action or proceeding directly involving the Residence (or any other Residence in a Condominium or cooperative project or a subdivision) which would affect the use and enjoyment of the Residence.
23. The improvements on the real property securing the Mortgage Loan are insured by a policy of hazard insurance and, if applicable, a flood insurance policy; which comply with the requirements set forth in this Procedural Guide and are in full force and effect.
24. The Mortgage Loan complies with all applicable local, State and federal laws, rules and regulations, including without limitation, the laws, rules and regulations described below, as same may be amended from time to time.
  - a. Maine Housing Authorities Act, 30-A M.R.S.A. § 4701 et seq. and the Home Mortgage Program Rule.
  - b. Section 143 of the Internal Revenue Code of 1986, as amended, and all regulations promulgated pursuant thereto.
  - c. Federal and State mortgage lending, truth-in-lending, consumer credit and fair credit reporting laws, rules and regulations, including without limitation, the following:
    - i. Federal Truth-in-Lending Act, 15 U.S.C. § 1601 et seq. and implementing regulations at 12 C.F.R., Part 226, (“Regulation Z”);

- ii. Maine Consumer Credit Code, 9-A M.R.S.A. § 1-101 et seq. and any rules promulgated pursuant thereto;
  - iii. Maine Consumer Credit Code – Truth-in-Lending, 9-A M.R.S.A. § 8-101 to 8-404 and any rules promulgated pursuant thereto;
  - iv. Real Estate Settlement Procedures Act of 1974, as amended, 12 U.S.C. § 2601 et seq. and rules promulgated pursuant thereto;
  - v. Fair Credit Reporting Act, 15 U.S.C. § 1681 et seq. and rules promulgated pursuant thereto;
  - vi. Maine Fair Credit Reporting Act, 10 M.R.S.A. §1311 et seq. and any rules promulgated pursuant thereto;
  - vii. Fair Debt Collection Practices Act, 15 U.S.C. § 1692 et seq.;
  - viii. Home Mortgage Disclosure Act, 12 U.S.C. § 2801 et seq.; and
  - ix. Real estate escrow requirements set forth in 9-B M.R.S.A. § 429.
- d. Federal and State discrimination and accessibility laws, rules and regulations, including the laws, rules and regulations described below. Lender must/did not discriminate against any person on the basis of age, race, color, sex, marital status, ancestry, religion, national origin, whether the person receives public assistance and whether the person has exercised any rights under the Consumer Credit Protection Act.
  - e. Federal Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendments Act of 1988, 42 U.S.C. § 3601 et seq., and 24 C.F.R. Part 100.205);
  - f. Maine Human Rights Act – Fair Housing, 5 M.R.S.A. § 4582 et seq., and any rules promulgated pursuant thereto;
  - g. Equal Credit Opportunity Act, 15 U.S.C. § 1691 et seq. and any rules promulgated pursuant thereto; and
  - h. Maine Human Rights Act - Fair Credit Extensions, 5 M.R.S.A. § 4595 et seq. and any rules promulgated pursuant thereto.
  - i. Federal and State privacy laws, include, without limitation the Gramm-Leach-Bliley Act of 1999, the Fair Credit Reporting Act and the Maine Fair Credit Reporting Act.
25. The Mortgage Loan was made to a Borrower for the purpose of providing permanent financing for a Residence that complies with the requirements in Section 3 of this Procedural Guide.

26. The Mortgage Loan contains a provision prohibiting the foreclosure of any other Mortgage on the Residence without the prior written consent of MaineHousing.
27. The Mortgage Loan is reserved with MaineHousing.
28. The Mortgage Loan was made to an Eligible Borrower (See Section 2 of this Procedural Guide.) for the purpose of providing permanent financing for an Eligible Residence (See Section 3 of this Procedural Guide.).
29. The Mortgage Loan has a Loan-to-Value of 80% or less or is insured by FHA, guaranteed by VA, RD or insured through the Mobile Home Self-Insured Program Option (See Section 6.5 of this Procedural Guide).
30. The Mortgage Loan is secured by a first-lien in real property.
31. The Lender must convey good and marketable title subject only to allowable exceptions set forth in Section 5.9 of this Procedural Guide.
32. The Mortgage Loan was used to acquire a Residence which is covered by:
  - a. Hazard insurance (See Section 5.10 of this Procedural Guide.);
  - b. Flood insurance, if applicable, (See Section 5.11 of this Procedural Guide.);
  - c. Additional insurance required for a Condominium Unit, if any applicable (See Section 5.12 of this Procedural Guide.)

## **SECTION 5.24 FUNDING MORTGAGE LOANS**

- A. Purchase Dates.** MaineHousing purchases Mortgage Loans on the 1st and 15th of each month, or on the following business day.
- B. Submission of Mortgage Loans for Purchase.** Mortgage Loans submitted for purchase are accepted and reviewed on a daily basis and Lender may view committed/approved loans on Lender Online. Loans committed will be purchased on the next funding date published on the Lender Online bulletin board.

Lender can view conditions/exceptions for stage reviewed/incomplete loans on Lender Online.
- C. Transfer of Funds.** MaineHousing will wire the funds for Mortgage Loans purchased to the account specified by the Lender on the Wiring Instructions (HMP-29). The Lender will receive funds prior to 4 p.m. on the scheduled Mortgage Purchase Date.
- D. Submission Time Limitation.** MaineHousing reserves the right to refuse to purchase unapproved Mortgage Loans 120 days after Closing.
- E. Purchase Advice.** MaineHousing will make available a detailed Purchase Advice Report on Lender Online. The report will be available one (1) day prior to the Mortgage



Purchase Date, posted on the Lender Online Home Page, to the Selling Lender. The reports indicate Mortgage Loans committed to purchase and funding amounts.

- F. Bond Series.** MaineHousing will mail a Servicer Report by Bond Series to the Servicer.
- G. Assignment.** On the Mortgage Purchase Date, Lender, to the extent permitted by law, will assign all of its right, title and interest in and to all insurance policies and contracts and any benefits which it has received or may receive for all Mortgage Loans conveyed to MaineHousing. Upon the occurrence of any insurable event under any such policy or contract of which Lender has knowledge, Lender will promptly collect the benefits payable there under and apply such benefits as described in this Procedural Guide, the MaineHousing Servicing Manual and the Mortgage Purchase Agreement.
- H. Maine State Housing Authority, c/o Servicer's name and address must be named on all insurance policies.** Lenders should send proper notice of change of Servicer, within 15 days of loan purchase, to the following entities:
1. tax authorities;
  2. hazard insurance companies; and
  3. private mortgage insurance companies. Lenders are required to complete page two of the commitment/certificate with the proper change of Servicer information and place in the file for loan purchase review.
  4. Lenders are required to perform a FHA Mortgage Record Change (MRC) for FHA loans.
  5. RD loans require Lender to submit a Guaranteed Rural Housing Lender Record Change 3555-11 to Rural Development;
  6. flood determination companies (if applicable);
  7. flood insurance companies; and
  8. optional insurance companies.
- I. Reassignment.** If the Selling Lender or MaineHousing determines the conditions/exceptions are incurable, or a Mortgage Loan does not meet the Program requirements, Maine State Housing Authority will reassign the Reviewed/Rejected Mortgage Loan to the Lender. Maine State Housing Authority will endorse the Note and execute an Assignment of Mortgage.

## **SECTION 5.25 ORIGINATION FEES**

Origination fees and other fees for Mortgage Loans purchased by MaineHousing shall be determined in accordance with Lender Origination Fee Schedule available on the MaineHousing Internet website, <https://lol.mainehousing.org>. MaineHousing reserves the right to change the fees, in its sole discretion, by giving Lender 30 days prior written notice

of any change. MaineHousing will pay all fees on the Mortgage Purchase Date to Lender for Mortgage Loans sold by Lender directly to MaineHousing.

## **SECTION 5.26 TRANSFERRING TO A MAINEHOUSING SUB-SERVICER**

- A. Document Delivery.** Lenders or Selling Lenders who are transferring loans to a MaineHousing Sub-Servicer must deliver Mortgage Loans to the MaineHousing Homeownership Department by uploading the Purchase Package via the edocs section of the Lender Online portal, <https://lol.mainehousing.org>. When MaineHousing approves the Mortgage Loan for purchase, the loan status of Reviewed/Approved or Committed/Approved will show on Lender Online. The Mortgage Loan will be funded on our next Mortgage Purchase Date published on the Lender Online bulletin board.
- B. RESPA.** Lenders or Selling Lenders must notify the Borrower of the transfer of servicing at least 15 days prior to the next payment due under the Mortgage Loan and comply with all other RESPA requirements.
- C. Service Release Premium.** MaineHousing will pay the Lender a servicing release premium of 50 basis points (.50%) for each Mortgage Loan purchased and transferred to a Sub-Servicer. MaineHousing will pay the fee to Lender on the Mortgage Purchase Date.
- D. General Requirements.**
1. MaineHousing will upload the Purchase package to the Sub-Servicers 48 hours prior to the Mortgage Purchase Date.
    - a. Lender will submit final Mortgage Loan documents to MaineHousing in EDocs Post-Purchase package.
    - b. All funds collected by Lender pursuant to the terms of the Mortgage Loan prior to the Mortgage Purchase Date with respect to such Mortgage Loan and held by Lender in escrow, other than principal and interest if any, shall be transferred to a special custodial account or accounts and held in trust for Maine State Housing Authority as provided in this Procedural Guide.
    - c. For all funds not netted from MaineHousing funding, the Lender must send a check made payable to the Sub-Servicer for principal and interest, escrow accounts, prepaid interest, and any unapplied funds. Checks must be sent no later than five business days from the Mortgage Purchase Date. All funds sent to the MaineHousing Sub-Servicer must be accompanied by a completed Sub-Servicer Check Transmittal Form (HMP-33). The Lender or Lender's Designated Qualified Servicer will maintain Purchase Plus Improvement Option or repair escrow accounts as the MaineHousing Sub-Servicer does not administer these funds.

2. Sub-Servicer's addresses are listed on the Holder and Servicer Information Sheet, HMP-49 that is available on <https://lol.mainehousing.org>.
3. The Sub-Servicer will audit all of the Mortgage Loan files upon receipt to ensure receipt of all required documentation and information. The Sub-Servicer will immediately notify MaineHousing and/or the Lender of any missing items.

**E. Notification Requirements.** The Lender will make the following notifications:

1. Notify all borrowers in writing of the transfer in accordance with RESPA regulations.
2. Lenders should send proper **notice of change of Servicer** to the following companies. Maine State Housing Authority, c/o Servicer's name and address must be named as Mortgagee on all insurance policies.
  - a. Tax authorities;
  - b. Hazard insurance companies; and
  - c. Government insurance and guarantees. Lenders are required to perform FHA Mortgage Record Change (MRC) or submit Guaranteed Rural Housing Lender Record Change 3555-11 to Rural Development within 15 days of purchase;
  - d. Flood determination companies (if applicable);
  - e. Flood insurance companies; and
  - f. Optional insurance companies.

**F. Miscellaneous Requirements.** The Lender must perform the following:

1. Pay property taxes and/or assessments that are due or will become due as of the Mortgage Purchase Date, and those due within 30 days after the Mortgage Purchase Date.
2. Ensure hazard insurance premiums are paid in full at the time of Closing.
3. Forward all payments received under the Mortgage Loan after the Mortgage Purchase Date via overnight mail to the Sub-Servicer for 30 days after the Mortgage Purchase Date and thereafter by regular mail. Send the Sub-Servicer Check Transmittal Form (HMP-33) with all payments.

Send all escrow documentation received after the Mortgage Purchase Date such as insurance policies, tax bills, etc. to the Sub-Servicer via overnight mail for 30 days after the Mortgage Purchase Date, and thereafter by regular mail.

4. Prepare all year-end reporting, including tax reporting, on all Mortgage Loans for the pro rata portion of the year for which Lender rendered services, regardless of the dollar amount. Reporting shall include providing mortgagors with a "year-end

statement” for the period ending on the Mortgage Purchase Date. Year-end statements must comply with all State and federal laws and regulations, MaineHousing and applicable mortgage insurer, requirements.

5. Within 48 hours after the Mortgage Purchase Date, provide any general research items requested by the Sub-Servicer.
6. Provide all other information requested by MaineHousing or the Sub-Servicer.

## **SECTION 5.27 FINAL DOCUMENTS**

Lenders are required to provide final documents identified in this section to MaineHousing after Mortgage Loan purchase as outlined on the **Final Document Transmittal (HMP-35)**. Lenders, both those who are Qualified Servicers and Lenders serviced by MaineHousing’s Sub Servicer, will upload electronic copies of the final documents through Lender Online Edocs in the Post-Purchase Package. Instructions for Edocs are provided in **Section 5.5** of this Procedural Guide. Original Certificate of Titles can be mailed to Maine State Housing Authority, 26 Edison Dr., Augusta, ME 04330. MaineHousing will review the final documents for compliance and clear acceptable outstanding final conditions.

**A. Private Mortgage Insurance and Government Guarantee Certificates.** These documents are available electronically. The insurance commitments, policies and certificates must name Maine State Housing Authority as holder/owner.

1. **FHA Mortgage Insurance Certificate (MIC) and Mortgage Record Change (MRC).** All Lenders must submit the fully endorsed FHA MIC in the Lenders Name within 15 days of Mortgage Loan purchase. Lender must perform a Mortgage Record Change in FHA Connection transferring ownership to Maine State Housing Authority. MaineHousing’s mortgagee # is listed on the **Holder and Servicer Information Sheet (HMP-49)**.

Lenders serviced by MaineHousing’s Sub Servicer must also perform a Mortgage Record Change in FHA Connection transferring servicing to the Sub Servicer as directed on the **Holder and Servicer Information Sheet (HMP-49)**.

2. **RD 3555-17 Loan Note Guarantee and RD 3555-11.** All Lenders must submit the fully endorsed RD 3555-17 within 15 days of Mortgage Loan purchase. Lenders using the electronic closing function may add Maine State Housing Authority as holder at the time the RD 3555-17 Loan Note Guarantee is issued. MaineHousing’s holding lender ID # is listed on the **Holder and Servicer Information Sheet (HMP-49)** If Maine State Housing was not listed as holder at the time of issuance, Lenders must submit RD 3555-11 Lender Record Change as directed on the form.

Lenders serviced by MaineHousing’s Sub Servicer may add the required servicing lender ID number from the **Servicer Information Sheet (HMP-49)** during the electronic closing function at the time the RD 3555-17 Loan Note Guarantee is issued. If the Sub Servicer was not listed as servicer at the time of issuance, Lenders must submit RD 3555-11 Lender Record Change as directed on the form.

3. **VA Loan Guaranty Certificate (LGC)** –All Lenders must submit the VA LGC within 15 days of Mortgage Loan purchase. Lenders must use VA’s reporting system VALERI to report the change of holder to Maine State Housing Authority.

Lenders serviced by MaineHousing’s Sub Servicer must utilize VALERI to perform a servicing transfer to the Sub Servicer as directed on the **Servicer Information Sheet (HMP-49)**.

4. **Private Mortgage Insurance.** Lenders must use a MaineHousing approved private mortgage insurance company. All insurance commitments must be in full force and activated at the time of Mortgage Loan funding. Lenders will be required to use the insurer’s online process to change the holder to Maine State Housing Authority within 15 days of Mortgage Loan purchase.

Lenders serviced by MaineHousing’s Sub Servicer must use the insurer’s online process to perform a servicing transfer to the Sub Servicer as directed on the **Servicer Information Sheet (HMP-49)**.

- B. Final Title Policies.** These documents are available electronically. All Lenders will submit Final Title policies within 90 days of Mortgage Loan purchase. MaineHousing will review the Final Title policy to ensure it meets the guidelines contained in section of the procedural guide, contains the required endorsements and does not contain exceptions, with or without affirmative coverage, not approved at time of Mortgage Loan purchase.

The Lender must be named as an insured on the title policy, as follows: “Lender, its successors and assigns, as their interests may appear.”

Search period will run through the recording of all mortgages and assignments including any corrective recordings including mortgage modifications.

- C. Recorded Documents.** Lenders will upload recorded documents to EDocs Post-Purchase Package.

1. Recorded Mortgage and **Mortgage Rider (HMP-07)**. Lenders must include all pages including schedule A. MaineHousing compliance review to verify Mortgage Rider is attached and recorded with the mortgage. The Recorded Mortgage and Mortgage Rider (HMP-07) will be required prior to purchase.
2. Recorded **Assignment of Mortgage (HMP-08)**. MaineHousing compliance review to verify the recording information of the mortgage is accurate and to confirm it was recorded on the funding date or no more than 7 days thereafter.

- D. Final Completion Certificate.** Satisfactory Final Completion inspection certificate if funds are escrowed for completion of minor work.

- E. Purchase Plus Improvement Closeout Package.** Lenders should refer to Section 6.3 for the origination, processing and closeout of Mortgage Loans utilizing the Purchase Plus Improvement option.

## **SECTION 5.28 DUTY TO DISCLOSE AUDIT FINDINGS**

Lenders are required to notify MaineHousing immediately upon learning of any audit findings, including but not limited to underwriting deficiencies and indemnifications, whether identified by an internal audit, guarantor or regulatory agency.

## **SECTION 5.29 REPURCHASE OBLIGATIONS**

MaineHousing may require the Lender to repurchase any Mortgage Loan purchased from the Lender hereunder if any of the following shall occur:

- A. FHA, VA, RD or the private mortgage insurer, as the case may be, shall fail to deliver to Lender or MaineHousing a certificate of insurance or a guaranty certificate with respect to any Mortgage Loan sold and delivered to MaineHousing pursuant to the Procedural Guide.
- B. Lender fails to deliver any documents required by the Procedural Guide or required by MaineHousing as a condition of purchase, all in form and substance satisfactory to MaineHousing within the period specified in the Procedural Guide.
  - 1. MaineHousing determines, at any time, that any representation made by Lender with respect to any Mortgage Loan was untrue when made, any warranty or term of this Purchase Agreement or in the Procedural Guide has been breached, or a misstatement of a material fact relating to any Mortgage Loan exists in any of the documents required pursuant to the Procedural Guide. Lender agrees that any such determination by MaineHousing shall be final and conclusive for all purposes between the parties.
  - 2. The Mortgage Loan does not conform to the requirements under the Procedural Guide and this Purchase Agreement.
- C. MaineHousing shall notify Lender that one or more of the above events has occurred and Lender shall repurchase the Mortgage Loan. Lender shall repurchase the Mortgage Loan from MaineHousing within the time period specified in the notice, which time period may not be less than ten (10) days from the date of the notice. Upon repurchase, MaineHousing shall assign its interest in all appropriate Mortgage Loan documents, including without limitation any insurance thereon or with respect thereto, to Lender.
- D. Lender shall repurchase the Mortgage Loan for an amount equal to the unpaid principal balance plus accrued interest on the Mortgage Loan, the aggregate amount of any advances made by MaineHousing for the account of the mortgagor and interest thereon at the Interest Rate and any attorney's fees, legal expenses, court costs or other expenses which may have been incurred or expended by or on behalf of MaineHousing in connection with said Mortgage Loan and interest thereon at the Interest Rate.
- E. Lender shall indemnify MaineHousing and hold MaineHousing harmless from any loss, damage, and expenses, including reasonable attorney's fees that MaineHousing may sustain as a result of the occurrence of any of the events described above. To the extent

permitted by law, Lender hereby waives, and agrees not to assert in any action brought by MaineHousing, the defense of any statute of limitation that could otherwise be raised in defense to any repurchase obligation or damage to MaineHousing.

## SECTION 6 PROGRAMS AND OPTIONS

### SECTION 6.1 FIRST HOME PROGRAM

The First Home Program allows low-to-moderate income households to obtain their first home at an Interest Rate that is generally lower than conventional interest rates.

Mortgage Loans must comply with all requirements set forth in the Mortgage Purchase Agreement and this Procedural Guide, including but not limited to the following:

**A. Borrower Eligibility.** Borrowers must meet the requirements in Section 2 of this Procedural Guide including, but not limited to:

1. First-Time Homebuyer requirement;
2. Principal Residence requirement;
3. New Mortgage requirement;
4. Household Income Eligibility requirement (See applicable Rate Sheet available on the MaineHousing Internet website).
5. Maximum Debt Ratios
6. Minimum Credit Scores
7. Acceptable Credit

**B. Property Eligibility.** Residences must meet requirements in Section 3 of this Procedural Guide including, but not limited to:

1. Eligible property types:
  - a. Existing Homes, 1 to 4 units;
  - b. Mobile Homes not older than 20 years which will be located on land owned by the Applicant;
  - c. Mobile Homes not older than 20 years which will be located in an approved mobile home park or on other land leased by the Borrower for the same term as the Mortgage Loan;
  - d. Modular Homes;
  - e. Condominium Units;
  - f. New Homes; (permanent financing only); and
  - g. Purchase of Existing Home with improvements.



2. Acquisition Cost limits (See applicable Rate Sheet available on the MaineHousing Internet website <https://lol.mainehousing.org>;
3. Commercial Use Limits;
4. Land Limit;
5. Home Quality Standards; and
6. Origination Limits.

**C. Mortgage Loan Terms.** Each Mortgage Loan shall be permanent financing with a level monthly debt service payment based on a 30-year amortization. The following terms apply to Mobile Homes:

<u>Age of Mobile Home</u>	<u>Term must be equal to:</u>
1 – 10 years old	30 years
11 – 15 years old	25 years
16 – 20 years old	20 years

**D. Mortgage Interest Rate.** Mortgage Loans must bear the Interest Rate in effect on the date the Mortgage Loan is reserved with MaineHousing. MaineHousing will announce the Interest Rate on the Rate Sheet.

**E. Loan Amount.** Lender may not impose a minimum loan amount on Mortgage Loans.

**F. Mortgage Insurance and Government Guaranty.** Unless otherwise provided under a Program Option or approved by MaineHousing, a Mortgage Loan with a Loan-to-Value that exceeds 80% of the lesser of the appraised value of the Residence or the cost of acquiring the Residence, the Mortgage Loan must be insured by a private mortgage insurance company or FHA; or guaranteed by VA or RD.

**G. Points.** When the 2 point option is selected, Lender must collect 2 points based on the original principal amount of the first-lien Mortgage Loan. Borrower, Seller, or third party (or a combination thereof) may pay points, as acceptable by the mortgage insurer.

**H. Late Fees.** Lender may charge a late payment fee of 4% on VA and FHA Mortgage Loans and no more than 5% on RD and other loans.

## **SECTION 6.2      ADVANTAGE AND MULTI-UNIT ADVANTAGE OPTIONS**

Advantage Option provides \$5,000 toward the cash required to close, and requires the Borrower to contribute 1% of the Mortgage Loan amount to the transaction from personal resources, which may be a gift.

Multi-Unit Advantage Option provides \$5,000 for a single-family unit and adds \$3,000 for each addition residential unit in a multi-unit building as shown in the table below. All other Advantage Option requirements apply.

<b>Multi-Unit Advantage</b>	
<b>2 unit</b>	<b>\$ 8,000</b>
<b>3 unit</b>	<b>\$11,000</b>
<b>4 unit</b>	<b>\$14,000</b>

For the Multi-Unit Advantage Option, rent increases for the rental units in the Residence will be limited to no more than five percent (5%) annually for two (2) years from the date of closing of the Mortgage Loan in order to not displace tenants and allow existing tenants time to find a new rental unit if Borrower intends to increase the rents after the first two (2) years of ownership. MaineHousing reserves the right to request and review the rent payment history of any or all of the rental units in the Residence during the first two (2) years of ownership in order to verify Borrower's compliance.

**A. Eligibility.** Program eligibility requirements for the Advantage Option and the Multi-Unit Advantage Option are:

1. **Income and Purchase Price Limits.** Lenders will follow the same guidelines as First Home, Mobile Home Self-Insured Option, Salute ME and Uninsured Program Option income and purchase price limits and guidelines including eligible property types.
2. **Homebuyer Education.** All Applicants utilizing the Advantage Option must complete a hoMEworks-approved education class prior to Closing. The time between completion of a class and Application should be no more than two years. The Lender must maintain a copy of the certificate in the Borrower Mortgage Loan file. Go to [www.mainehomeworks.org](http://www.mainehomeworks.org) for an online schedule. The class fee may be applied towards the Borrower's 1% required minimum cash contribution.

All Applicants utilizing the Multi-Unit Advantage Option must also complete an approved Landlord Education course from a Maine hoMEworks-approved Educator organization prior to Closing. All other Advantage Option requirements for education apply.

3. **Minimum Cash Contribution.** The Borrower must make a minimum cash contribution of 1% of the MaineHousing first Mortgage Loan amount. This amount may be a gift. Lenders must review the Closing Disclosure prior to Closing to ensure the Borrower is making the minimum 1% contribution into the transaction.

The Borrower's contribution can be in the form of a gift from a Relative, prior to or at Closing. Other eligible sources of funds for the Borrower's contribution include, but are not limited to, the following:

- a. any earnest money deposit; and
- b. Gift of equity from a relative; and
- c. Equity in owned or gifted land;

- d. Any money paid by the Applicant at Closing or prior to Closing (POC) for usual and customary fees such as credit reports, appraisal reports, hazard insurance, inspection fees and homebuyer education cost.
  - e. The 1% minimum contribution must be represented on the Closing Disclosure. Although the representation of the minimum contribution on the Closing Disclosure is the preferred method of documenting this requirement, MaineHousing will accept receipts for payments made that are not listed on the Closing Disclosure.
4. Unacceptable sources of funds for the Borrower's minimum 1% contribution;
- a. Seller contributions and/or seller concessions are not acceptable sources of funds for the Borrower's minimum contribution;
  - b. Equity in owned Mobile Homes.
- B. No Additional liens or documentation.** There is no second Mortgage or additional documentation with the Advantage Option or the Multi-Unit Advantage Option. Advantage and Multi-Unit Advantage does not increase the Mortgage Loan amount.
- C. Amount of Assistance.** The Advantage Option provides \$5,000 towards the cash needed to close a single family home. The Multi-Unit Advantage Option provides \$8,000 for a 2-unit, \$11,000 for a 3-unit and \$14,000 for a 4-unit towards the cash needed to close.
- D. Crediting of Advantage Option funds.** Lender will identify Advantage Option funds as such on page three of the Closing Disclosure in the amount of \$5,000. Lenders will be reimbursed the \$5,000 in Advantage Option funds at time of Mortgage Loan funding.
- E. Crediting of Multi-Unit Advantage Option funds.** Lender will identify Multi-Unit Advantage Option funds as a credit on the Closing Disclosure in the amount of \$8,000 (2-unit), \$11,000 (3-unit), or \$14,000 (4-unit). Lenders will be reimbursed the Multi-Unit Advantage Option funds at the time of Mortgage Loan funding.
- F. Cash Back.** The Borrower can receive no Advantage Option or Multi-Unit Advantage funds back at Closing. If the required cash to close is less than the \$5,000 Advantage Option, or the total Multi-Unit Advantage Option, the Lender will apply the balance of the Advantage or Multi-Unit Advantage funds to reduce the initial Mortgage Loan amount. Principal reductions should not exceed \$500.
- G. Ineligible Uses.** Advantage and Multi-Unit Advantage Options funds cannot be used:
- 1. to cover the value of excess land as described in Section **3.3I.3**.
  - 2. to cover the value of personal property as described in Section **3.3L.5** of this Procedural Guide.
  - 3. to be paid as cash back to the Borrower at Closing.

4. if the Borrower has not completed homebuyer education.
5. if the Borrower has not made a 1% required contribution.

**H. Principal Reduction.** If the required cash to close is less than the total value of Advantage or Multi-Unit Advantage assistance, the Lender will apply the balance of the Advantage Option funds to reduce the initial Mortgage Loan amount. Principal reductions should not exceed \$500.

## **SECTION 6.3 FIRST GENERATION PILOT OPTION (FIRST GEN)**

The First Generation Pilot Option (“First Gen”) provides the Borrower with a \$10,000 grant (“First Gen Option funds”) credited at closing to be used toward down payment and closing costs subject to the completion of both a MaineHousing approved Financial Literacy class and a Homebuyer Education class. The First Gen Interest Rate will be 1.00% below the First Time Loan program base rate interest rate.

### **A. Applicant Eligibility.**

1. First Time Homebuyer Requirement: All applicants must be true first-time homebuyers having had NO previous ownership interest in a principal residence in any location at any time
2. Eligible Applicants: In addition to the First-Time Homebuyer requirement, at least one applicant MUST meet requirement a. or b. below:
  - a. Applicant has never lived in a home owned by their biological parents or legal guardians during the Applicant’s lifetime.
  - b. At least one Applicant is an individual who was in foster care at some point during their childhood.
3. Applicant Certification. Each applicant must sign the Applicant Certification where they will attest to meeting the eligibility requirements listed under the Applicant Eligibility section of this Procedural Guide.
4. Income and Purchase Price Limits. Lenders will follow the same guidelines as First Home income and purchase price limits and guidelines including eligible property types.

### **B. Borrower Requirements Prior to Closing.**

1. Education. First Gen Borrowers must complete both a MaineHousing approved Financial Literacy Class and a Homebuyer Education class approved by hOMEworks or MaineHousing prior to Closing. A list of MaineHousing Approved First Gen Classes is available on MaineHousing’s website, [www.mainehousing.org](http://www.mainehousing.org). The Financial Literacy Class is required to be completed prior to the Homebuyer Education class. The time between completion of the Homebuyer Education class

and Application should be no more than two years. The Lender must maintain a copy of the class completion certificates in the Borrower(s) Mortgage Loan file. The class fees may be applied towards the Borrower's 1% required minimum cash contribution. All Borrowers need to complete both educational classes.

2. **Minimum Cash Contribution.** The Borrower must make a minimum cash contribution of 1% of the MaineHousing first Mortgage Loan amount. Lenders must review the Closing Disclosure prior to Closing to ensure the Borrower is making the minimum 1% cash contribution into the transaction.

The Borrower's minimum cash contribution can be in the form of a gift from a Relative, prior to or at Closing. Other eligible sources of funds for the Borrower's minimum cash contribution include, but are not limited to, the following:

- a. Any earnest money deposit; or
- b. Borrower's equity in owned or gifted land; or
- c. Any money paid by the Borrower at Closing or prior to Closing (POC) for usual and customary fees such as credit reports, appraisal reports, hazard insurance, inspection fees and homebuyer education cost.

The 1% minimum cash contribution must be represented on the Closing Disclosure. Although the representation of the minimum cash contribution on the Closing Disclosure is the preferred method of documenting this requirement, MaineHousing will accept receipts for payments made that are not listed on the Closing Disclosure.

Unacceptable sources of funds for the Borrower's 1% minimum cash contribution are:

- d. Seller contributions and/or seller concessions;
  - e. Borrower's equity in owned Mobile Homes.
3. **Closing Affidavit.** Each borrower must sign the Closing Affidavit where they will attest to meeting the eligibility requirements listed under the Applicant Eligibility section of this Procedural Guide.

**C. No Additional liens or documentation.** There is no second Mortgage or additional documentation with First Gen. First Gen does not increase the Mortgage Loan amount.

**D. Amount of Assistance.** First Gen borrowers receive First Gen Option funds as a grant of \$10,000 for assistance towards the cash needed to close.

**E. Crediting of First Gen Option funds.** Lender will identify First Gen Option funds as a credit on the Closing Disclosure in the amount of \$10,000. Lenders will be reimbursed the \$10,000 in First Gen Option funds at time of Mortgage Loan funding.

**F. Cash Back.** The Borrower cannot receive any First Gen Option funds back at Closing. If the required cash to close is less than the \$10,000 First Gen Option funds, the Lender

will apply the balance of the First Gen Option funds to reduce principal as outlined in Section 6.3.H.

**G. Ineligible Uses.** First Gen Option funds cannot be used:

1. to cover the value of excess land as described in Section 3.3.I.3..
2. to cover the value of personal property as described in Section 3.3.L.5. of this Procedural Guide.
3. to be paid as cash back to the Borrower at Closing.
4. if the Borrower has not completed the MaineHousing approved Financial Literacy Class and Homebuyer Education class.
5. if the Borrower has not made a 1% required minimum cash contribution.

**H. Principal Reduction.** If the required cash to close is less than the total value of First Gen Option funds, the Lender will apply the balance of the First Gen Option funds to reduce the initial Mortgage Loan amount. Principal reductions should not exceed \$500.

**I. Multi-unit Advantage.** If a First Gen borrower is purchasing a 2-4 unit multi-unit property, they will be eligible to receive the First Gen Multi-Unit Grant Funds listed below. They must first complete a Financial Literacy Course and then a Homebuyer Education class and an approved Landlord Education course from a Maine hoMEworks approved Educator organization prior to Closing.

<b>First Gen Multi-Unit Grant Funds</b>	
<b>2 unit</b>	<b>\$10,000</b>
<b>3 unit</b>	<b>\$11,000</b>
<b>4 unit</b>	<b>\$14,000</b>

## **SECTION 6.4 PURCHASE PLUS IMPROVEMENT (PPI) OPTION**

The Purchase Plus Improvement Option allows an Applicant to finance the purchase of a Residence and make necessary improvements with a single Mortgage Loan. The improvements may be completed after Closing and will be financed at the same low Interest Rate and term.

**A. Eligibility.** Purchase Plus Improvement Mortgage Loans must meet the following procedures and requirements:

1. The Residence must be a 1- to 4-unit Existing Home, or a Mobile Home that is not more than 20 years old.

2. The completion of improvements after Closing must be acceptable to the mortgage insurer,/guarantor, if the Mortgage Loan is insured or guaranteed. The Purchase Plus Improvement Option cannot be used in conjunction with Mortgage Loans guaranteed by VA.
3. The purchase price; the cost of proposed improvements; and any contingency cannot exceed the Purchase Price Limits. The estimated improvement cost and any contingency is included in the Acquisition Cost calculation and must be added to the Residence's purchase price on the Acquisition Cost Worksheet (HMP-06). When a family member will provide labor, an arms-length estimate must be obtained. The greater of the estimate from the arms-length transaction or the estimate from the family member must be added to the Acquisition Cost Worksheet (HMP-06) and the total plus any contingency cannot exceed the Purchase Price Limits.
4. Any improvements required to make the Residence suitable for occupancy (See Section 3.6 of this Procedural Guide, Appraisal Requirements/Home Quality Standards: Existing Homes) must be completed within 60 days of Closing in order for the Borrower to meet the Principal Residence requirement. (See SECTION 2.3 of this Procedural Guide.) For example, if the Borrower purchases a Residence that lacks a central heating system, the new heating system must be installed and functioning within 60 days of Closing.
5. Lenders must require that improvements begin within 30 days and be completed within 6 months of Closing. With approval from MaineHousing and the mortgage insurer/guarantor, Lenders may grant extensions due to delays caused by inclement weather on a case-by-case basis.
6. The Applicant's debt ratios must be acceptable based on the total Mortgage Loan amount, including the purchase price plus all financed costs associated with improvements.
7. Mortgage Loan proceeds may be used only for eligible improvements set forth in Section 6.4F below.

## **B. Loan Terms.**

1. Purchase Plus Improvement Mortgage Loans are combined with and financed at the same Interest Rate and term as the first-lien Mortgage Loan.
2. The maximum amount of a Mortgage Loan that may be used to finance improvement costs is \$35,000 for materials and contracted labor; or \$1,000 for materials only if Borrower or Borrower's family member will complete the work, unless the family member is a contractor by trade; or the cost of appliances, as allowed under Section 6.3F.5, if only appliances are financed, not to exceed \$35,000.
3. The minimum improvement Mortgage Loan amount is \$500.
4. A Purchase Plus Improvement administration fee payable to the Lender up to 6% of the financed improvement amount or \$375.00 (Three hundred and seventy-five dollars), whichever is less, may be collected by the Lender. These funds may be

financed as allowed by the mortgage insurer/guarantor. This Purchase Plus Improvement administration fee may be collected in addition to the re-inspection fee noted in Section 6.4I.4 of this Procedural Guide. This fee is allowed only as permissible by the mortgage insurer/guarantor.

**C. Down Payment.** The Applicant's minimum down payment is based on the total purchase amount plus cost of improvements and contingency.

**D. Loan-to-Value.** The Loan-to-Value is based on the lesser of the appraised value including the proposed improvements or the purchase price plus cost of improvements and contingency.

**E. Restrictions.**

1. The Lender must follow the more restrictive of MaineHousing and the mortgage insurer/guarantor's guidelines.
2. The financing of improvements must be acceptable to the applicable mortgage insurer/guarantor.
3. The Purchase Plus Improvement Option may **not** be used to finance improvements which are not allowed by the mortgage insurer/guarantor.
4. The Purchase Plus Improvement Option may **not** be used to complete a New Home except for appliances and energy improvements as permitted by the mortgage insurer/guarantor. (See Section 3.7, Section 5.21, and Section 6.4F below.)
5. Program funds may **not** be used to pay for the labor of the Applicant. Program funds may not be used to pay for the labor of the Applicant's Relative, unless the Relative is a contractor by trade. The term "Relative" includes only siblings (whether by whole or half-blood), spouses, ancestors and lineal descendants.
6. If a family member is providing labor, an estimate for an arms-length transaction must be obtained. The greater of the estimate from the arms-length transaction or the estimate from the family member must be financed and must be escrowed. In the event the family member is unwilling or unable to complete the work within 6 months, funds must be available to hire another contractor. The greater of the estimates must be added to the Acquisition Cost Worksheet (HMP-06) and the total cannot exceed the Purchase Price Limits.
7. Program funds must be disbursed in the form of two-party checks made payable to the contractor and Borrower. Borrower may be reimbursed for materials, if materials only were financed, in a single-party check only after a final inspection confirms work is 100% complete. Lender may release funds to the Borrower for eligible appliances in a single-party check when appliances only have been purchased from the vendor and the Borrower has provided paid invoice or receipt; verification appliances have Energy Star Rating; and other requirements set forth in Section 6.4F.5 of this Procedural Guide.



8. Program funds may not be used to reimburse Applicants for improvements made or funds expended by the Applicant prior to Closing. Contractors or suppliers may be paid at Closing for work done prior to Closing as allowed by the mortgage insurer/guarantor.
9. A contingency is permitted at the Lender's discretion or as required by the mortgage insurer/guarantor. The cost of the improvements plus the contingency may not exceed \$35,000 when a contractor is completing the work or \$1,000 for materials only if the Borrower is completing the work. The cost of the contingency must be added to the Acquisition Cost Worksheet (HMP-06). The purchase price, plus cost of improvements, plus contingency cannot exceed the Purchase Price Limits.
10. If all financed improvements are completed prior to Closing, the Mortgage Loan is not considered a Purchase Plus Improvement Option Loan and Purchase Plus Improvement Loan documents are not required. If the appraised value is based on improvements, and the improvements are completed prior to Closing, a final inspection is required before MaineHousing will approve the Mortgage Loan for purchase.

#### **F. Eligible Improvements.**

1. Permanent general improvements that are basic and necessary items including additions, alterations, renovations, or repairs that materially preserve or improve the basic livability, safety, or utility of the Residence as allowed by the mortgage insurer/guarantor.
2. Accessibility improvements include without limitation the following: constructing ramps; installing handrails and grab bars; replacing bathtubs with wheel-in showers; lowering sinks, electrical switches, and cupboards; widening doorways; and creating bathroom or bedroom space on the first floor level of the Residence. All such items must be Fixtures.
3. Improvements may be made to an existing garage if the improvements substantially improve the basic livability or energy efficiency of the Residence. If allowed by the mortgage insurer/guarantor, garage construction is an eligible improvement.
4. Improvements that will bring an individual sewer disposal system (including septic systems) located on the property into compliance with local, State or federal environmental and sanitary standards. (See Section 6.4G below for restriction on public improvements.)
5. Energy improvements including, but not limited to:
  - a. energy audits performed by a certified energy auditor;
  - b. sealing windows, doors, foundation sill, and cracks or joints in the building envelope;
  - c. weather-stripping all doors and windows;

- d. ceiling and wall insulation;
- e. ventilating attic spaces;
- f. double or triple glazing on windows to habitable areas;
- g. storm or thermal door when opening directly to exterior;
- h. insulating hot water heaters in unheated spaces;
- i. adjustable thermostat on hot water heaters capable of being set back to 120 degrees Fahrenheit;
- j. flow restrictors on faucets and shower heads;
- k. installing vapor barrier on interior surfaces (walls, ceilings) of buildings that have been insulated (vapor barrier paint, vinyl wallpaper, Thermax);
- l. insulating heating pipes/ducts and domestic hot water pipes;
- m. replacing heating systems/burners;
- n. vented kerosene heating systems, such as Monitor heaters, provided they are installed to industry standards and supply an adequate heat source for the applicable square footage;
- o. boiler temperature reset devices;
- p. insulation in floors over unheated spaces;
- q. insulation of foundation walls of heated basement or crawl space;
- r. new Energy Star Rated refrigerators, washers, dishwashers and freezers. Proof of the Energy Star Rating must be provided;
- s. new stove tops/ranges and clothes dryers;
- t. wood burning or pellet stoves;
- u. electrical heating systems;
- v. coal burning stoves;
- w. heat pumps, including geothermal; and
- x. solar based systems.

Creation of an apartment unit that meets Apartment Quality Standards (See Section 3.14 of this Procedural Guide), provided that the construction does not alter the footprint or silhouette of the Residence and the existing Residence is over 5 years old as allowed by the mortgage insurer/guarantor.

## **G. Ineligible Improvements.**

1. Improvements that are **not** permitted by the mortgage insurer/guarantor are not eligible.
2. New Construction is **not** eligible.
3. Repairs requiring detailed drawings or architectural exhibits are **not** eligible.
4. Major rehab or remodeling, such as the relocation of a load-bearing wall is **not** eligible.
5. Repair of structural damage is **not** eligible.
6. Improvements that require more than 6 months to complete are **not** eligible.
7. Improvements that would require the Borrower to be displaced from the property for more than 30 days during the time the rehabilitation work is being conducted are **not** eligible.
8. Improvements that would prevent the Borrower from occupying the Residence within 60 days of Closing are not eligible.
9. Appliances not specified in Section 6.4F.5 of this Procedural Guide are **not** eligible. Used appliances are not eligible. Refrigerators, washers, dishwashers and freezers that lack the verification of Energy Star Rating are not eligible. Microwaves are not eligible. Warranties and/or delivery fees for appliances are not eligible.
10. Warranties and/or delivery fees for appliances are **not** eligible;
11. Furniture or other items that are not Fixtures are **not** eligible.
12. Entertainment features such as swimming pools and tennis courts are **not** eligible.
13. Decks are **not** an eligible improvement.
14. Public improvements or assessments for public improvements are **not** eligible.
15. Completion of a New Home is **not eligible**.

## **H. Lender Requirements at Closing.**

1. Lender must require written invoices or estimates for the proposed improvements.
2. Lender must review the invoices and estimates to determine reasonableness and eligibility.
3. Lender must complete and have executed the PPI Borrower Information; Certifications; and Escrow Agreement (HMP-19). Lender must describe the approved improvements on the PPI Borrower Information; Certifications; and Escrow Agreement (HMP-19). The descriptions and amounts reported on the PPI

Borrower Information; Certifications; and Escrow Agreement (HMP-19) must match the estimates provided. The estimates, amounts released at Closing and amounts held in escrow as described on the PPI Borrower Information; Certifications; and Escrow Agreement (HMP-19) must reconcile with the Closing Disclosure.

4. Lender must provide the Borrower with a PPI Borrower Completion Affidavit (HMP-20) at Closing and will instruct the Borrower to execute the form, have the signatures notarized and return the form to the Lender upon completion of the improvements.
5. Lender must complete all documents required by the mortgage insurer/guarantor.
6. If a contractor will complete the improvements, the Lender may release up to 1/3 of the contract price at Closing in the form of a two-party check made payable to the contractor and Borrower.
7. If the Borrower will complete work, \$0.00 (zero) funds will be released at Closing. Lender may release funds for Borrower made improvements only after the final inspection confirms work is 100% complete.
8. Lender may release funds to Borrower for eligible appliances when Borrower has provided a purchase order, paid invoice or receipt; verification appliances have Energy Star Rating, if applicable; and other requirements set for in Section 6.4F and Section 6.4I of this Procedural Guide.
9. If all funds are released at Closing, then Correspondent must forward the Borrower Completion Affidavit (HMP-20) to the Selling Lender or Lender's Designated Qualified Servicer for follow-up. The Selling Lender or Lender's Designated Qualified Servicer must complete the steps listed in Section 6.4I of this Procedural Guide, if applicable.

#### **I. Escrow Account and Procedures.**

1. Pursuant to the Borrower Information; Certifications; and Escrow Agreement (HMP-19), the Lender or Lender's Designated Qualified Servicer must establish an escrow account for the improvement portion of the Mortgage Loan amount not released at Closing. Lender or Lender's Designated Qualified Servicer administer this account and manage disbursements according to the PPI Borrower Information; Certifications; and Escrow Agreement (HMP-19) and the mortgage insurer/guarantor guidelines.
2. The Lender or Lender's Designated Qualified Servicer may approve changes to estimates or improvements after Closing provided that the Lender or Lender's Designated Qualified Servicer:
  - a. receives a written request from the Borrower;
  - b. reviews the changes for reasonableness and eligibility; (See Section 6.4E, Section 6.4F, and Section 6.4G of this Procedural Guide);

- c. confirms changes do not affect value or safety;
- d. confirms in writing that changes are acceptable to the mortgage insurer/guarantor;
- e. follows procedures as required by the mortgage insurer/guarantor;
- f. approves such changes in writing; and
- g. retains all of the above documentation in the Mortgage Loan file until final disbursement from escrow when the process detailed in Section 6.4I of this Procedural Guide must be completed.

MaineHousing approval is not required for Purchase Plus Improvement Option changes which meet the above criteria.

3. If the Borrower abandons or fails to proceed diligently with the improvements, the improvements are not completed within 6 months of Closing, or the Borrower otherwise defaults under the Borrower Information; Certifications; and Escrow Agreement (HMP-19), the Lender shall contact MaineHousing. As directed by MaineHousing, the Lender will take the necessary steps to protect the property, continue existing contracts or enter into necessary contracts to complete the improvements. All sums expended for such protection shall be added to the principal indebtedness, and be secured by the Mortgage and be due and payable on demand with interest as set forth in the Note.
4. Before disbursing funds, the Lender or Lender's Designated Qualified Servicer must:
  - a. collect bills or paid receipts;
  - b. compare bills and receipts to original estimates, PPI Borrower Information; Certifications; and Escrow Agreement (HMP-19) and approved change orders and verify improvements were completed as proposed and are eligible;
  - c. have all contractors and providers of services sign lien waivers. Lien waivers are not required when appliances only were purchased by the Borrower from the vendor;
  - d. have the Borrower execute the PPI Borrower Completion Affidavit (HMP-20) prior to final distribution from escrow; and
  - e. have the original appraiser perform a final inspection to determine that improvements were completed as specified, and that Mortgage Loan proceeds were spent on eligible improvements. The Lender must collect a usual and customary final inspection fee from the Borrower at Closing to be paid to the appraiser for this inspection. When minor improvements are involved, the Lender or Lender's Designated Qualified Servicer may perform the inspection, if they are able to certify accurately that the work is complete.

5. The Lender or Lender's Designated Qualified Servicer must disburse payment to a contractor in the form of a two-party check payable to the contractor and the Borrower.
6. The Lender or Lender's Designated Qualified Servicer must disburse payment to the Borrower for reimbursement of materials upon receiving paid receipts and satisfactory inspection that the work is 100% complete.
7. If appliances only were financed, disbursement is made only upon paid receipt from the Borrower. If only appliances were financed, MaineHousing does not require an inspection. However, any inspection required by mortgage insurer/guarantor must be completed as required by mortgage insurer/guarantor.
8. If there are funds remaining in escrow after disbursements for the improvements described in the PPI Borrower Information; Certifications; and Escrow Agreement (HMP-19) and approved change orders, the funds must be applied to the principal balance of the Mortgage Loan.
  - a. When Mortgage Loan is serviced by a Sub-Servicer, Lender must forward funds to Sub-Servicer using Sub-Servicer Check Transmittal Form (HMP-33) within 15 days of disbursement of final payment for improvements. Lender must indicate funds are to be applied as a principal reduction.
  - b. When Mortgage Loan is serviced by a Designated Qualified Servicer, the Lender or the Designated Qualified Servicer must forward to MaineHousing confirmation that funds have been applied to reduce the principal balance within 15 days of disbursement of final payment for improvements.
9. The Lender or Lender's Designated Qualified Servicer must complete the Lender Certification portion of the PPI Borrower Completion Affidavit (HMP-20) when all improvements are complete and escrow disbursements have been made from escrow.
10. The Lender or Lender's Designated Qualified Servicer must complete PPI Final Document Transmittal (HMP-36).
11. The Lender or Lender's Designated Qualified Servicer must forward PPI Final Document Transmittal (HMP-36) within 15 days of disbursement of final payment for improvements to MaineHousing along the following:
  - a. PPI Borrower Information; Certifications; and Escrow Agreement (HMP-19);
  - b. PPI Borrower Completion Affidavit (HMP-20) executed by the Borrower and Lender or Lender's Designated Qualified Servicer;
  - c. invoices or paid receipts;
  - d. written request from Borrower and supporting documentation if the scope of work changed after Closing;

- e. Lender or Lender's Designated Qualified Servicer's written approval of any change orders;
- f. copies of 2-party checks and copies of checks payable to Borrower for materials or appliances;
- g. lien waivers;
- h. final inspection;
- i. documents required by mortgage insurer/guarantor;
- j. RD Loan Guarantee Conditional Commitment, Form #3555-18 or FHA Mortgage Insurance Certificate as applicable; and
- k. verification of remaining funds, if any, were applied to reduce the principal balance of the Mortgage Loan in the form of a copy of Sub-Servicer Check Transmittal Form (HMP-33) or documentation from the Designated Qualified Servicer.

Copies of the above documents must be uploaded to eDocs or sent via secure email to MaineHousing. MaineHousing will track receipt of PPI Final Document Transmittal (HMP-36). MaineHousing will contact the Lender or Lender's Designated Qualified Servicer for a status report and estimated completion date for improvement work not completed within the 6-month deadline and to put in place remedies as MaineHousing deems necessary.

## **SECTION 6.5 MOBILE HOME SELF-INSURED OPTION**

MaineHousing self-insures eligible Mobile Home loans having a Loan-to-Value greater than 80% and less than or equal to 95%. Borrowers will be charged a higher Interest Rate in lieu of mortgage insurance. The Mobile Home Self-Insured Interest Rate is available on our Rate Sheet or internet website <https://lol.mainehousing.org>.

Lender must underwrite loans in accordance with the underwriting criteria set forth in Section 4 and Section 4.1 of this Procedural Guide.

If an Applicant makes a 20% down payment in connection with a Mobile Home Mortgage Loan, the Lender must underwrite the Mortgage Loan pursuant to the MaineHousing Uninsured Program Option, not the Mobile Home Self-Insured Option. (See Section 4 and Section 4.2 of this Procedural Guide for the underwriting requirements for uninsured Mortgage Loans.)

**A. Home Quality Standards.** The Mobile Home Self-Insured Option is available to Applicants purchasing either a single-wide or double-wide Mobile Home located on land, in a park or on privately leased land. Residences must be owner-occupied Principal Residences and must meet the Residence Eligibility requirements as set forth in Section 3.10 of this Procedural Guide, including without limitation:

1. Mobile Homes must not be more than 20 years at time of Application as evidenced by the date of manufacture on the interior HUD Data Plate/Compliance Certificate. The Mobile Home must also display an exterior HUD Certification Label.

**If both the interior HUD Data Plate/Compliance Certificate and the exterior HUD Certification Label are missing, the Mobile Home will not be eligible for MaineHousing financing.**

2. Applicants must adhere to commercial use limits set forth in Section 3.4 of this Procedural Guide.
3. Appraisals. MaineHousing requires that the Manufactured Home Appraisal Report 1004C / 70B be completed in accordance with Fannie Mae Property Underwriting Standards for all Mortgage Loans. See Instructions to Appraisers For Manufactured Home Appraisal Report 1004C / 70B (HMP-15B). The appraisal must be prepared by a certified licensed appraiser in accordance with recognized appraisal methods that consistently and accurately reflect the condition and characteristics of the Residence. The value and marketability of the Residence must be sufficient to provide adequate security in the event of a default of the Mortgage Loan.
4. MaineHousing requires a satisfactory final inspection and re-certification of value for all Residences with improvements. For mobile home transactions where the unit was not permanently sited at the time of appraisal inspection, MaineHousing requires the appraiser to complete the **Final Inspection Supplement for Mobile Homes (HMP-15B)** to supplement the final inspection.

**B. Terms.** The term of a Mobile Home Mortgage Loan is based on the age of the Mobile Home as outlined in Section 3.10c .of this Procedural Guide. The tiered Mobile Home terms apply to all Mobile Homes financed through MaineHousing.

**C. Down payment.** The minimum down payment is 5% of the purchase price or the appraised value of the Mobile Home, whichever is less.

**D. Purchase Price Limit.** The Purchase price limit for the Mobile Home Self-Insured Program is \$200,000 for mobile homes on Lease land and \$250,000 for mobile homes on owned land. For leasehold properties, the purchase price does not need to include the capitalized value of ground rent. If Borrower makes a 20% down payment, the loan will be considered conventional-uninsured and the 1-Unit Purchase Price Limit would apply.

## **SECTION 6.6 VETERANS INITIATIVE**

**A. Interest rate discount - Salute ME:** To show appreciation for the commitment and sacrifices made by Maine's veterans, MaineHousing is pleased to provide qualified active duty, veterans and retired military an interest rate reduction of 0.50% discount to the First Home Loan rates in effect at loan reservation. The Veterans Initiative is only available with the 0 Point option. VA Certificate of Eligibility form is required as evidence the applicant is eligible. Eligible **Salute ME** Applicants :



1. have been honorably discharged from active duty; or
2. remain on active duty; or
3. have served on active duty for 180 days or within a war zone and remains on inactive duty. (National Guard members who meet this qualification are eligible).

**Salute ME** can be combined with any of MaineHousing's eligible insurers:

1. Federal Housing Authority (FHA)
2. Rural Development (RD)
3. Veteran's Administration (VA)
4. Mobile Home Self Insured (MHSI)
5. Uninsured
6. PMI Pilot - limited to first-time homebuyers only.

**B. Required Documentation.** Qualified active duty, veterans and retired military Applicants are required to provide the following documentation:

1. Applicants honorably discharged from active duty must provide copies of their Military Discharge Records form DD- 214. Applicants who have been dishonorably discharged are not eligible.
2. Applicants remaining on duty must provide copies of a Leave and Earning Statement (LES).

**C. Waiver of First-time homebuyer rule - Salute Home Again:** MaineHousing waives the first-time homebuyer requirement for qualified active duty, veterans and retired military members of the military (including their spouses). An Applicant who has had an ownership interest in their Principal Residence in the past three years, but no longer owns or occupies the property at the time of Closing is eligible. Salute Home Again can only be used with the 0 Point option. Qualified active duty, veterans and retired military Applicants who own real estate must:

1. have an executed Purchase & Sale Agreement at the time of Application and complete the sale prior to Closing on the MaineHousing Mortgage Loan. Lender to verify prior home sale with copy of Closing Disclosure and
2. provide Lender with copy of signed Closing Disclosure as evidence the closing has taken place.
3. An applicant that has used MaineHousing's First Time homebuyer program can participate in the Salute ME Again option for the reduced rate; however, will be ineligible for the Advantage grant for a 3 year period from payoff date of the prior MaineHousing loan.

## SECTION 6.7 MOBILE HOME REPLACEMENT INITIATIVE

1. The Mobile Home Replacement Initiative (the “Initiative”) provides a combination of an amortizing, interest bearing MaineHousing Mortgage Loan and a \$35,000 MaineHousing grant. The Initiative is designed to assist income eligible Maine Residents seeking to replace a pre-1976 mobile home with a new Energy Star certified manufactured home. Mobile homes newer than 1976 may be considered case-by-case.

The other provisions of this Procedural Guide apply, except as specified below.

### A. Eligible Applicants.

2. Applicants must occupy the pre-1976 mobile home as their Principal Residence.
3. Applicants must own the unit which is to be replaced.
4. Applicants must be eligible for and receive a MaineHousing first-lien Mortgage Loan.
5. Applicant’s household must be income eligible per Section B below.
6. MaineHousing waives the first-time homebuyer requirement of SECTION 2.1 of this Procedural Guide for the Initiative.
7. MaineHousing waives the new mortgage requirement of Section 2.4 of this Procedural Guide for the Initiative.
8. Applicants must execute the Mobile Home Replacement Initiative Applicant Certification (MHRI-64) at time of application.

**B. Income Limits.** An Applicant for the Initiative must have verified gross household income at or below 80% of the First Home Program Income Limits as defined in Section 2.5 of this Procedural Guide. See the Mobile Home Replacement Initiative Summary for the Initiative income limits.

**C. Eligible Project Costs.** Manufactured home dealers must act as the general contractor. The Borrower cannot perform any of the work.

1. Eligible Project costs include:
  - a. dismantling and removing the pre-1976 mobile home unit;
  - b. purchase and installation of a new Energy Star certified manufactured home;
  - c. providing a potable water supply to the Residence once complete;
  - d. 5% contingency fee as calculated on the Project Costs Worksheet (MHRI-66). The contingency fee calculation does not include the purchase price of the new unit; and

- e. 1% of project costs as a dealer development fee if the dealer provides a turnkey home installation and the dealer agrees to be paid after 100% completion. Payment will be made at the Closing of the MaineHousing first-lien Mortgage Loan. Lender must provide a written commitment letter before construction begins.
2. The Applicant must have the dealer complete the Project Costs Worksheet (MHRI-66) and attach a copy of the manufactured home Purchase and Sale Agreement. The Purchase and Sale Agreement must cover all project costs.

**D. Eligible Costs.**

1. Funds may be used to:
  - a. pay eligible project costs as described on Project Costs Worksheet (MHRI-66);
  - b. pay in full any existing Mortgage Loan on the subject land or pre-1976 mobile home;
  - c. pay closing costs for the MaineHousing Mortgage Loan and any closing costs for interim construction financing;
  - d. pay for outstanding assessments for lien items such as property taxes, sewer and water bills;
  - e. pay 1% of project costs as a Lender fee if the Lender is managing the development escrow account.
2. The Lender's underwriter must complete the Project Funding Worksheet (MHRI-67).

**E. Eligible Residence.** A Residence financed under this Initiative:

1. must be a **new** Energy Star certified manufactured home;
2. must be purchased from a licensed Maine dealer;
3. must be placed on the same site from which the pre-1976 mobile home was removed;
4. must meet the New Homes Quality Standards listed in Section 3.7 and in Section 3.9 of this Procedural Guide if the new unit is a Modular Home;
5. must meet the Mobile Home requirements listed in Section 3.10 of this Procedural Guide if the new unit is a Mobile Home;
6. must have a Purchase Price of \$250,000 or less; and
7. must be on owned land.

**F. Deferred Forgivable Grant.** A forgivable \$35,000, zero percent interest grant subsidy.

1. The grant has an occupancy compliance period of ten years. The Lender will have Borrowers sign a Mobile Home Replacement Initiative Deferred and Forgivable Note (MHRI-61) and Mobile Home Replacement Initiative Mortgage and Security Agreement (MHRI-62). The grant note will be forgiven and the enforcement mortgage discharged ten years from Closing.

Transfer of property ownership or failure to occupy the property as the Borrower's Principal Residence during the ten year compliance period will result in required repayment of the grant subsidy.

2. MaineHousing will fund the grant to the Lender plus a flat \$1,000 origination fee upon verification that the pre-1976 mobile home unit has been dismantled, removed from the site, and properly disposed of. Lender must submit to MaineHousing the Mobile Home Replacement Initiative Request for Grant Funds and Document Checklist (MHRI-69).

**G. Mortgage Loan.** The Initiative's first-lien MaineHousing Home Mortgage Program Mortgage Loan:

1. is an amortizing, fixed Interest Rate, Mortgage Loan.
2. has an Interest Rate equal to the MaineHousing current First Home Uninsured, zero point options only.
3. must have a Loan-to-Value of less than or equal to 85%.

**H. Underwriting.** The MaineHousing first-lien Mortgage Loan will be underwritten in accordance with the Uninsured Option Loan Section 4 and SECTION 4.2 of this Procedural Guide.

1. Tax and insurance escrows must be based upon the new unit and improved land as applicable.
2. The Loan amount will be calculated using the Project Funding Worksheet (MHRI-67).
3. All appraisals must include the Final Inspection Supplement for Mobile Home Loans (HMP-15B) and the final inspection report.

**I. Reservation and Rate Lock.** Per Section 5.3 and Section 5.4 of this Procedural Guide, the Lender must receive a fully executed Purchase and Sale Agreement including a manufactured home purchase order that covers all project costs before the Lender may reserve the first-lien Initiative Mortgage Loan on Lender Online.

1. The Initiative Mortgage Loan must be reserved as a new property.
2. The lock period will be 210 days.
3. Grant funds will be reserved on a first-come first-served basis based on the date and time of first-lien Initiative Mortgage Loan reservation.

**J. Escrow Account and Procedures.** Should the dealer elect not to provide turnkey home installation:

1. Lender may close the Mortgage Loan and disburse the Mortgage Loan and grant funds into an escrow account established by the Lender or Lender's Designated Qualified Servicer for eligible project costs.
2. Lender or Lender's Designated Qualified Servicer must be willing to make disbursements from the escrow.
3. Lender may collect a 1% fee for this service at Closing and include it on the Project Funding Worksheet (MHRI-67).
4. 10% of the purchase price of the unit may be released to the dealer at Loan Closing.
5. The Lender or Lender's Designated Qualified Servicer may approve changes to project costs after Closing provided that the Lender or Lender's Designated Qualified Servicer:
  - a. receives a written request from the Borrower;
  - b. receives a revised and executed Project Costs Worksheet (MHRI-66);
  - c. reviews the changes for reasonableness and eligibility;
  - d. confirms changes do not affect value or safety;
  - e. approves such changes in writing; and
  - f. retains all of the above documentation in the Mortgage Loan file.

MaineHousing approval is not required for changes which meet the above criteria.

6. Before disbursing funds, the Lender or Lender's Designated Qualified Servicer must receive an executed Draw Request (MHRI-68) from the Borrower. Disbursements are made from the escrow account as follows:
  - a. Funds for the cost of the removal and proper disposition of the pre-1976 mobile home unit are released upon satisfactory inspection by the Lender or appraiser;
  - b. 50% of the purchase price of the unit are released upon verification of delivery of the manufactured home to the subject site;
  - c. Funds for site development and additional unit installation fees are released upon a receipt of appraiser's final satisfactory compliance inspection; and
  - d. Final proceeds including any remaining contingency fees are released after:
    - i. receipt of a satisfactory Final Inspection Supplement (HMP-15B), Certificate of Occupancy, and satisfactory water test if not connected to a municipal water source; and

- ii. any other State or local building or permitting requirements have been met.
- e. Final proceeds may:
  - i. be released to the dealer in the form of a two-party check for approved cover cost over runs;
  - ii. be applied as a principal reduction to the MaineHousing Mortgage Loan; and
  - iii. **not** be cash paid back to the Borrower.
- f. Lender must submit the Initiative Mortgage Loan for purchase within 30 days of final disbursement along with all documents listed on the MaineHousing Document Checklist (HMP-26) per SECTION 5.23 of this Procedural Guide.
- g. The following documents must also be included with the Document Checklist (HMP-26):
  - i. Borrowers signed Draw Requests (MHRI-68);
  - ii. invoices or paid receipts;
  - iii. written request from Borrower and supporting documentation if the scope of work changed after Closing;
  - iv. Lender or Lender's Designated Qualified Servicer's written approval of any change orders;
  - v. copies of disbursement checks;
  - vi. lien waivers;
  - vii. final inspection; and
  - viii. verification that remaining funds, if any, were applied to reduce the principal balance of the Mortgage Loan.

**K. Purchase of Mortgage Loan.** MaineHousing will **not** purchase the Mortgage Loan until the Residence is **100%** complete.

MaineHousing will pay the Lender for Initiative Mortgage Loans sold by Lender directly to MaineHousing a 1.50% origination fee based upon the MaineHousing first-lien Mortgage Loan, but not less than \$1,500 regardless of the Mortgage Loan amount. For the Initiative only, MaineHousing will not reduce the origination fee. Lenders may provide escrow disbursement services without penalty to the Lender's origination fee.

## **SECTION 6.8 COMMUNITY LAND TRUST GUIDELINES**

### **Community Land Trusts Overview**

Maine State Housing Authority (“MaineHousing”) purchases or securitizes first mortgage loans secured by a leasehold estate on property owned by a community land trust and the improvements on the property as long as the property is acceptable as security for the mortgage and the loan otherwise qualifies under MaineHousing’s First Home Loan Program (“Program”).

Community land trusts are created to preserve long-term affordable housing by purchasing or constructing homes in their communities, then selling the home and leasing the land using a long-term ground lease to low-income and moderate-income families at affordable monthly ground rents. Eligible community land trusts must be nonprofit organizations or public entities, such as state or local governments, counties, school districts, universities, or colleges. The ground lease includes provisions that require the continued use of the property for low-income and moderate-income families in the future.

### **Eligible Borrowers**

Because of the affordable terms that it offers, a community land trust usually includes in its ground lease restrictions on borrower eligibility, as well as on the resale of the property improvements. Eligible borrowers must satisfy the specific eligibility criteria set up by the community land trust.

### **Underwriting Considerations**

The following describes underwriting requirements related to mortgage loans secured by properties held by community land trusts:

1. The community land trust organization must have the capacity to administer leasehold mortgages.
2. The community land trust or its affiliated organization must have at least two years’ experience in successfully managing affordable housing, which can be evidenced by an organizational resume or history that summarizes the organization’s experience in providing affordable housing.
3. The community land trust's ground lease must be based upon the 2011 *National Community Land Trust Network Model Ground Lease*.
4. The LTV and CLTV ratios will be determined by dividing the original loan amount by the value of the leasehold interest and improvements reported on the property appraisal. The sales price for the improvements situated on the land does not include the subsidy amount used to acquire the land, which means that a borrower will pay a lower purchase price for his or her home (often less than the leasehold interest in the property). Therefore, the community land trust sales price may not be a reliable indicator of market value for the leasehold estate.
5. Taxes on both the house and the land will typically have to be paid by the borrower even if not directly assessed to them.

6. The loan must comply with any additional requirements imposed by any mortgage insurer.
7. The appraisal must meet the mortgage insurer Community Land Trust appraisal guidelines or if the loan is conventional, it must meet Fannie Mae's community Land Trust Appraisal Requirements.

### **Loan Tracking**

Lenders selling and servicing mortgage loans secured by properties held by a community land trust must be able to identify and track those mortgages in their systems and must have sufficiently trained staff to originate and service those mortgages.

### **Notification to Third Parties**

MaineHousing will purchase mortgages secured by community land trust properties that require the lender to notify a third party upon the borrower's default or property foreclosure, as required by the community land trust ground lease. The lender must ensure that proper notification is provided, as required by the community land trust ground lease. If notification requirements exist, the servicer is still responsible for adhering to established time frames within which routine foreclosures must be completed. Third-party notifications required in addition to the required statutory notifications will not be considered an impairment to the servicer's ability to foreclose.

### **Ground Lease Requirements**

The community land trust's ground lease must be based on the 2011 *National Community Land Trust Network Model Ground Lease* ("Model Lease"). The community land trust ground lease may include certain restrictions limiting future property purchasers to low-income and moderate-income families and to limit the maximum sales price of the property ("CLT Restrictions"). **The ground lease must incorporate the MaineHousing Community Land Trust Ground Lease Rider (HMP-58).** The Rider terminates the CLT Restrictions in the event of foreclosure or acceptance of a deed-in-lieu of foreclosure.

The following requirements must be met in order for the ground lease to be eligible for the Program:

1. The Model Lease articles, sections and headings must be retained without alteration. If a section is not going to be used, it should simply be listed as "Reserved" or "Omitted" after the heading.
2. For Article 10 of the Model Lease, "Transfer of Home", only optional Version 2 of the Model Lease will be allowed.
3. The minimum occupancy requirement shall be twelve (12) months of each year.
4. The term of the estate created by the ground lease must extend for at least sixty (60) years.



5. If a repair reserve fee is charged, the repair reserve fund must be established exclusively for that property. The policy for holding and disbursing the repair fund must be set forth in the ground lease or attached as an exhibit.
6. The lease or land use fee shall not be increased by more than 30% in the event that the CLT Restrictions are suspended or terminated and future increases shall not occur more often than once every five (5) years.
7. Originating lenders will not enter into any Permitted Mortgage Agreement or similar agreement referenced in the Model Lease.

When a mortgage is secured by property held by a community land trust, the lender must confirm that all ground lease rents and other payments or assessments that have come due have been paid before it delivers the Mortgage Loan. In addition, the borrower must not be in default under any other provisions of the ground lease, nor may the ground lessor have claimed such a default.

### **Legal Considerations**

In all respects, the ground lease must be valid, enforceable, and in full force and effect. Lenders must ensure that any mortgage secured by a community land trust property and delivered to MaineHousing is supported by the appropriate leasehold interest documents, including the community land trust ground lease and MaineHousing's Community Land Trust Ground Lease Rider (HMP-58). The Rider must be executed by the borrower and recorded along with the ground lease.

The Rider ensures that the ground lease is in conformity with MaineHousing requirements for community land trust mortgages without a delay that would result from prior review and approval of each ground lease. The Rider removes from the community land trust's ground lease the CLT Restrictions that could affect the value of the property.

### **Conveyance of the Home**

The Deed or Bill of Sale used to convey the Home must be recorded and must contain the following language:

“It is the intention of the parties that the real property underlying the buildings and other improvements conveyed herein remain vested in the Grantor and that this instrument convey only such buildings and other improvements as are presently erected upon the above-described premises. It is also the intention of the parties that the buildings and other improvements now or hereafter erected on the premises be considered fixtures for purposes of perfecting any security interest therein.

Reference is made to a Ground Lease between Grantor and Grantee of near or even date to be recorded herewith.”

### **Mortgage Legal Description**

The Exhibit A to be attached to the Mortgage incorporating the legal description must utilize the following format:

#### EXHIBIT A

A LEASEHOLD INTEREST in a certain lot or parcel of land situated in \_\_\_\_\_, County of \_\_\_\_\_, State of Maine, bounded and described as follows:

(INSERT PROPERTY DESCRIPTION)

Being the leasehold interest described in the Ground Lease entered into by and between \_\_\_\_\_ Land Trust and \_\_\_\_\_ of near or even date to be recorded herewith.

Also conveying all right, title and interest in and to the buildings and other improvements currently or hereafter erected on the above-described premises as described in the Deed or Bill of Sale from \_\_\_\_\_ Land Trust to \_\_\_\_\_ of near or even date to be recorded herewith.

#### **Title Insurance Requirements**

The lender's title insurance policy must expressly confirm that:

1. The complete community land trust ground lease with the MaineHousing Community Land Trust Ground Lease Rider has been recorded;
2. The mortgage is a first lien on the leasehold estate and the improvements;
3. There are no existing mortgage loans or other liens on the underlying fee estate;
4. There is no reversionary interest held by the ground lessor; and
5. There are no related community land trust ground lease occupancy and resale restrictions, covenants, or agreements that have been recorded apart from the ground lease that "run with the land".

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