





**HOMEOWNERSHIP** 

January 2019 **NHHFA.org** 

#### Today's Agenda

- What's New with the Cash Assistance Mortgage
- The Value of Cash Assistance
- About the Cash Assistance Mortgage
- Participating Lender's Role
- Processing the Cash Assistance Mortgage
- Using the Cash Assistance Mortgage with Home Flex Plus and the NEW Home Preferred Plus
- Questions and Answers

NHHFA.ORG/LENDERS



Disclaimer: The information in this material is for training and illustrative purposes only. The training material is not comprehensive and is not a legal or program document. The full Cash Assistance Mortgage Policy, February 19, 2019, and other program documents and contracts should be consulted for the complete requirements for this program.



# What's New With the Cash Assistance Mortgage Program?



### Big Picture: About the Cash Assistance Mortgage

### Cash Assistance Mortgage is mostly the same for both the Home *Flex* Plus and Home *Preferred* Plus!

	Disclosures	Documents	Underwriting	Requesting Cash Assistance	Income Limit
Home <i>Flex</i> Plus	Same	Same	Different	Same	\$126,700.00
Home <i>Preferred</i> Plus	Same	Same	Different	Same	80% of Fannie Mae's AMI for the property*



<sup>\*</sup>See separate training on the new Home *Preferred* Income Limits.

#### **Good News!**

- Two 1<sup>st</sup> mortgage loan products can now be combined with New Hampshire Housing's Cash Assistance Mortgage:
  - Home Flex Plus (FHA, USDA/RD, VA); and
  - Home *Preferred* Plus (NEW PROGRAM! conventional).
- Borrower can use the Cash Assistance for downpayment and closing costs.
- Helps low- and moderate-income homebuyers purchase a home.



#### The Value of Cash Assistance



#### Value of Cash Assistance

- Cash Assistance available for downpayment and closing costs on both Government insured and conventional loans.
- Helps get your borrowers:
  - Get into a home earlier prices and rates may rise
  - Cash Assistance tax free
  - Provide economic benefit 5 to 7 year break even
  - Retain reserves keep money for the unexpected
- Helps low- and moderate-income homebuyers purchase a home.



#### About the Cash Assistance Mortgage



# Must Have a New Hampshire Housing 1st Mortgage

- Home Flex Plus (FHA, VA or USDA Rural Development)
- Home Preferred Plus

Note: Cash Assistance is <u>only</u> available with Home *Preferred* w/MI; <u>not</u> available with Home *Preferred* No MI.



#### About the Cash Assistance Mortgage

- New Hampshire Housing is the lender on the Cash Assistance Mortgage
- Cash Assistance Mortgage Actual recorded 2<sup>nd</sup> mortgage
  - No interest
  - No periodic payments
  - No fees to borrower
  - Forgiven in full after four years, provided no Repayment Event



# Cash Assistance Mortgage Forgiveness Date

Full amount of Cash Assistance is forgiven on the fourth anniversary of the Cash Assistance Mortgage closing date, provided no Repayment Event.

**Example:** 

Closing date: March 1, 2019

Forgiveness date: March 1, 2023



# Cash Assistance Mortgage Repayment Events

Full amount of the Cash Assistance Mortgage will be repayable to New Hampshire Housing during the first four years if any of the following Repayment Events happen:

- Borrower repays or refinances the first mortgage;
- Borrower sells the home; or
- Borrower files bankruptcy.

#### Notes:

- New Hampshire Housing will not subordinate the Cash Assistance Mortgage.
- Repayment obligation on refinance applies even if refinancing with New Hampshire Housing.
- Cash Assistance Mortgage will not be released as part of a modification or bankruptcy.

#### About the Cash Assistance Mortgage

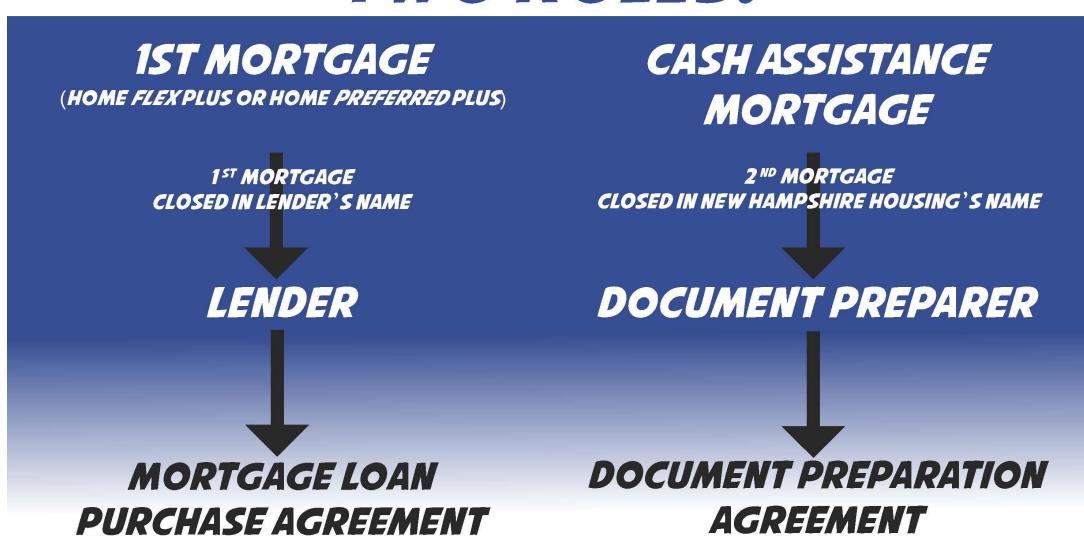
#### Participating Lender's Roles:

- Participating Lender 1<sup>st</sup> mortgage
   Home Flex Plus Mortgage or Home Preferred Plus
- 2. Document Preparer 2<sup>nd</sup> mortgage
  Cash Assistance Mortgage





### TWO MORTGAGES, TWO ROLES!



#### Two Defined Roles

New Hampshire Housing will be the lender on the Cash Assistance Mortgage because New Hampshire Housing wants to:

- Preserve public-entity status
- Preserve housing finance agency (HFA) exemptions
  - NMLS
  - HMDA
  - ATR/QM
  - FHA
  - CFPB
- For Home Flex Plus Have specific FHA Cash Assistance requirements



#### Participating Lender's Role



# Participating Lender's Role 1<sup>st</sup> Mortgage

- Participating Lender's Role: **Lender**
- 1st mortgage product Home Flex Plus/Home Preferred Plus
- Must meet New Hampshire Housing's program guidelines
- Loan to be sold to New Hampshire Housing
- Governed by the Mortgage Loan Purchase Agreement



## Participating Lender's Role Document Preparer

- Participating Lender's Role Cash Assistance Mortgage: Document Preparer – <u>not the lender.</u>
- Loan is being <u>made</u> by New Hampshire Housing.
- The Document Preparer administers certain documents on behalf of New Hampshire Housing.
- Document Preparer will provide the borrower with disclosures as instructed by New Hampshire Housing.



## Participating Lender's Role Document Preparer

To offer the Home *Flex* Plus or Home *Preferred* Plus program, a Participating Lender must sign the:

**Document Preparation Agreement - Cash Assistance Mortgage Program** 

#### This agreement:

- Defines roles;
- Preserves special HFA status and exemptions; and
- Protects the Participating Lender.



# Processing the Cash Assistance Mortgage



# Processing the Cash Assistance Mortgage

### Cash Assistance Mortgage is mostly the same for both the Home *Flex* Plus and Home *Preferred* Plus!

	Disclosures	Documents	Underwriting	Requesting Cash Assistance	Income Limit
Home <i>Flex</i> Plus	Same	Same	Different	Same	\$126,700.00
Home <i>Preferred</i> Plus	Same	Same	Different	Same	80% of Fannie Mae's AMI for the property



## Document Preparer Disclosures (Same)

Document preparation on New Hampshire Housing's behalf.

This includes: required closing disclosures, mortgage and promise to pay and recording.

- 1. <a href="Program Disclosure">Program Disclosure</a> (Document Preparer)
- 2. Loan Estimate (Document Preparer)
- 3. Closing Disclosures (Document Preparer)
- 4. Cash Assistance Mortgage (New Hampshire Housing complete this)



## Document Preparer Cash Assistance Mortgage

#### **IMPORTANT!**

New Hampshire Housing uses the Cash Assistance Wire Transfer Request form to create the Cash Assistance Mortgage.

The Cash Assistance Wire Transfer Request form is a key document and must be filled out correctly:

- Borrower's name(s) Must Match first mortgage!!!!!!
- Cash Assistance amount
- Closing date



### Document Preparer Cash Assistance Mortgage: The Fine Print (Same)

- New Hampshire Housing is the Lender.
- Document Preparer is not making a credit decision or exercising discretion.
- 1003 No separate loan application is needed for the Cash Assistance Mortgage (Source of DPA "Secured Borrower Funds").
- Loan Reservation No separate loan reservation needed.
- Program Disclosure Provide with Loan Estimate.
- Loan Estimate and Closing Disclosure Show New Hampshire Housing as the Lender.
- New Hampshire Housing is exempt from paying recording fees (See RSA 204-C:49).



# Processing the Cash Assistance Mortgage

### Cash Assistance Mortgage is mostly the same for both the Home *Flex* Plus and Home *Preferred* Plus!

	Disclosures	Documents	Underwriting	Requesting Cash Assistance	Income Limit
Home <i>Flex</i> Plus	$\boxtimes$	$\boxtimes$	Different	Same	\$126,700.00
Home <i>Preferred</i> Plus	×	×	Different	Same	80% of Fannie Mae's AMI for the property



### Using the Cash Assistance Mortgage with Home *Flex* Plus



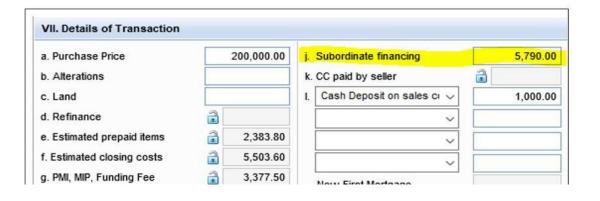
#### About Home Flex Plus

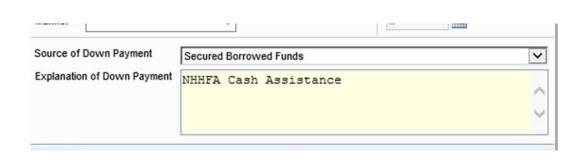
- 2% or 3% Cash Assistance based on loan amount
- Minimum 620 credit score
- Any DTI over 50% must be approve/eligible and have a minimum credit score of 680
- Homebuyer education required
- Follow FHA, VA or USDA RD guidelines
- Home Flex Plus Factsheet



## Cash Assistance Mortgage Entering in LOS/AUS – FHA

When entering the Home Flex
 Plus, source of downpayment
 must be "Secured Borrowed
 Funds"



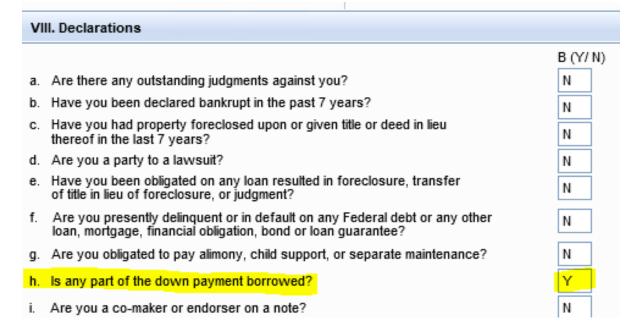


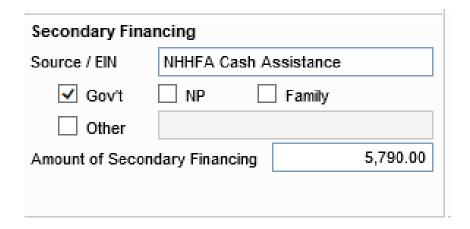
Cash Assistance must be shown as Subordinate financing. **Do not list Cash Assistance as an asset or gift funds**.



# Cash Assistance Mortgage Entering in LOS/AUS – FHA

• Question h. must be: Yes (Y)





 FHA 92900 LT - Must show as "Secondary Financing" from <u>Gov't Source</u>



#### Cash Assistance Mortgage Important Note – FHA

#### Remember:

There is no maximum Combined Loan-to-Value (CLTV) for secondary financing loans provided by Governmental Entities.



### Entering Cash Assistance Mortgage The Fine Print

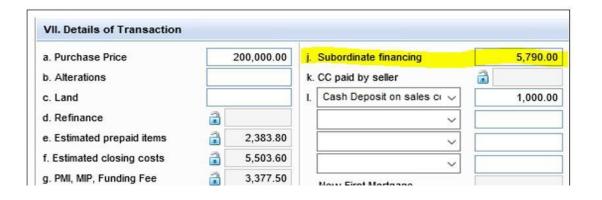
- LTV/CLTV Per FHA guidelines, there is no maximum CLTV when subordinate financing is from a housing finance agency such as New Hampshire Housing [See FHA Handbook 4000.II(A)(4)(d)(1)(b)].
- Your findings must show the DPA as a subordinate lien, and you will receive the following note in DO:

"This loan casefile may be ineligible for HFA financing as the CLTV exceeds 96.5% on a purchase transaction. Please refer to the Online version of FHA Single Family Housing Policy Handbook 4000.1 to determine if the source of the secondary financing allows the CLTV to exceed 96.5%."

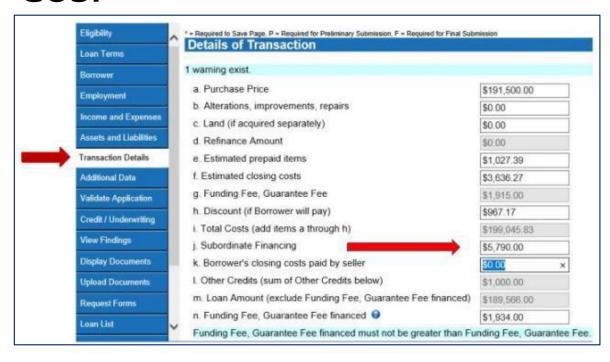


#### Cash Assistance Mortgage Entering in LOS/AUS – RD-GUS

#### 1003:



#### **GUS**:





### Requesting Cash Assistance Funds Home *Flex* Plus

- Read the <u>Cash Assistance Mortgage policy</u>!
- Failure to follow the policy could result in:
  - No FHA insurance;
  - New Hampshire Housing will not buy the loan; and/or
  - Participating Lender must repay New Hampshire Housing for Cash Assistance.
- The process is exactly the same.



### Requesting Cash Assistance Funds Home *Flex* Plus

Lender must request Cash Assistance funds by submitting the Cash Assistance Wire Transfer Request by 12:00 noon at least two (2) business days prior to closing.

Wire Transfer Request form (See example)

#### **IMPORTANT REMINDER:**

- Home Flex Plus 1<sup>st</sup> mortgage must comply with all New Hampshire Housing requirements.
- New Hampshire Housing uses this document to prepare the Cash Assistance Mortgage (Must match 1<sup>st</sup> mortgage)

# Processing the Cash Assistance Mortgage

### Cash Assistance Mortgage is mostly the same for both the Home *Flex* Plus and Home *Preferred* Plus!

	Disclosures	Documents	Underwriting	Requesting Cash Assistance
Home <i>Flex</i> Plus	$\boxtimes$	$\boxtimes$	Different	Same
Home <i>Preferred</i> Plus	$\boxtimes$	X	Different	Same



## Using the Cash Assistance Mortgage with Home *Preferred* Plus



#### About Home *Preferred* Plus

- 3% Cash Assistance based on loan amount
- Income limit: 80% or less of Area Median Income (AMI) See: <u>Lookup Tool</u>
- Minimum 620 credit score
- Any DTI over 50% must be approve/eligible and have a minimum credit score of 680
- Homebuyer education required for first-time homebuyers
- Maximum LTV:
  - 97% for 1-unit/CLTV 105%
  - 95% for 2-4 units/CLTV 105%
- Follow Fannie Mae Selling guide
- Home Preferred Plus Factsheet



### About Home Preferred Plus

- New Hampshire Housing has designed the Home Preferred Plus program consistent with the Fannie Mae Selling Guide.
- Additionally, the Cash Assistance Mortgage complies with Fannie Mae's Community Seconds requirements.



### About Home Preferred Plus

- When entering the Cash Assistance Mortgage in DO, choose the dropdown choice: "Payments deferred 5 or more years and fully forgiven."
- Please note, while the full amount of Cash Assistance is forgiven on the fourth anniversary of the Cash Assistance Mortgage closing date (provided no Repayment Event), New Hampshire Housing has confirmed with Fannie Mae that the lender must choose "Payment deferred 5 or more years and fully forgiven" for the Community Seconds Repayment Structure in DO.
- This way DO does not impute any Cash Assistance payments in underwriting.



# Cash Assistance Mortgage Entering in DO – Fannie Mae

Fill in the **Community Lending Information** section. Enter Community Seconds data.

**Note:** The first mortgage does not have to be a Community Lending product.

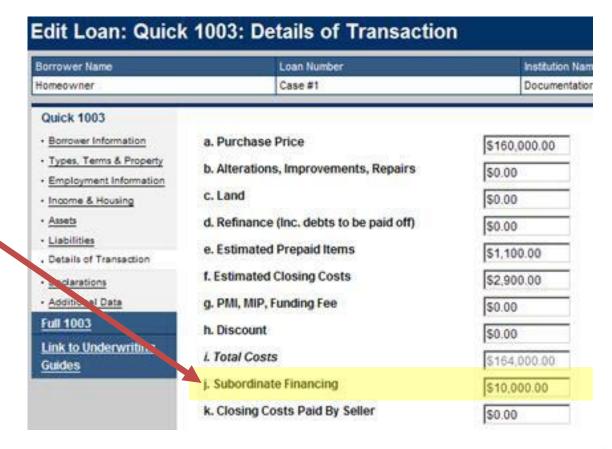
#### Take the following steps:

- a. If you are using HomeReady® for the 1<sup>st</sup> mortgage, select **Home** *Preferred* in the Community Lending Product field.
- b. Select **Yes** in the Community Seconds field. Otherwise the system defaults to "No" for this field.
- c. If you are using a Community Seconds mortgage, you must select the appropriate option from the **Community Seconds Repayment Structure** drop-down list.
- d. You may select the County, but it is no longer used to determine the income limit. The census tract is used to determine the income limit. If DO is unable to determine the census tract, then you may enter the FIPS Code associated to the property, which would then be used to determine the income limit (see next step).



# Cash Assistance Mortgage Entering in DO – Fannie Mae

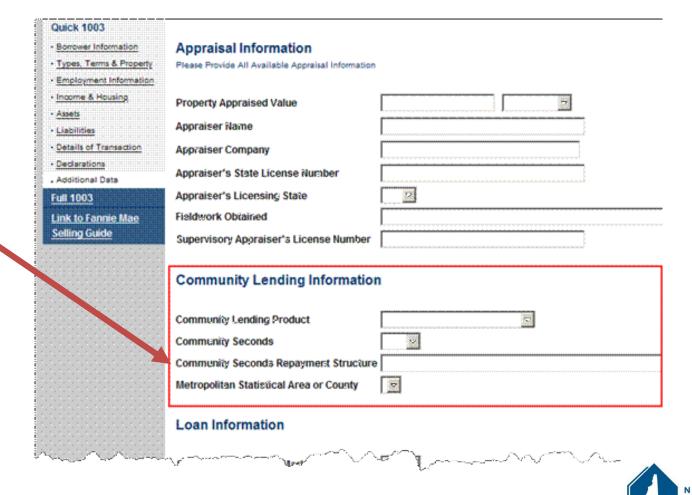
1. Click **Details of Transaction** in the navigation bar. The Details of Transaction screen appears. Enter the subordinate lien amount in the **j. Subordinate Financing** field.





### Cash Assistance Mortgage Entering in DO – Fannie Mae

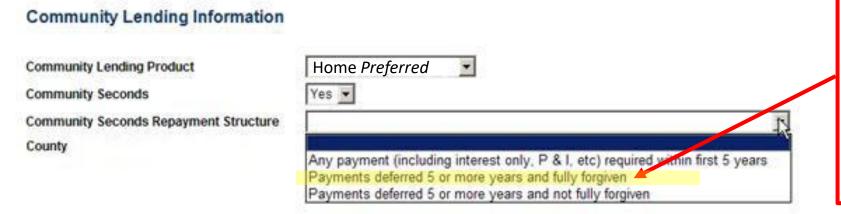
2. Click **Additional Data** in the navigation bar. Locate the **Community Lending Information** section.



### Cash Assistance Mortgage Entering in DO – Fannie Mae

3.

For the NHHFA Cash Assistance Mortgage, choose "Payments deferred 5 or more years and fully forgiven"



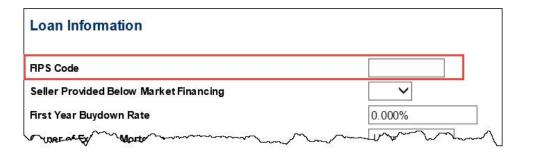
Please note, while the full amount of Cash Assistance is forgiven on the fourth anniversary of the Cash Assistance Mortgage closing date (provided no Repayment Event) New Hampshire Housing has confirmed with Fannie Mae that the lender must choose "Payment deferred 5 or more years and fully forgiven" for the Community Seconds Repayment Structure in DO.



# Cash Assistance Mortgage Entering in DO – Fannie Mae

- 4. DO will determine the income eligibility requirements based on the census tract in which the property is located. If DO is unable to determine the census tract, the lender may provide the Federal Information Processing Standard (FIPS) code which is a unique code assigned to all geographic areas by the U.S. Census Bureau.
- 5. When you have finished entering all the necessary data, click **Submit**.







## Requesting Cash Assistance Funds Home *Preferred* Plus

- Read the Cash Assistance Mortgage policy!
- Failure to follow the policy could result in:
  - New Hampshire Housing will not buy the loan; and/or
  - Participating Lender must repay New Hampshire Housing for Cash Assistance.

Note: The Cash Assistance Mortgage is a loan, no gift letter.



## Requesting Cash Assistance Funds Home *Preferred* Plus

Lender must request Cash Assistance funds by submitting the Cash Assistance Wire Transfer Request by 12:00 noon at least two (2) business days prior to closing.

Wire Transfer Request form (See example)

#### **IMPORTANT REMINDER:**

- Home Preferred Plus 1<sup>st</sup> mortgage must comply with all New Hampshire Housing requirements.
- New Hampshire Housing uses this document to prepare the Cash Assistance Mortgage (Must match 1<sup>st</sup> mortgage)

### **Cash Assistance Mortgage Reference Documents:**

- Home Flex Plus with Cash Assistance Product Sheet
- Home Preferred with Cash Assistance Product Sheet
- <u>Document Preparation Agreement</u>
- <u>Cash Assistance Mortgage</u>
- <u>Program Disclosure</u>
- Model Loan Estimate
- Model Closing Disclosure
- <u>Cash Assistance Wire Transfer</u> <u>Request</u>
- <u>Lender Exception Request and</u> Acknowledgement
- New Hampshire Housing Letter on Legally Liable/Obligated

### Questions?

nhhfa.org/lenders

#### **NEW HAMPSHIRE HOUSING FINANCE AUTHORITY**

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