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Chapter 1 – Program Overview

1.1 General Information (Rev. 01/01/2019)

PLEASE NOTE: This VHFA Advantage Program Procedural Guide provides information for a first mortgage **without** a Mortgage Credit Certificate (MCC). For information on other VHFA products, refer to the applicable product guide.

Loans originated under VHFA’s mortgage programs must be eligible for sale to either Fannie Mae or Ginnie Mae. Therefore, the underwriting criteria must meet program guidelines for the applicable agency. Any information regarding Fannie Mae or government guaranty programs are subject to change by the applicable agency.

Participating lenders must be eligible to originate loans for one or more of the following: Fannie Mae, USDA Rural Development (RD), Veterans Administration (VA) and Federal Housing Administration (FHA) and be well-versed in the products and specific requirements of each. For all other information regarding Fannie Mae, RD, VA and FHA, refer to the applicable guides for each agency.

In addition to the requirements that must be met for Fannie Mae and Ginnie Mae, all VHFA programs have compliance requirements and underwriting overlays that must also be met. This guide contains only the requirements for VHFA compliance and the variances and credit overlays from the standard requirements of Fannie Mae and government guaranteed loans that apply to VHFA’s programs. Participating lenders are responsible for their own access to the credit policy guides and requirements for U.S. Bank Home Mortgage – HFA Division, Fannie Mae, USDA Rural Development (RD), Veterans Administration (VA) and Federal Housing Administration (FHA).

All mortgage loans must comply with the following:

- Compliance and document requirements as outlined in this guide.
- Be eligible for sale to Fannie Mae **or** guaranteed by a government agency (RD, VA or FHA).
- Meet the purchase requirements of VHFA and U.S. Bank Home Mortgage-HFA Division.
- Include an escrow of taxes and insurance(s).

1.2 Master Servicer for First Mortgages and ASSIST Loans (Rev. 01/01/2019)

U.S. Bank Home Mortgage-HFA Division is the master servicer for all VHFA first mortgage loans. As master servicer, U.S. Bank Home Mortgage-HFA Division performs the following:

- Receives and reviews all documents required for purchase.
- Determines loan purchase eligibility and completes the purchase transaction.
- Performs all loan servicing functions after closing until the U.S. Bank loan purchase occurs.

For detailed information regarding U.S. Bank Home Mortgage-HFA Division requirements, fees and delivery information go to the web site of U.S. Bank Home Mortgage-HFA Division at www.hfa.usbank.com to view the applicable Lender Manual and checklists.

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VHFA is the owner and master servicer for ASSIST mortgage loans. U.S. Bank Home Mortgage-HFA Division **does not** handle ASSIST loan processing, post-closing questions, or documentation. All inquiries about ASSIST loan compliance and documentation must be made directly to VHFA and VHFA will be responsible for the following:

- Receives and reviews all documents required for ASSIST loans and recording the ASSIST mortgage.
- Determines loan eligibility and reimbursing ASSIST funds to lenders.
- Performs all loan servicing functions.

For detailed information regarding VHFA requirements and delivery information go to <https://ilrs.vhfa.org/>.

1.3 Property Transfer Tax Exemption (Rev. 6/15)

VHFA borrowers are exempt from the Vermont Property Transfer Tax on the first \$110,000 of the purchase price of the property. For amounts between \$110,000 and \$200,000 borrowers must pay a rate of 0.0125. The standard tax is due on any amount exceeding \$200,000.

Taxable Increments of Purchase	Rate for VHFA borrowers
\$0 - \$110,000	0.00
\$110,000 - \$200,000	0.0125
\$200,000 – remaining balance	0.0145

1.4 Loan Assumptions (Rev. 01/01/2019)

First mortgages delivered to Fannie Mae or guaranteed by USDA Rural Development are not eligible for assumption by a new borrower.

First mortgage loans guaranteed by FHA or VA may be eligible for assumption, provided the new borrower meets all compliance in place at the time of the loan assumption and the new borrower is acceptable to U.S. Bank Home Mortgage-HFA Division requirements.

1.5 Participating Lender Status Requirements (Rev. 01/01/2019)

All Participating Lenders must uphold the terms and conditions outlined in the U.S. Bank Participating Lender Agreement and VHFA Supplement to the U.S. Bank Participating Lender Agreement and are required to maintain the following additional conditions:

- Originate at least 5 first mortgage VHFA loans per year. ASSIST mortgages and Mortgage Credit Certificates (in conjunction with MOVE MCC or standalone MCC) do not count toward this minimum production requirement.
- Ensure policy, guide and form changes are incorporated into operational processes within a reasonable period of time; typically no more than 60 days.
- Identify and provide VHFA contact information for a liaison who acts as the primary point of contact for VHFA; the liaison is responsible for being the VHFA advocate to ensure that the Participating Lender complies with VHFA requests such as training, policy changes, Loan Origination Center access, escalations, aged conditions, etc.

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- Identify and provide VHFA administrative contact(s) responsible for managing access for all employees of the Participating Lender to VHFA Loan Origination Center who require access to VHFA information, guides, forms, resources, rates, etc.
- Each employee of the Participating Lender who requires access to VHFA information is responsible for attending VHFA Loan Origination Center training and must understand where, how and when to access the Loan Origination Center.
- Attend VHFA training in a timely manner when requested by VHFA; typically within 30 calendar days of request.
- All employees responsible for any portion of the origination process must attend annual program and process training.

VHFA reserves the right to limit print and digital marketing to Participating Lenders who routinely originate VHFA loans; this includes the Participating Lender listing on the VHFA website and print material. In order to be listed in VHFA marketing material, Participating Lenders and individual loan originators must be familiar with the programs and meet minimum production standards:

- Program and process training completed.
 - Participating Lender production volumes are greater than or equal to 5 first mortgage VHFA loans in a calendar year.
 - Individual loan originator production volumes are greater than or equal to 1 first mortgage VHFA loan in a calendar year.
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Chapter 2 – Compliance

The compliance requirements and minimum documentation requirements are covered below. Lenders are responsible for determining that each borrower and non-borrowing spouse, if applicable, meets all compliance requirements. VHFA will review the eligibility documentation provided by the Lender and make the final determination. Compliance requirements are subject to change.

2.1 Income Limits (Rev. 04/16/2018)

To be eligible for VHFA financing, the combined total income of each borrower and non-borrowing spouse cannot exceed the income limit specified for the program in effect at the time of loan reservation. For current loan program Income Limits go to www.vhfa.org.

To calculate the total gross income for compliance, all income sources for the previous 12 months for each borrower and any non-borrowing spouse must be included. The lender must obtain sufficient documentation to verify the total income from all sources, even for a spouse that will not take title, occupy the property, be obligated on the loan, or is currently estranged but not legally divorced from a borrower.

Documentation of income for all borrowers and any non-borrowing spouse must include, but is not limited to:

- A copy of the most recent year's tax returns with all schedules and W-2's.
- A copy of the two most recent paystubs that includes hourly rate, number of hours worked and year-to-date earnings for base, overtime and other income. If paystubs do not provide sufficient information, a separate Verification of Employment must be provided. **Note:** Verification of start date may be requested.
- Copy of the most recent employment contract in addition to the above information, if applicable.
- Copy of an Award Letter or Statement of Beneficiary payment from the applicable government agency.
- For self-employment, copies of tax returns with all schedules for the past two years.

VHFA will calculate the income with the information provided to determine if the income is within the program limit. If sufficient information is not provided, the file will be considered incomplete until all necessary documentation is received.

2.2 Principal Residence Requirement (Rev. 12/13)

Each Borrower must occupy the property as their principal residence on a full-time, year-round basis, within 60 days after the loan closing date. Depending on the circumstances, additional time may be acceptable for military personnel on active duty. VHFA will not finance properties to be used as part-time residences, investment properties, recreation homes or if more than 15% of the property will be used for a trade or business.

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2.3 Purchase Price Limits/Acquisition Cost (Rev. 01/01/2019)

The purchase price or acquisition cost of a property cannot exceed the VHFA purchase price limit in effect at the time a loan was originated. Acquisition cost is the total cost to the borrower to acquire the property as a completed residence, including improvements the borrower finances or pays for out of pocket.

The acquisition cost of the subject property is determined by completing the acquisition cost inputs and total on the VHFA Borrower Certification. The acquisition cost must be supported by documentation, such as the Purchase and Sale Agreement, Vermont State Property Transfer Tax Return and HUD Settlement Statement or Closing Disclosure prepared at closing.

2.4 New Mortgage Requirement and Short-Term Debt (Rev. 04/16/2018)

This program is restricted to real estate purchase transactions. Mortgage loan proceeds cannot be used to replace an existing debt, except in the case of short term financing, such as a construction or bridge loan. The following must apply for short-term debt to be eligible for replacement with VHFA financing:

- The loan constitutes a mortgage on the subject property (unsecured debt is not eligible).
- The loan has an original term of 24 months or less. The monthly payments may be based on a longer amortization, but the final maturity date must be within 24 months of the note date. (A longer term loan, in which less than 24 payments have been made, is not eligible.)
- The loan is the original first mortgage the borrower(s) and non-borrowing spouse gave on the property and is for an original term of 24 months or less. If the original mortgage loan had a longer term and/or it was refinanced to reduce the term, that subsequent mortgage loan is ineligible for replacement with VHFA financing.
- VHFA requires a copy of the Vermont Property Transfer Tax Return showing when the property was transferred to the borrower and a copy of the recorded deed.

Specific to VHFA financing replacing a construction loan the following applies:

If...	And...	Then...
Land already owned and there was never a mortgage (i.e. consumer was gifted the land or purchased all cash).	Construction loan is for a term ≤ 24 months.	End loan can be a VHFA loan.
Land already owned and there was a mortgage of < 24 months.	Construction loan is for a term ≤ 24 months.	End loan can be a VHFA loan as long as the combined consecutive time for the original land loan and construction loan does not exceed 24 months.
Land already owned and there was a mortgage of > 24 months.	Construction loan is for any term (either $>$ or ≤ 24 months).	End loan cannot be a VHFA loan.
Land purchase occurs as part of the construction loan transaction.	Construction and land loan is for a term ≤ 24 months.	End loan can be a VHFA loan.
Land purchase occurs as part of the construction loan transaction.	Construction loan is for a term > 24 months.	End loan cannot be a VHFA loan.

2.5 Other Real Estate Owned (Rev. 12/13)

At the time of the loan closing date, no borrower or non-borrowing spouse can hold an ownership interest in any real estate other than the residence securing the first mortgage loan, with the exception of the following:

- Vacant land.
- Any property unsuitable for year-round occupancy and that was never occupied as a primary residence.
- Commercial/industrial property (Residential rental units are not considered commercial property for this purpose).
- A single-wide mobile home in a mobile home park that is not permanently affixed to land (inspection of the unit and the foundation, including photographs, by a qualified property inspector is required).
- Being on the deed of a parent's home with a living parent, provided the parent(s) are residing in the property and the borrower and non-borrowing spouse has not lived in the property as his/her principal residence and/or claimed any tax benefit for the property.

2.6 Land Size / Appurtenant Land (Rev. 12/13)

Properties with up to fifteen (15) acres will be considered provided the amount of land to be conveyed with the property is only the amount necessary to reasonably maintain the basic livability of the residence and cannot provide, other than incidentally, a source of income to the borrower. Properties with more than fifteen (15) acres are not eligible (deed restrictions on subdividing are not considered). VHFA will not provide financing for the purchase of two separately deeded lots.

2.7 Non-borrowing Spouse, Eligible Title Holders, Guarantors (co-signers), Non-Occupant Borrowers (Rev. 01/01/2019)

Non-borrowing Spouse: A borrower's spouse must meet all compliance requirements and be approved by VHFA even if he/she will not be liable for the mortgage loan **or** take title to the property. At a minimum, a non-borrowing spouse must complete and provide the following:

- Include the non-borrowing spouse income on the VHFA Advantage Borrower Certification.
- Complete and sign the VHFA Advantage Borrower Certification.
- Provide as-filed, executed copies of their federal tax returns for the most recent tax year.

Title Holders: Only a borrower and non-borrowing spouse can take title. Each borrower and non-borrowing spouse must meet all compliance requirements and be determined eligible by VHFA. If closing documents are signed by persons that have not been approved by VHFA, the loan is not eligible for sale through VHFA's Program, even if Fannie Mae, FHA, VA or RD approved the loan.

Guarantors (co-signers): VHFA does not permit a guarantor to strengthen or replace a borrower's credit worthiness or eligibility.

Non-Occupant Borrowers: VHFA will not permit non-occupant borrowers.

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2.8 Pre-Purchase Homebuyer Education and Counseling and Landlord Education (Rev. 01/01/2019)

At least one borrower must have completed pre-purchase homebuyer education and counseling within the 18 months prior to the loan closing and provide acceptable verification that the homebuyer education was from an eligible source. (Note: For any loan **without** subordinate financing if one borrower was a previous homeowner, the education requirement can be waived if evidence of ownership is provided.)

Pre-purchase homebuyer education and counseling is required as outlined on the chart below:

Product Type	Pre-Purchase Homebuyer Education and Counseling Requirement	Pre-Purchase Homebuyer Education and Counseling Options
VHFA loan with subordinate financing from any source	HUD-approved education and counseling must be completed with one of the five local Vermont Homeownership Centers (Champlain Housing Trust, RuralEdge, Downstreet, NeighborWorks® of Western Vermont or Windham & Windsor Housing Trust) and includes both the education class either online or in-person and completion of one-on-one counseling.	<p>Online Course: VHFA has made it easy to access the online course for the Vermont Homeownership Centers directly from www.vhfa.org:</p> <ol style="list-style-type: none"> 1. Consumer should be directed to select the option for a loan with down payment and closing cost assistance on www.vhfa.org: http://www.vhfa.org/homebuyers/education 2. Consumer completes online course. 3. Consumer schedules and completes an in-person one-on-one counseling session with the local Vermont Homeownership Center. 4. The pre-purchase homebuyer education certificate is issued after completion of the one-on-one counseling. <p>In Person Course</p> <ol style="list-style-type: none"> 1. Consumer should be directed to the website for one of the five local Vermont Homeownership Centers: <ul style="list-style-type: none"> • Champlain Housing Trust; www.getahome.org • Downstreet Housing & Community Development; www.downstreet.org • NeighborWorks® of Western Vermont; www.nwwvt.org • RuralEdge; www.ruraledge.org • Windham & Windsor Housing Trust; www.w-wht.org 2. Consumer completes in-person course. 3. Consumer schedules and completes in-person one-on-one counseling session with

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		<p>the Homeownership Center.</p> <p>4. The pre-purchase homebuyer education certificate is issued after completion of the one-on-one counseling.</p>
<p>VHFA loan without subordinate financing</p>	<p>Education completed must be HUD-approved and include one-on-one counseling.</p> <p>Any HUD-approved education option with counseling is acceptable for a VHFA loan without subordinate financing. VHFA has partnered with eHome America and a HUD-approved course option can be accessed from the www.vhfa.org website. Instructions to access that course can be found to the right.</p>	<p>Online Course:</p> <ol style="list-style-type: none"> 1. Consumer should be directed to select the non-subordinate financing option here: http://www.vhfa.org/homebuyers/education 2. Consumer completes online course. 3. Consumer schedules and completes a one-on-one counseling session with eHome America over the phone. 4. The pre-purchase homebuyer education certificate is issued after completion of the one-on-one counseling.
<p>Note: Education courses that do not include one-on-one counseling such as the online classes offered by MGIC and Genworth are insufficient and do not meet the VHFA education requirement.</p>		

If the subject property is a 2-unit dwelling, at least one borrower must complete pre-purchase landlord education within 18 months prior to the loan closing.

Property Type	Pre-Purchase Landlord Education Requirement	Pre-Purchase Landlord Education Options
2-unit	<p>Landlord education requires review of the Fannie Mae Becoming a Landlord publication and then a proficiency test administered by Genworth or MGIC upon completion of the proficiency test a certificate is issued</p>	<p>Genworth</p> <ol style="list-style-type: none"> 1. Consumer directed to Genworth education page: https://new.mortgageinsurance.genworth.com/homebuyer-education to register for landlord education. 2. Consumer reads the Fannie Mae Becoming a Landlord publication https://www.fanniemae.com/content/tool/landlord-guidance.pdf. 3. Consumer completes the test on the Genworth site. 4. Upon successful completion of the test a certificate is emailed to the consumer. <p>MGIC</p>

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	to the consumer.	<ol style="list-style-type: none"> 1. Consumer directed to MGIC education page: https://www.readynest.com/homebuyer-resources/landlord-test. 2. Consumer reads the Fannie Mae Becoming a Landlord publication https://www.fanniemae.com/content/tool/landlord-guidance.pdf. 3. Consumer completes the test on the MGIC site. 4. Upon successful completion of the test a certificate is emailed to the consumer.
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Chapter 3 – ASSIST Loan Product and Terms

3.1 ASSIST Loan Availability and Products (Rev. 09/01/2018)

ASSIST loan funds are subject to availability, and may not be available at all times. Please view <https://ilrs.vhfa.org/> for notices regarding ASSIST Loan availability.

ASSIST loans must be paired with a VHFA first mortgage programs and eligible conventional and government loan products. For more information about conventional and government Products refer to [Chapter 6 – Government Loan Products and Process](#) and [Chapter 7 – Conventional Loan Products and Process](#).

3.2 ASSIST Loan Compliance Requirements and Eligibility (Rev. 03/01/2019)

Each borrower and any non-borrowing spouse must meet the qualification and compliance requirements for the:

- VHFA first mortgage program, and (Program Compliance Requirements are found in [Chapter 2](#) of the Procedural Guide,) and
- underlying conventional or government product, and
- ASSIST mortgage program requirements.

First Time Homebuyer

Each borrower and any non-borrowing spouse must be first-time homebuyers. Any borrower or non-borrowing spouse can not have held an ownership interest which includes spousal benefit in a principal residence at any point in time.

- Examples of “Ownership Interest” include, but are not limited to these examples:
 - Joint tenancy, tenancy in common or tenancy in entirety.
 - An interest in a residence even when not liable for the debt.
 - An interest in a residence currently occupied by an estranged spouse.
 - An interest in a mobile home on owned land.
 - An interest in a mobile home located in a park that is permanently affixed to the land.
 - An interest held in trust that would constitute an ownership interest if held by the borrower or non- borrowing spouse.
 - A life estate.
 - Fee simple interest.
 - The interest of a tenant-stockholder in a cooperative.
 - A land contract, contract for deed, bond for deed, a conditional sale contract or the like (i.e., a contract pursuant to which possession and the benefits and burdens of ownership are transferred but legal title is not transferred until some later time), which may include some instruments called “leases” or “lease-purchase agreements.”
 - Having owned a manufactured home in a park shall also be considered as ownership interest for the purposes of this requirement.
- Examples of “Spousal Benefit” include, but are not limited to these examples:

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- Non-title holder but occupied home as primary residence with spouse who held title.
- Non-mortgage obligor but occupied home as primary residence with spouse who is/was a mortgage obligor.

The only allowable exception for ownership interest in a property is being on the deed of a living parent's home, provided the parent(s) are residing in the property and the borrower and non-borrowing spouse has not lived in the property as his/her principal residence and/or claimed any tax benefit for the property.

Asset Limitation

Each borrower and any non-borrowing cannot have access to liquid assets that exceed \$30,000 at any time from the date of the loan application through the loan closing date. Examples of liquid assets include funds in a checking account or savings account, a certificate of deposit, gift funds received or to be received prior to closing, the earnest money deposit and any non-retirement liquid assets such as stocks or bonds. Assets that cannot be easily converted into cash without penalty are not counted towards the accessible liquid cash asset limitation (including IRA, SEP, Keogh, 403B, 401K and other tax-favored retirement accounts).

Pre-purchase education and counseling must be completed prior to the closing of the ASSIST loan. Refer to [Chapter 2, Section 2.7 Pre-Purchase Homebuyer Education and Landlord Education](#) for the level of education required.

3.3 Loan Amount and Eligible Uses (Rev. 01/01/2019)

Determining ASSIST Loan Amount

The ASSIST loan amount is the lesser of \$5,000 or the maximum down payment and closing cost assistance allowable (rounded down to the nearest dollar/no cents) for the product selected.

Any contributions received by the borrower(s) for down payment and/or closing costs (such as other subordinate financing sources, seller contribution, grant, etc.) must be considered **before** the eligible amount of ASSIST funds can be determined.

In no case, can ASSIST funds that are in excess of the eligible closing costs, be disbursed to the borrowers or applied as a principal reduction.

Eligible ASSIST Uses

- ASSIST is limited to down payment and closing costs.
- Eligible closing costs are the **usual and customary costs due at closing for the VHFA first mortgage**
- Closing costs paid outside of closing are eligible if clearly itemized on the Closing Disclosure, examples include: credit report, appraisal fee, property inspection, homeowner's insurance premium, homebuyer and counseling education, etc.

Ineligible ASSIST Uses

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- ASSIST funds may not be applied as a principal reduction.
- ASSIST funds may not be applied toward any financed upfront mortgage insurance or fees included in the loan amount; if the upfront mortgage insurance or fees are **not** included in the loan amount then ASSIST funds can be applied toward the payment of the fee at closing.
- ASSIST funds may not be applied to per diem interest.
- If ASSIST funds are applied to a principal reduction, financed upfront mortgage insurance/fees or per diem interest, the lender will not be reimbursed for that amount.
- **Lenders may not assess any type of origination or closing costs on VHFA ASSIST mortgage loan.**

ASSIST and Applicable Product Requirements

Lenders are responsible for ensuring that the use of ASSIST funds complies with the applicable product requirements set forth in the guidelines of Fannie Mae, RD, FHA, and VA.

- Fannie Mae (FNMA) - www.fanniemae.com
- USDA Rural Development (RD) – www.rd.usda.gov/vt
- Federal Housing Administration (FHA) – www.hud.gov
- Veterans Administration (VA) – www.homeloans.va.gov

3.4 Structure and Terms (Rev. 01/01/2019)

All eligible ASSIST loans shall be provided under the following structure and terms:

- ASSIST loans require a Note with no scheduled regular monthly payment, and provides a 0% interest rate. [See Forms Appendix](#)
- A mortgage deed must be executed, and recorded; the original mortgage deed is sent to VHFA after closing who in turn handles the recording. [See Forms Appendix](#)
- ASSIST loans are designed to meet Fannie Mae’s Community Seconds eligibility requirements.
- ASSIST loans are required to be included in the calculation of the CLTV, the CLTV cannot exceed 105%.
- Lenders should follow all applicable rules and regulations regarding the disclosure of a deferred subordinate mortgage. The first mortgage Closing Disclosure (or HUD-1) must document the borrower(s) receipt of VHFA ASSIST funds.
- ASSIST loans will not be subordinated, assumed, or otherwise transferred to new borrower(s).

ASSIST loans do not require a regular monthly payment. Borrowers shall be required to pay ASSIST funds back in full in the event of the following:

- The borrower(s) sell or otherwise transfer the property.
- The original loan associated with the ASSIST loan is refinanced or paid in full.

For information on reserving ASSIST funds, refer to [Chapter 8 – Reservation and Compliance Submission](#).

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For details on the required closing documents, delivery and funding, refer to [*Chapter 9 – Closing and Delivery.*](#)

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Chapter 4 – RESERVED (THIS CHAPTER INTENTIONALLY LEFT BLANK)

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Chapter 5 – Subordinate Financing, Affordable/Community Seconds

5.1 General Information (Rev. 01/01/219)

In addition to the VHFA ASSIST program (Chapter 3 – ASSIST Loan Products and Terms), other subordinate or affordable/community second financing sources are acceptable to combine with a VHFA first mortgage loan. Subordinate or affordable/community second financing sources may be funded by a federal agency, municipality, state, county, non-profit organization or a regional Federal Home Loan Bank. Lenders are responsible for ensuring that the use of the subordinate or community second financing source complies with the applicable product requirements set forth in the guidelines of Fannie Mae, RD, FHA, and VA, as applicable.

- Fannie Mae (FNMA) - www.fanniemae.com
- USDA Rural Development (RD) – www.rd.usda.gov/vt
- Federal Housing Administration (FHA) – www.hud.gov
- Veterans Administration (VA) – www.homeloans.va.gov

All funding sources including subordinate financing or affordable/community seconds must be reflected on the final Closing Disclosure. Any subordinate financing or affordable/community second funding source must be subordinate to the VHFA first mortgage and VHFA ASSIST mortgage (if applicable).

5.2 Eligible Uses (Rev. 04/16/2018)

Use of any subordinate or affordable/community second financing sources are limited to down payment and closing costs. Eligible costs are the usual and customary costs due at closing or paid outside of closing for a VHFA first mortgage. Closing costs paid outside of closing are eligible. Cash-out proceeds are not allowed with the exception of reimbursement of a usual and customary closing cost paid outside of closing.

5.3 Ineligible Uses (Rev. 04/16/2018)

Use of subordinate or affordable/community second financing sources have the following restrictions:

- May not be applied as a principal reduction.
 - May not be applied toward any financed upfront mortgage insurance included in the loan amount; if the upfront mortgage insurance is **not** included in the loan amount then loan or grant can be applied toward the payment of the fee at closing.
 - May not be applied to per diem interest.
 - Lenders should not assess any type of origination or closing costs associated with a non-profit Homeownership Center loan or grant.
-

5.4 Vermont Homeownership Center Loans and Grants (Rev. 02/01/18)

There are five non-profit Homeownership Centers located in Vermont (Champlain Housing Trust, RuralEdge, Downstreet, NeighborWorks® of Western Vermont and Windham & Windsor Housing

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Trust). These Homeownership Centers often have access to funds to issue loans and/or grants for down payment and closings costs to eligible borrowers.

The Lender is responsible for confirming the following with the Homeownership Center:

If...	Then...
The loan or grant will result in a lien on the property.	The loan or grant amount must be included in the Combined-Loan-To-Value (CLTV) and the CLTV cannot exceed 105%.
The loan or grant will result in a regularly scheduled payment.	The payment must be included in the Debt-to-Income (DTI) calculation.

5.5 Vermont Community Land Trust (Rev. 04/16/2018)

Land Trust organizations in Vermont administer shared equity programs to assist eligible borrowers with down payment. Details and requirements vary by program and the Housing and Land Trust should be contacted directly for information. Refer to [7.8 Community Seconds, Community Land Trust and Resale Restriction Loans](#).

5.6 Other Loan and/or Grant Funding Sources (Rev. 02/01/18)

The Lender is responsible for confirming the following for any loan or grant issued by a federal agency, municipality, state, county, non-profit organization or a regional Federal Home Loan Bank:

If...	Then...
The loan or grant will result in a lien on the property.	The loan or grant amount must be included in the Combined-Loan-To-Value (CLTV) and the CLTV cannot exceed 105%.
The loan or grant will result in a regularly scheduled payment.	The payment must be included in the Debt-to-Income (DTI) calculation.
There is any impact on the ownership of the property (i.e. leasehold vs. fee simple) or there are resale restrictions.	The appraisal must reflect the ownership or resale restrictions in the property value.

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Chapter 6 – Government Loan Products and Process

6.1 Government Loans (Rev. 12/13)

Mortgage loans guaranteed by the government agencies are eligible for the program. All mortgage loans must be originated and closed based on the criteria and requirements of VHFA, U.S. Bank Home Mortgage-HFA Division and the applicable government program. Refer to [Section 6.6 Credit Underwriting and Loan Terms](#).

6.2 Products, Systems and Approvals (Rev. 11/15)

The lender is responsible for the proper and accurate underwriting of all loans. Full documentation to support the underwriting decision must be obtained by the lender and available to VHFA and U.S. Bank Home Mortgage-HFA Division if required.

The following Underwriting Systems are acceptable:

- RD - Loans may be processed through GUS or manually underwritten by lenders.
- VA - Loans may be processed through DU, LPA or manually underwritten by the applicable agency or by lenders with delegated authority.
- FHA - Loans may be processed through DU or LPA. **Manually underwritten are not acceptable.**

6.3 Eligible Property Types (Rev. 12/13)

Property type and condition must be acceptable to the applicable government insurer/guarantor.

Eligible Property Types	<ul style="list-style-type: none"> ▪ 1 unit detached existing and new (never occupied). ▪ 2 unit existing occupied as a dwelling for the prior five years (FHA and VA only). ▪ Condominium units and Planned Unit Developments (PUDs) acceptable to the applicable agency (RD, VA, FHA) and U.S. Bank Home Mortgage-HFA Division.
Ineligible Property Types	<ul style="list-style-type: none"> ▪ Co-operatives ▪ Properties with more than 15 acres of land ▪ New or existing manufactured housing on owned-land or in a park. ▪ 2 unit properties newly constructed or converted to a dwelling in the last five years.

6.4 Pre-Purchase Homebuyer Education and Counseling (Rev. 01/01/2019)

For all Government loans **with or without** down payment or closing cost assistance, one borrower must have completed pre-purchase education. Refer to [Chapter 2, Section 2.7 – Pre-Purchase Education and Landlord Education](#), for details on pre-purchase education requirements.

6.5 Interested Party Contributions and Buy-downs (Rev. 3/17)

Interested party contributions cannot exceed the actual amount of the usual and customary closing costs.

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Any amount that exceeds the actual closing costs will be treated as a seller concession and the acquisition cost and loan amount will be reduced accordingly.

Temporary interest rate buy-downs are not permitted.

6.6 Credit Underwriting and Loan Terms (Rev. 3/17)

While all loans must be underwritten to the requirements of the applicable agency, VHFA and U.S. Bank have applied additional requirements and overlays to each government loan product. Lenders are responsible for reviewing the requirements for the applicable government agency, VHFA and U.S. Bank and applying the most stringent requirements.

Government agency requirements, refer to:

- USDA Rural Development (RD) – www.rd.usda.gov/vt
- Veterans Administration (VA) – www.homeloans.va.gov
- Federal Housing Administration (FHA) – www.hud.gov

VHFA requirements, refer to:

- The most recent Quick Reference Guide available in Guides, Forms and Resources found online at <https://ilrs.vhfa.org/>

U.S. Bank HFA Division requirements, refer to:

- U.S. Bank Lending Manuals, Housing Finance Agency, Vermont at www.hfa.usbank.com

6.7 Property Repairs (Rev. 12/13)

When repairs to an existing property are determined by the lender to be necessary (per the Uniform Residential Appraisal Report or a property inspection) or are requested by the borrower, the cost of the repairs may be included in the loan amount if the final acquisition cost is supported by the appraised value. Total cost of repairs cannot exceed \$15,000.

Only loans with a weather-related repair escrow are eligible for delivery and funding prior to the completion of the repairs. Repair that are not weather-related, must be completed prior to delivery of the loan. Lenders must follow the repair escrow guidelines as outlined by U.S. Bank Home Mortgage-HFA Division and the provider of the insurance or guarantee (RD, VA, and FHA).

See [Section 9.10 – Delivering Loans with Repairs](#) for details on how to close and deliver a VHFA Advantage loan with repairs.

6.8 Delivery Fees (Rev. 04/16/2018)

For all government loans, the following fees are due from the lender and will be deducted by U.S. Bank from the loan purchase amount:

- Funding Fee

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- Tax Service Fee (For VA and FHA borrowers, this fee must be covered by a third party).

Refer to the U.S. Bank HFA Division Guide, Housing Finance Agency, Vermont for most current fee schedule www.hfa.usbank.com.

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Chapter 7 – Conventional Loan Products and Process

7.1 Conventional Loans (Rev. 01/01/2019)

All conventional loans must be eligible for sale to Fannie Mae. All exceptions and variances permitted by Fannie Mae and VHFA are subject to the availability of mortgage insurance.

7.2 Products, Systems and Approvals (Rev. 01/01/2019)

Only the following Fannie Mae products (product name in bold) are eligible for delivery: For detailed information refer to the product in the Fannie Mae guide.

- Fannie Mae **HFA Preferred** for DU submissions. Not described in the Fannie Mae manual, refer to Fannie Mae Home Ready Mortgage guidelines.
- Fannie Mae **Manual Underwriting**: refer to Fannie Mae Home Ready Mortgage guidelines.
- Fannie Mae **Community Seconds** for transactions that include an eligible second mortgage.
- Fannie Mae **Community Land Trust** for properties with a ground lease from a land trust.
- Fannie Mae **Resale Restricted** for properties subject to a covenant that includes resale requirements.

The lender is responsible for the proper and accurate underwriting of loans **including compliance with the U.S. Bank HFA Division Underwriting Guidelines (www.hfa.usbank.com) and VHFA Procedural Guide** for any applicable overlays. The acceptable approval levels are:

- Fannie Mae: DU Approve/Eligible and manual underwrites.
- Fannie Mae: Freddie Mac LPA Risk Class of Accepted meets Fannie Mae and U.S. Bank overlays. This option should be used only if a lender is not Fannie Mae approved nor has direct DU access.

7.3 Eligible Property Types (Rev. 01/01/2019)

Property type and condition must be acceptable. Not every property type is eligible for every product. Please review the information below for property eligibility and maximum allowable LTV/CLTV:

	Fannie Mae DU		Manual Underwrite
	FNMA: HFA Preferred	FNMA: HFA Preferred	FNMA: HomeReady
	95% LTV/105% CLTV	97% LTV/105% CLTV	95% LTV/105% CLTV
1 Unit Detached	Eligible	Eligible	Eligible
2 Unit Detached	Eligible	Ineligible	Ineligible
Condominium	Eligible	Eligible	Eligible
Manufactured Housing	Eligible	Ineligible	Ineligible
Co-op	Ineligible	Ineligible	Ineligible
>15 acres	Ineligible	Ineligible	Ineligible

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Community Land Trusts/Resale Restricted Properties	Eligible	Eligible	Eligible
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To be eligible for financing, condominium units and PUDs must be Fannie Mae approved or meet Fannie Mae Project Approval Standards and be acceptable to U.S. Bank Home Mortgage-HFA Division. The lender is responsible for reviewing all documents and making the required representations and warranties through U.S. Bank’s Condo review policy which is available at www.hfa.usbank.com. Also refer to www.fanniemae.com for details.

To be eligible for financing, manufactured housing units must have been manufactured in the year 2000 or more recently.

7.4 Pre-Purchase Homebuyer Education and Counseling (Rev. 01/01/2019)

For all Conventional loans **with or without** down payment or closing cost assistance, one borrower must have completed pre-purchase education and counseling. Refer to [Chapter 2, Section 2.7 – Pre-Purchase Education and Landlord Education](#), for details on pre-purchase education and counseling requirements.

For all loans where subject property is a 2-unit, one borrower must have completed landlord education. Refer to [Chapter 2, Section 2.7 – Pre-Purchase Education and Landlord Education](#), for details.

7.5 Mortgage Insurance Requirements (Rev. 04/16/2018)

Mortgage insurance must be provided by an insurer acceptable to Fannie Mae. For VHFA loans, the level of coverage is lower than for standard Fannie Mae loans. Coverage requirements are based on the loan to value ratio. The coverage requirements are:

Loan to Value (LTV)	Coverage %
95.01% to 97.00%	18%
90.01% to 95.00%	16%
85.01% to 90.00%	12%
80.01% to 85.00%	6%

7.6 Interested Party Contributions, Buy-downs (Rev. 01/01/2019)

Interested party contributions must be acceptable to Fannie Mae.

Temporary interest rate buy-downs are not permitted for Fannie Mae underwritten loans.

7.7 Credit Underwriting and Loan Terms (Rev. 01/01/2019)

While all loans must be underwritten to Fannie Mae requirements, VHFA and U.S. Bank have applied additional requirements and overlays. Lenders are responsible for reviewing Fannie Mae, Mortgage Insurer, VHFA and U.S. Bank guides and applying the most stringent requirements.

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▪ **Fannie Mae Desktop Underwriter (DU) Submission**

All loans must meet the requirements of Fannie Mae’s **HFA Preferred** product. Lenders must choose HFA Preferred as the product option, **not** a standard Fannie Mae product. HFA Preferred is not defined in the Fannie Mae Selling Guide and is only available through DU.

▪ **Fannie Mae Manual Underwriting**

Lenders must follow the most current Fannie Mae guide and refer to Home Ready Mortgage requirements for manually underwritten loans. Borrowers using **non-traditional credit** must follow Fannie Mae guidelines, but are also subject to any additional overlays required by U.S. Bank.

Lenders that are only Freddie Mac approved sellers and do not have direct access to DU (not Fannie Mae approved) may originate and deliver conventional loans under VHFA programs as long as they are eligible for delivery to Fannie Mae. Since all loans are delivered to Fannie Mae, Freddie Mac fees do not apply. To be eligible for delivery, all loans must have a Loan Product Advisor (LPA) Accept for Home Possible Advantage and meet the applicable Fannie Mae, U.S. Bank and VHFA overlays. Refer to the Fannie Mae and U.S. Bank guides for detailed requirements.

Fannie Mae requirements, refer to:

- Fannie Mae Guide available at www.fanniemae.com.

VHFA requirements, refer to:

- The most recent Quick Reference Guide available in Guides, Forms and Resources found online at <https://ilrs.vhfa.org/>.

U.S. Bank HFA Division requirements, refer to:

- U.S. Bank Lending Manuals, Housing Finance Agency, Vermont at www.hfa.usbank.com.

7.8 Community Seconds, Community Land Trust and Resale Restriction Loans (Rev. 01/01/2019)

For Fannie Mae underwritten loans, VHFA may accept loans that contain Community Seconds, Community Land Trust participation, and Resale Restrictions. General guidelines for the Fannie Mae loan types as detailed in the Fannie Mae guide. The lender is responsible for thoroughly reviewing and understanding the Fannie Mae requirements that apply and warranting that all loans originated are in full compliance with Fannie Mae requirements.

▪ **Fannie Mae Community Seconds:**

Fannie Mae has specific requirements for the funding source, terms and repayment of a **Community Seconds** mortgage. Fannie Mae provides a **Community Seconds Checklist** to assist lenders which is found on Fannie Mae’s website.

▪ **Fannie Mae Community Land Trust (CLT):**

Only Fannie Mae approved lenders can originate loans secured by properties with a leasehold. General guidelines for the Fannie Mae loan types as detailed in the Fannie Mae guide.

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For loans on properties that include a **Lease Agreement** from a land trust/nonprofit, the loan must be in compliance with Fannie Mae’s requirements to be eligible for VHFA. The lender is responsible for determining the details of the transaction and the applicable program.

Fannie Mae provides a checklist for lenders to follow for this product; which includes the lenders representation that the land trust organization meets Fannie Mae eligibility. For the checklist and complete details go to Fannie Mae’s website.

For properties subject to a ground lease from a land trust/non-profit the lender must be familiar with and follow Fannie Mae’s requirements for the **Community Land Trust (“CLT”)** product outlined in the Fannie Mae guide. Additional details on minimum appraisal requirements for Community Land Trust transactions are available in the Fannie Mae guide.

NOTE: To determine that the acquisition cost of the property is within VHFA’s limits, the purchase price **plus** the calculated leasehold value must be within the current limits.

▪ **Fannie Mae Resale Restricted:**

For loans with properties that include resale restrictions from a **covenant** or security instrument, the lender is responsible for determining that the loan complies with the requirements for this type of transaction as outlined in the Fannie Mae guide. General guidelines for the Fannie Mae loan types as detailed in the Fannie Mae guide.

Fannie Mae provides a checklist for lenders to follow for this product. For the checklist and complete details go to Fannie Mae’s website.

These are transactions where the land trust/nonprofit is using a covenant (not a ground lease) to place restrictions that impact the resale of the property.

The Lender is responsible for confirming the following with the Community Land Trust organization:

If...	Then...
If the Community Land Trust program will result in a lien on the property.	The Community Land Trust program amount must be included in the Combined-Loan-To-Value (CLTV) and the CLTV cannot exceed 105%.
The Community Land Trust program will result in a regularly scheduled payment.	The payment must be included in the Debt-to-Income (DTI) calculation.
The Community Land Trust program will result in leasehold ownership or other resale restrictions.	The appraisal must reflect the leasehold ownership or resale restrictions in the property value.
There are specific Community Land Trust documents that the borrower must execute.	Confirm that these documents are acceptable with the applicable product requirements set forth in the Fannie Mae guidelines: <ul style="list-style-type: none"> ▪ Fannie Mae (FNMA) - www.fanniemae.com

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Fannie Mae requirements, refer to:

- Fannie Mae checklists and guide available at www.fanniemae.com

7.9 Property Repairs (Rev. 01/01/2019)

When repairs to an existing property are determined by the lender to be necessary (per the Uniform Residential Appraisal Report or a property inspection) or are requested by the borrower, the cost of the repairs may be included in the loan amount if the final acquisition cost is supported by the appraised value. Total cost of repairs cannot exceed \$15,000.

Only loans with a weather-related repair escrow are eligible for delivery and funding prior to the completion of the repairs. Repair that are not weather-related, must be completed prior to delivery of the loan. Lenders must follow the repair escrow guidelines as outlined by U.S. Bank Home Mortgage-HFA Division and Fannie Mae.

See [Section 9.10– Delivering loans with Repairs](#) for details on how to close and deliver a loan with repairs.

7.10 Delivery Fees (Rev. 01/01/2019)

Conventional loans delivered under VHFA’s mortgage programs are not subject to Fannie Mae loan level price adjustments.

For all Conventional loans, the following fees are due from the lender and will be deducted from the loan purchase amount:

- Funding Fee
- Tax Service Fee (For VA and FHA borrowers, this fee must be covered by a third party).

Refer to the U.S. Bank HFA Division Guide for most current fee schedule www.hfa.usbank.com.

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Chapter 8 – Reservation and Compliance Submission

8.1 Reservation Process and Terms (Rev. 01/01/2019)

To reserve funds for a borrower(s) the lender must submit a VHFA on-line reservation <https://ilrs.vhfa.org/>. The interest rate and pricing tier structure in effect on the day a loan is reserved will apply to that loan from the date of reservation to the Final Purchase Date. Loans not purchased by the Final Purchase Date may be ineligible for purchase or subject to daily pricing outside of the standard VHFA pricing tiers.

To reserve ASSIST funds, when completing the on-line information for the first mortgage select the program option that indicates an ASSIST loan is included. VHFA will **not** issue a separate Reservation Confirmation and Compliance Checklist Form for the ASSIST loan, information for ASSIST prints on the Reservation Confirmation and Compliance Checklist for the first mortgage loan.

Upon successful submission of a Reservation in the VHFA Loan Origination Center, a Reservation Confirmation and Compliance Checklist will be available to print, view or save in the VHFA Loan Origination Center. The Reservation Confirmation and Compliance Checklist is conditionally issued based on the lender provided information, and does not guarantee future loan approval or purchase. The Reservation and Compliance Checklist includes the **Required Compliance Documents, Compliance Submission Date** (30 days from Reservation), and **Final Purchase Date** (110 days from Reservation).

Lenders seeking to **Withdraw a Reservation** should refer to [Section 8.4 – Withdrawing/Changing Reservations or Commitments](#) for more information.

8.2 Compliance Submission (Rev. 03/01/2019)

Documentation required to determine compliance for the borrower(s), a non-borrowing spouse and the property, must be submitted to VHFA for the first mortgage and, if applicable, an ASSIST mortgage.

If all submitted documents are satisfactory, VHFA will issue a Conditional Commitment that includes the post-closing documents the lender is required to deliver to VHFA. VHFA's review and acceptance of submitted documents does not guarantee future acceptance of a loan for purchase.

To be acceptable, documents cannot be more than 90 days old from the date of receipt. If any documents are signed by a person who has a limited Power of Attorney (POA) or is a court authorized signer for the borrower(s), a copy of the recorded POA authorization must be submitted and all documents must be signed appropriately. VHFA reserves the right to require additional documentation.

If any VHFA form is deemed incomplete or inaccurate a new form must be fully executed before Conditional Commitment will be issued. Corrected or modified copies of any VHFA forms will not be accepted.

VHFA Advantage compliance submission - send copies of all documents:

- **VHFA Federal Act Income and Acquisition Cost Worksheet** [See Forms Appendix.](#)
- **VHFA ADVANTAGE Compliance Affidavit** [See Forms Appendix](#)
- **Underwriting Transmittal (FNMA 1008/Freddie Mac 1077 or Government equivalent)**

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- **AUS Findings Report** from DU, LPA or GUS
- **Uniform Residential Loan Application (current FNMA/FHLMC)** signed by all applicants
- **Updated Credit Report** that includes credit scores for each applicant
- **Income Verification** sufficient to determine total income
- **Federal Tax Returns** for each borrower and non-borrower spouse for the most recent tax filing year (if using ASSIST see below, most recent 3 years are required)
- **Purchase and Sale Agreement** fully signed with all addenda and attachments. If a Community Land Trust transaction, include a copy of the unsigned Lease Agreement or Covenant.
- **Residential Appraisal Report** complete copy of the report applicable to the property type with clear photos of the subject property. **For Fannie Mae only:** If the property is subject to a Lease Agreement or Covenant, the appraisal must be completed accordingly. Refer to the Fannie Mae guide and [Section 7.8 – Community Seconds, Community Land Trust and Resale Restriction Loans](#) of this guide for more information.
- **Homebuyer Education Certificate of Completion.** See [Section 2.7 Pre-Purchase Homebuyer Education and Landlord Education](#) for more information.
- **Landlord Education Certificate of Completion** only required for 2-unit subject property. See [Section 2.7 Pre-Purchase Homebuyer Education and Landlord Education](#) for more information.

ASSIST Compliance Submission Documents (if applicable) - send copies of all documents:

- **VHFA ASSIST Compliance Affidavit** [See Forms Appendix](#)
- **Federal Tax Returns** for each borrower and non-borrower spouse for the 3 most recent tax filing years
- **Asset Verification** most recent 2 month history or quarterly statement for **all** liquid assets

8.3 Conditional Commitment (Rev. 04/16/2018)

Upon receipt of all satisfactory documentation required per the Reservation Confirmation and Compliance Checklist, VHFA will issue a Conditional Commitment which will be available to print, view or save in the VHFA Loan Origination Center outlining the minimum documents and terms for the delivery of closed loans to VHFA.

The Conditional Commitment also includes the Final Purchase Date U.S. Bank Home Mortgage-HFA Division will purchase the loan at the terms per the Conditional Commitment. The Final Purchase Date for a loan will **not** be extended. Loans not purchased by U.S. Bank Home Mortgage-HFA Division by the Final Purchase Date will be ineligible for purchase or subject to daily pricing outside of the standard VHFA pricing tiers.

Lenders seeking to **Withdraw a Reservation** should refer to [Section 8.4 – Withdrawing/Changing Reservations or Commitments](#) for more information.

8.4 Withdrawing/Changing Reservations or Commitments (Rev. 8/14)

To withdraw or provide updated information for a Reservation or Commitment, e-mail VHFA at homeownershipdept@vhfa.org.

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For withdrawn Reservations or Commitments the following applies:

- When a Reservation or Commitment is withdrawn, VHFA will not accept a new Reservation for a borrower purchasing the same property until 60 days after the date of withdrawal. VHFA will consider accepting a new Reservation if the withdrawal was due to an issue with the property and supporting information can be provided.
- A Reservation will not be transferred to a new borrower purchasing a property previously reserved for a different borrower.

For changes to a Reservation or Commitment, the following applies:

- For a change in the loan amount, the lender must provide the updated information to VHFA prior to closing.
 - For a property change, the original Reservation must be withdrawn and a new Reservation submitted. If the new Reservation is requested less than 60 days from the date the previous Reservation was withdrawn, then VHFA will apply the higher rate from the original Reservation or the rate in effect on the date of the new request. The Final Purchase Date per the Reservation/Conditional Commitment will remain in effect.
 - A request to change the loan product must be received by VHFA within 60 days of the Reservation Date. The rate will be the higher of the product rate on the date of the original Reservation or the rate on the date of the request. The Final Purchase Date per the original Reservation will apply.
-

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Chapter 9 – Closing and Delivery

This chapter covers only the closing and delivery requirements for VHFA. Refer to the U.S. Bank Home Mortgage-HFA Division Lender Manual for more information on closing and delivering loans. The U.S. Bank manual can be accessed from <https://ilrs.vhfa.org/> or at www.hfa.usbank.com.

9.1 Lender Fees at Closing (Rev. 01/01/2019)

The lender may collect fees to cover the cost of third party expenses that are usual and customary for VHFA first mortgages. The fees may not exceed the amount collected for other mortgage loan products the lender offers. The lender may collect a fee to compensate for lender provided services (i.e. application fee, underwriting, processing, document preparation) in conjunction with the origination of the mortgage loan, if such a fee is usual and customary for non-VHFA borrowers. In no event can a lender charge higher fees or fees that are not charged to borrowers that receive non-VHFA assisted mortgage loans.

For ASSIST mortgage loans, lenders may **not** assess any type of origination or closing costs. All ASSIST loan proceeds must be used for down payment or closing costs associated with the VHFA first mortgage loan.

9.2 Eligible Title Holders (Rev. 01/01/2019)

Only a borrower and non-borrowing spouse can take title. Each borrower and non-borrowing spouse must meet all compliance requirements and be determined eligible by VHFA. If closing documents are signed by persons that have not been approved by VHFA, the loan is not eligible for sale through VHFA's Program, even if Fannie Mae, FHA, VA or RD approved the loan.

When there is a non-borrowing spouse that will not be liable for the debt associated with the mortgage, they must sign the documents below whether or not they are taking title.

- **Mortgage Deed** – Name of the non-borrowing spouse as applicable, must be on the first page of the Mortgage Deed and he/she/they must sign the document.
 - **Assignment of Mortgage** – The name of the non-borrowing spouse must be included on this form.
 - **Reaffirmation of Affidavits and Certifications** – Completed by all borrowers and non-borrowing spouses.
-

9.3 Closing Process and Documents (Rev. 4/14)

Lenders are responsible for funding each loan and accurately completing all required closing documents required for the loan type. In addition, a VHFA Property Transfer Tax Exemption must be completed for each loan. See [Forms Appendix](#).

Refer to U.S. Bank Home Mortgage-HFA Division manual at www.hfa.usbank.com and the VHFA issued Conditional Commitment for the required documents and further information.

For closing ASSIST loans, refer to [Section 9.4 – Closing with ASSIST Loan](#).

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9.4 Closing with ASSIST Loan (Rev. 01/01/2019)

If an ASSIST loan is included in the loan transaction, the lender is responsible for:

- Determining the maximum allowable amount of the ASSIST loan. Refer to [Chapter 3 – ASSIST Loan Products and Terms](#) for details.
- Correctly listing the ASSIST loan on the Closing Disclosure.
- Providing the funding for the ASSIST loan at closing. VHFA will not table fund ASSIST loans; VHFA will reimburse the lender upon post-closing approval of the ASSIST loan.
- Providing the **VHFA Closing Agent Instructions for ASSIST Mortgage Loan** to the closing agent along with the required ASSIST Disclosure, Note and Mortgage. [See Forms Appendix](#)
- Ensuring the **VHFA Zero Interest ASSIST Note and VHFA ASSIST Mortgage Deed** are correctly prepared and properly executed at closing. [See Forms Appendix](#). The Zero Interest ASSIST Note and VHFA ASSIST Mortgage Deed are both closed in VHFA’s name, however their accuracy and satisfactory completion are the responsibility of the lender.

Lenders and closing agents **may not assess** any type of origination or closing costs, including recording fees, on VHFA ASSIST mortgage loans. All ASSIST loan proceeds must be used for down payment or closing costs associated with the VHFA first mortgage loan. ASSIST loan proceeds can never be used toward a principal payment reduction, applied to financed upfront mortgage insurance included in the loan amount or to pay per diem interest. Note: If the upfront mortgage insurance is **not** included in the loan amount then ASSIST funds can be applied toward payment of that fee at closing.

Closing agents must be instructed to send the original executed VHFA Zero Interest Note and **unrecorded** VHFA ASSIST Mortgage Deed (including complete Schedule A) to VHFA immediately after closing by a delivery method that includes tracking. In order to receive reimbursement for the ASSIST funds, the lender must ensure that the original executed VHFA Zero Interest Note and unrecorded ASSIST Mortgage Deed (including complete Schedule A) are delivered to VHFA no later than 75 calendar days after closing.

VHFA will send the original ASSIST Mortgage Deed for recording and pay any fees associated with recording the ASSIST loan documents.

9.5 RESERVED (THIS SECTION INTENTIONALLY LEFT BLANK)

9.6 Post-Closing Delivery Time Frames (Rev. 04/16/2018)

Each loan must meet the Final Purchase Date per the Conditional Commitment:

- **Loan Delivery** – Immediately after closing all required loan closing documents must be delivered simultaneously to VHFA and U.S. Bank Home Mortgage-HFA Division.
- **Loan Purchase** – First mortgage loan must be purchased by U.S. Bank Home Mortgage-HFA Division by the Final Purchase Date. Loans **not** purchased by the Final Purchase Date may be ineligible for purchase or subject to daily pricing outside of the standard VHFA pricing tiers.
- **Recorded Documents** – Within 120 days after recorded documents must be received by U.S. Bank Home Mortgage-HFA Division or late fees can be assessed. If there will be a delay in delivering the recorded documents, please contact U.S. Bank or VHFA.

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9.7 VHFA Post-Closing Delivery Process (Rev. 03/01/2019)

Immediately after loan closing the documents required per the applicable Conditional Commitment must be delivered to VHFA. If the first mortgage transaction is paired with an ASSIST loan, lenders must also meet the requirements of the ASSIST Conditional Commitment. If any documents are signed by a person who has a limited Power of Attorney (POA) or is a court authorized signer for the borrower(s), a copy of the recorded POA authorization must be submitted and all documents must be signed appropriately. VHFA reserves the right to require additional documentation.

VHFA Advantage first mortgage post-closing submission - send copies of all documents:

- **Original VHFA Reaffirmation of Affidavit** ([see Forms Appendix](#)).
- **Executed Note** properly endorsed to U.S. Bank National Association.
- **Executed Mortgage with Schedule A**
- **Warranty Deed**
- **Closing Disclosure** for borrower and seller.
- **All Subordinate mortgage documents** (Note, Deed, Etc.) as applicable.
- **Executed Lease Agreement with a FNMA Ground Lease Rider or Covenant** as applicable.
- **Final Underwriting Transmittal (FNMA 1008/Freddie Mac 1077 or Government equivalent).**
- **Final AU System Findings Report from DU, LPA or GUS** that matches the Underwriting Transmittal.
- **Final Uniform Residential Loan Application** (current FNMA/FHLMC) signed by all borrowers.
- **If repairs** were completed or a repair escrow established, refer to [Section 9.10 – Delivering Loans with Repairs](#).

Upon receipt of the post-closing documents listed on the Conditional Commitment, VHFA will review the documentation and notify the lender of either Post-Closing Conditions or Post-Closing Approval.

- If the loan documents are acceptable, VHFA will issue a Post-Closing Approval and VHFA will notify U.S. Bank Home Mortgage-HFA Division of VHFA's acceptance of the closing documents. VHFA's acceptance does not guarantee acceptance or purchase of the loan by U.S. Bank National Association.
 - If the documentation received for the loan is not acceptable, VHFA will issue Post-Closing Conditions and detail the conditions required by VHFA in the Loan Origination Center. If any VHFA form (i.e. VHFA Reaffirmation of Affidavits and Certifications) is deemed incomplete or inaccurate a new form must be fully executed before Post-Closing Approval will be issued. Corrected or modified copies of any VHFA forms will not be accepted.
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9.8 ASSIST Post-Closing Delivery and Loan Funding (Rev. 01/01/2019)

Immediately after loan closing the documents required per the applicable Conditional Commitment must be delivered to VHFA. If any documents are signed by a person who has a limited Power of Attorney (POA) or is a court authorized signer for the borrower(s), a copy of the recorded POA authorization must be submitted and all documents must be signed appropriately. VHFA reserves the right to require additional documentation.

NOTE: The closing agent is instructed to send the original ASSIST Note, Mortgage and Exhibit A directly to VHFA per the **VHFA Closing Agent Instructions for ASSIST Mortgage** ([see Forms Appendix](#)). However, if the lender receives those original documents from the closing agent, the lender must immediately send them to VHFA by a delivery method that includes tracking.

VHFA ASSIST post-closing - send copies unless “Original” is specified:

- **ORIGINAL VHFA Zero Interest ASSIST Note** ([see Forms Appendix](#))
- **ORIGINAL unrecorded VHFA ASSIST Mortgage Deed** ([see Forms Appendix](#))
- **Property description (Exhibit A)** from the first mortgage deed.
- **VHFA ASSIST Disclosure** ([see Forms Appendix](#))
- **Wiring and ACH Instructions** to be used for electronic transmission of funds.
- **VHFA ASSIST Loan Acknowledgment & Award Letter** only applicable for FHA loans. VHFA provides this form with the Conditional Commitment.

Upon receipt of the post-closing documents listed on the Conditional Commitment, VHFA will review the documentation and notify the lender of either Post-Closing Conditions or Post-Closing Approval.

- If the loan documents are acceptable, VHFA will issue a Post-Closing Approval.
- If the documentation received for the loan is not acceptable, VHFA will issue Post-Closing Conditions and detail the conditions required in the Loan Origination Center. If any VHFA form (i.e. VHFA Reaffirmation of Affidavits and Certifications) is deemed incomplete or inaccurate a new form must be fully executed before Post-Closing Approval will be issued. Corrected or modified copies of any VHFA forms will not be accepted.

In order to receive reimbursement for the ASSIST funds:

- The VHFA first mortgage must be Post-Closing Approved, and
- The VHFA ASSIST mortgage must be Post-Closing Approved, and
- The original executed VHFA Zero Interest Note and ASSIST Mortgage Deed (including complete Schedule A) are delivered to VHFA no later than 75 calendar days after closing.

VHFA will determine the maximum eligible ASSIST amount and reimburse the lender as follows:

- VHFA will pay lenders only the maximum amount allowed. Refer to [Chapter 3 – ASSIST Loan Products and Terms](#) for details.
- If the amount of ASSIST funds the lender provided to the borrower exceeds the maximum allowed, only the eligible amount will be paid to the lender by VHFA not the full Note amount.

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- If ASSIST funds were applied to a principal reduction, financed upfront mortgage insurance/fees or per diem interest, the lender will not be reimbursed the amount applied to any of those categories. Note: If the upfront mortgage insurance or fees are not included in the loan amount then ASSIST funds can be applied toward the payment of that fee at closing.

On Friday of each week, or on the next business day if that Friday is a holiday, VHFA will transfer funds electronically to the lender for all ASSIST loans accepted for funding. Lenders must provide VHFA instructions for electronically transferring funds. It is the lender's responsibility to update VHFA if any instructions for electronically transferring funds changes. Prior to the funding, VHFA will provide the lender with a report detailing the ASSIST loans that will be paid that week.

9.9 RESERVED (THIS SECTION INTENTIONALLY LEFT BLANK)

9.10 Delivering Loans with Repairs (Rev. 01/01/2019)

Lenders must follow the applicable agency's guidelines (Fannie Mae, RD, VA or FHA) in addition to U.S. Bank guidelines.

If **repairs will be completed before submitting the loan for sale to U.S. Bank**, the lender must provide the following with the loan delivery package to both VHFA and U.S. Bank Home Mortgage-HFA Division:

- A Completion Certification from the appraiser if the appraised value was "subject to completion."
- Verification of the final cost. A VHFA Lenders Final Cost Certification can be used. [See Forms Appendix](#). Total cost of repairs cannot exceed \$15,000.
- Verification that all funds were disbursed appropriately. Mortgage proceeds cannot be released to the borrower.

If **repairs will be completed after submission for loan sale**, (only allowed for weather-related items) the lender must provide a copy of the Repair Escrow Agreement that establishes the amount of funds escrowed and the terms for completion of the repairs, along with any supporting documentation referenced in the agreement. The amount escrowed and terms of the escrow must comply with the requirements of the applicable agency (Fannie Mae, RD, VA or FHA).

Upon completion of all repairs, the lender must provide U.S. Bank National Mortgage and VHFA with documentation to evidence all work was completed and all funds were properly disbursed, see above, per the escrow agreement. For any undisbursed loan proceeds, the lender must contact U.S. Bank National Association for instructions. Unspent mortgage proceeds cannot be released to the borrower.

9.11 U.S. Bank Home Mortgage-HFA Deliveries, Interim Servicing and Funding (Rev. 01/01/2019)

Loan Delivery - Refer to the U.S. Bank Home Mortgage-HFA Division Lender Manual www.hfa.usbank.com for details on loan delivery, including **delivery fees**, funding and transferring servicing. All loans must be sold servicing released.

U.S. Bank Home Mortgage-HFA Division has a checklist that lenders must complete for each type of loan (Conventional, RD, VA and FHA) that details the documents and stacking order for delivery. The checklist will also detail property specific requirements (i.e. condominium or manufactured house).

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Please refer to U.S. Bank’s website for copies of each delivery checklist, additional details and instructions.

U.S. Bank Home Mortgage-HFA Division will not purchase a loan until: (1) they perform a review and determine the loan has met the requirements of the document custodian and delivery requirements of Fannie Mae or Ginnie Mae and (2) VHFA approves the closing documents reviewed for compliance and notifies U.S. Bank Home Mortgage-HFA Division.

Interim Servicing – Lenders are responsible for all loan servicing functions from the loan closing date until U.S. Bank Home Mortgage-HFA Division purchases the loan. This includes collecting the full monthly mortgage payment and the escrow amounts for taxes and insurance. If any tax or insurance payments, including a mortgage insurance payment is due and payable during the interim servicing period, the lender is responsible for payment. U.S Bank Home Mortgage-HFA Division will consider any payments for taxes or insurance during loan funding. Inquiries regarding escrow payment reimbursements should be made to U.S. Bank Home Mortgage-HFA Division, please refer to www.hfa.usbank.com/.

Loan Purchase – Once a first mortgage loan is acceptable to U.S. Bank Home Mortgage-HFA Division and VHFA, U.S. Bank Home Mortgage-HFA Division will purchase the loan and wire payment to the lender. **NOTE:** ASSIST loans are funded by VHFA, not U.S. Bank Home Mortgage-HFA Division.

U.S. Bank Home Mortgage-HFA Division purchases loans on the **amortized balance**. Loan payments that are due and received prior to purchase by U.S. Bank Home Mortgage-HFA Division, **must be** retained by the lender and applied to the loan. U.S. Bank will fund the loan based on the amortized balance and the escrow amounts collected.

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FORMS APPENDIX

Federal Act Income and Acquisition Cost Worksheet

Federal Act Income Worksheet and Acquisition Cost Worksheet Form #S-601

Advantage Compliance Affidavit

Advantage Compliance Affidavit #S-607tba

Reaffirmation of Affidavit

Reaffirmation of Affidavit Form #S-645mbs

Property Transfer Tax Exemption

Property Transfer Tax Exemption #S-937

Manufactured Home Affidavit of Affixation (for manufactured homes only)

Manufactured Home Affidavit of Affixation #MFAA2019

Lenders Final Cost Certification (optional)

Lenders Final Cost Certification #S-644

ASSIST Compliance Affidavit

ASSIST Compliance Affidavit #S-2015B

Closing Agent Instructions for ASSIST Mortgage Loan

Closing Agent Instructions for ASSIST Loan Mortgages #S-2015C

ASSIST Disclosure

ASSIST Disclosure #S-2015A

Zero Interest ASSIST Note

Zero Interest ASSIST Note #S-2015D

ASSIST Mortgage Deed

ASSIST Mortgage Deed #S-2015E