VHFA Program and Procedural Guide

Chapter 1 VHFA Overview

1.1 Program Structures (Rev. 01/20)

VHFA programs are structured to provide unique benefits to Freddie, Fannie and Government Guaranteed first mortgage loans originated by participating lenders. VHFA is not the developer of the first mortgage products eligible for combining with a VHFA program.

a. Eligible First Mortgage Products: Lenders must determine the eligible product best suited for the borrower(s). The following conventional and government products are the eligible options:
   Conventional Products:
   - Freddie Mac HFA Advantage
   - Fannie Mae HFA Preferred
     - Fannie Mae Preferred allows for MH Advantage, Community Land Trust and Resale Restricted options per their guide. Lenders must apply the additional Fannie requirements to HFA Preferred and use the applicable Special Feature Codes.

   Government Guaranteed Products:
   - FHA Insured
   - VA Guaranty
   - USDA RD Guaranty
b. First Mortgage Requirements: VHFA programs are enhancements to mortgage products available from Fannie Mae, Freddie Mac and government guarantee providers. Lenders are responsible for processing, underwriting, closing and funding all first mortgage loans in compliance with the applicable investor or government guarantors, VHFA and U.S. Bank.
c. Delivery and Servicing of First Mortgage: Per the requirements of Fannie Mae, Freddie Mac and Ginnie Mae, all first mortgages benefitting from a VHFA Program (exception for lender retained loans combined with an MCC) must be delivered servicing released and purchased by U.S. Bank, the servicer for all first mortgages paired with a VHFA program. U.S. Bank is responsible for delivering all loans to the applicable investor and performing all servicing per the requirements of the GSE or government guarantor. Participating lenders enter into a direct agreement with U.S. Bank agreeing to the process and requirements of loan delivery.

1.2 Servicer for First Mortgages and ASSIST (Rev. 01/20)

For First Mortgages - U.S. Bank is the approved Fannie Mae and Freddie Mac servicer for all conventional and government first mortgage loan products paired with a VHFA first mortgage program. As servicer, U.S. Bank performs the following post-closing:

- Receives and reviews all documents required for loan purchase.
- Determines loan purchase eligibility and completes the loan purchase transaction.
- Performs all loan servicing functions post-purchase.

For detailed information regarding U.S. Bank requirements, fees and delivery information go to the U.S. Bank Lending Guide to view the applicable lender guides and checklists.

VHFA performs a loan review for compliance requirement with the VHFA program. VHFA does not perform a review of the underlying conventional or government credit or collateral policy requirements. The compliance requirements are detailed in *Chapter 2* of this guide.

For ASSIST Mortgages - VHFA is the owner, investor and servicer. U.S. Bank does not manage ASSIST loan processing, post-closing questions, or documentation. All inquiries about ASSIST loan compliance and documentation must be made directly to VHFA. VHFA is responsible for the following:

- Receives and reviews all documents required for ASSIST loans.
- Determines loan eligibility and loan funding.
- Recording of the ASSIST mortgage.
- Performs all loan servicing functions.

For detailed information regarding VHFA ASSIST requirements see *Chapter 6*.

1.3 Participating Lender Requirements (Rev. 01/20)

Product Eligibility - lenders must be eligible to originate loans for one or more of the following:

- Fannie Mae
- Freddie Mac
- USDA Rural Development (RD)
- Veterans Administration (VA)
- Federal Housing Administration (FHA)

Lenders must be well-versed in the products and specific requirements of each. For detailed information, refer to the applicable guides for each agency.

Loan Underwriting and Closing – Lenders are responsible for:

- Performing the processing and underwriting for all first mortgage loans paired with a VHFA program.
- Preparing all VHFA forms required to complete the origination process and satisfy VHFA compliance and program requirements.
- Managing the closing process and promptly delivering the required documents to U.S. Bank and VHFA.
- Maintaining access to the applicable guides and requirements for Fannie Mae, Freddie Mac, USDA Rural Development (RD), Veterans Administration (VA), Federal Housing Administration (FHA), and U.S. Bank.

Loan Delivery Eligibility - Lenders are responsible for:

- Obtaining and maintaining approval to deliver loans to U.S. Bank. U.S. Bank is the approved servicer for Fannie Mae, Freddie Mac and Ginnie Mae first mortgage loans paired with a VHFA program.
- Providing interim loan servicing if loan delivery and/or loan purchase is delayed.
- Maintaining access to U.S. Bank guides, checklists and the document delivery system.

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 ensure policy, guide and form changes are incorporated into operational processes within a reasonable period; typically, no more than 60 days.

Provide and Maintain Contact Information and System Access:

- 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.
- Identify and provide VHFA administrative contact(s) responsible for managing access for all lender personnel to the VHFA Loan Origination Center, as applicable. The VHFA Loan Origination Center houses guides, forms, training resources, rate and pricing information, the reservation system, loan level conditions and loan documents.
- Provide updated contact information, as changes occur or at the request of VHFA, for all personnel involved in the origination, closing and delivery of mortgage loans.

Training and Production - To be included in VHFA marketing, Participating Lenders and individual loan originators must be familiar with the programs and regularly complete trainings offered by VHFA. VHFA reserves the right to limit print and digital marketing only to Participating Lenders who routinely originate VHFA loans; this includes the Participating Lender listing on the VHFA website and print material.

Chapter 2 MOVE, MOVE MCC and ADVANTAGE Program Compliance

The compliance and minimum documentation requirements are covered below. Unless otherwise specified the requirements apply to MOVE, MOVE MCC and Advantage. Lenders are responsible for determining that each borrower and non-borrowing spouse, if applicable, meet all compliance requirements. VHFA will review the eligibility documentation provided by the lender and make the final determination. Compliance requirements are subject to change. See *Chapter 3* for pairing MOVE, MOVE MCC and Advantage with government first mortgage products. See *Chapter 4* for pairing MOVE, MOVE MCC and Advantage with conventional mortgage products.

2.1 First-Time Buyer Requirement (MOVE & MOVE MCC only) (Rev. 01/20)

NOTE: The first-time buyer requirement (Chapter 2.1) does not apply to the Advantage program, only the MOVE and MOVE MCC programs. This requirement differs from the ASSIST First-Time Buyer Requirement. See *Chapter 4* for details.

In the following Counties: **Addison, Bennington, Chittenden, Grand Isle and Windsor**, each borrower and non-borrowing spouse must not have held an ownership interest which includes spousal benefits in a principal residence at any time during the 36 months preceding the loan application date. This requirement is controlled by the Internal Revenue Service and cannot be waived or amended by VHFA under any circumstances.

Exceptions to the first-time buyer requirement are:

- Borrowers purchasing in Census Tract 4 and 10 in Burlington.
- Veterans, which includes anyone (a) who has served in the military and has been released under conditions other than dishonorable or (b) who has re-enlisted but could have been discharged or released under conditions other than dishonorable. A current, active member of the military is not eligible for this exemption.

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.”

Examples of “Spousal Benefit” include, but are not limited to:

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

Examples of interests which do not constitute “Ownership Interest” include, but are not limited to these examples:

- A remainder interest.
- A true lease, with or without an option to purchase.
- An expectancy to inherit an interest in a principal residence in the future.
- The interest that a purchaser of a principal residence acquired upon the execution of a Purchase and Sales contract.
- Being on the deed of a living parent’s home, provided the parent(s) are residing in the property and neither the borrower nor non-borrowing spouse has lived in the property as his/her principal residence and/or claimed any mortgage interest deductions during the previous three years.
- An interest in a mobile home located in a mobile home park (not owned land) that is not permanently affixed to the land per VHFA’s requirements. VHFA shall consider a mobile home affixed if the following is evidenced:
    - Axels, wheels, and hitch are removed from the mobile home.
    - The mobile home is affixed to a permanent foundation.

Sufficient documentation is required to determine that each borrower and any non-borrowing spouse meet this requirement. The minimum documentation required is listed below:

Credit Report – The credit report for each borrower must be reviewed for evidence of current or past mortgage loans as well as any other information that may indicate current or previous property ownership.

Federal Tax Returns – All borrowers and non-borrowing spouses must provide for the previous three tax years:

- Copies of executed, as-filed tax returns with all schedules; or
- Transcripts obtained from the IRS

If federal income tax returns were not filed for any of the preceding three years, VHFA requires a written and signed explanation from the borrower and/or non-borrowing spouse, along with documentation verifying federal tax returns were not required to be filed.

2.2 Income Limits (Federal Act Income) (Rev. 01/20)

The combined total gross income of each borrower and non-borrowing spouse cannot exceed the income limits in effect at time of loan reservation for the VHFA program. For current program income limits go to www.vhfa.org.

Lenders must complete the VHFA Federal Act Income and Acquisition Cost Worksheet, available from the VHFA Loan Origination Center at https://loc.vhfa.org/, to calculate Federal Act Income used for

VHFA income eligibility. The lender must obtain and provide with the form, sufficient documentation to verify the total income from all sources, even for a non-borrowing spouse who will not take title, occupy the property, be obligated on the loan, or is currently separated or estranged but not legally divorced from a borrower.

Any changes to the income of the borrower(s) or non-borrowing spouse prior to closing, must be submitted to VHFA.

2.3 Purchase Price Limits (Acquisition Cost) (Rev. 01/20)

The total acquisition cost of a property cannot exceed the purchase price limit specified for the program in effect at the time of loan reservation. For current loan program purchase price limits go to www.vhfa.org.

Lenders must complete the Federal Act Income and Acquisition Cost Worksheet, available from the VHFA Loan Origination Center at https://loc.vhfa.org/, to calculate acquisition cost. The lender must obtain and provide with the form, sufficient documentation to verify the acquisition cost.

Any changes to the purchase price must be provided to VHFA prior to closing.

2.4 Occupancy and 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. 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 are not eligible for VHFA programs.

2.5 Loan Purpose and New Mortgage Requirement (Rev. 09/19)

VHFA programs are restricted to new purchase transactions. Mortgage loan proceeds cannot be used to replace an existing debt, except for certain of short-term financing. The following must apply for short-term financing to be eligible for replacement with a first mortgage combined with a VHFA program:

- The loan constitutes a mortgage on the subject property (unsecured debt is not eligible); and,
- The loan to be replaced 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 was refinanced to reduce the term, that subsequent mortgage loan is ineligible for replacement.

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.

2.6 Other Real Estate Owned (Rev. 09/19)

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 has never been occupied as a primary residence.
- Commercial/industrial property that has no residential rental unit(s).
- 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 living parent's home, provided the parent(s) are residing in the property and neither the borrower nor non-borrowing spouse has lived in the property as his/her principal residence and/or claimed any tax benefit for the property.

2.7 Maximum Acreage (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 acceptable.) Separately deeded lots cannot be financed under VHFA programs.

2.8 Eligible Title Holders, Non-Borrowers and MCC Holders (Rev. 09/19)

Eligible 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.

Non-borrowing Spouse: A spouse must meet all compliance requirements and be approved by VHFA even when the spouse will not be liable for the mortgage loan debt or take title to the property. At a minimum, a non-borrowing spouse must provide income documentation and sign certain VHFA forms where indicated.

Guarantors (co-signers): Not permitted.

Non-Occupant Borrowers: Not permitted.

MOVE MCC: An MCC will only be issued in the name(s) of the borrower(s) of the first mortgage. A non-borrowing spouse is not an eligible MCC holder.

2.9 Federal Recapture Tax (MOVE & MOVE MCC only) (Rev. 09/19)

NOTE: The Federal Recapture Tax does not apply to the Advantage program, only the MOVE and MOVE MCC programs.

The MOVE and MOVE MCC programs provide federal tax benefits for the borrower. As a result, under certain circumstances, the federal government may recapture a portion of the benefit.

Recapture occurs if all three (3) of the following conditions are met:

1. Subject property is sold or disposed of in less than nine (9) years from the original purchase date, and
2. A gain is made on the sale/disposition, and
3. The total annual adjusted gross household income exceeds the income threshold for the year the subject property is sold or disposed:
    a. The original Mortgagor Disclosure of Recapture Tax should be reviewed for the income thresholds.
    b. Current tax year income thresholds can be viewed at https://loc.vhfa.org/.

How is recapture tax determined?
The factors that must be considered in calculating the tax (years of ownership, net profit from sale, and future family size and income) are unknown at the time of loan origination, therefore making it impossible to determine a homeowner's recapture tax at the time of loan origination. If the homeowner meets all three (3) conditions listed above the tax will be the least of:

a) 6.25% of the original principal balance, or
b) 50% of the profit on the sale, or
c) IRS recapture tax computation detailed in the Recapture of Federal Mortgage Subsidy Form 8828 instructions.

Further detail on these calculations can be found within the instructions for Form 8828 Recapture of Federal Mortgage Subsidy on www.irs.gov.

Lender Responsibility
During loan origination and prior to the pre-closing compliance submission to VHFA, the lender must provide the borrower the program Compliance Affidavit; this form is available to print, view or save in the VHFA Loan Origination Center and contains disclosure of the federal recapture tax.

During loan origination and no later than loan closing, the lender must provide the borrower with the Mortgagor Disclosure of Federal Recapture Tax; this form is available to print, view or save in the VHFA Loan Origination Center and contains disclosure and income thresholds for federal recapture tax.

VHFA Responsibility
VHFA does not provide advice or assistance for tax planning, preparation or filing; and VHFA is not responsible for calculating or collecting the tax. The Internal Revenue Service collects any recapture tax owed and due.

Borrower Responsibility
The recapture tax a borrower might owe is determined when taxes are filed for the tax year that the subject property is sold or disposed. The borrower is responsible for filing Form 8828 Recapture of Federal Mortgage Subsidy for the tax year the home is sold or disposed and paying any tax due to the Internal Revenue Service. More information can be found on www.irs.gov and in IRS Publication 523.

Reimbursement of recapture tax
A borrower required to pay recapture tax may be eligible for reimbursement from VHFA. A reimbursement request can be submitted to VHFA after the tax is paid and no later than December 31 of the calendar year immediately following the tax year that the recapture tax was due and paid. A reimbursement request can be accessed on www.vhfa.org or by contacting VHFA.

2.10 Pre-Purchase Homebuyer Education and Counseling (Rev. 01/20)

For all VHFA programs, at least one borrower must complete pre-purchase homebuyer education and counseling within the 18 months **prior to** the loan closing. The lender must obtain verification that education and counseling was completed from an acceptable source at the applicable level.

WITH VHFA ASSIST:
- A borrower completes on-line education provided by eHomeAmerica and in-person counseling with a Vermont HomeOwnership Center. To access this option from www.vhfa.org/homebuyer/education, borrowers must choose from VHFA Programs with VHFA ASSIST "Option A: Online Education and in Person Counseling". Once the borrower chooses the above option, they will be guided through the system to create a profile, obtain access to the education course and instructed on completing counseling. **Or**,
- A borrower must complete an in-person class and counseling with a Vermont HomeOwnership Center. To access this option from www.vhfa.org/homebuyer/education, borrowers must choose from VHFA Programs with VHFA ASSIST "Option B: In Person Education and Counseling"

NOTE: If the borrower completes education and counseling that is not acceptable for ASSIST, the borrower will be required to retake the education course and complete the required counseling at their own expense.

For additional information on the ASSIST program, refer to *Chapter 6*.

Without VHFA ASSIST*:*
If one borrower was a homeowner within the past 36 months, the education requirement can be waived if evidence of ownership is provided. Ownership of manufactured housing in a park does not waive the requirement.
- A borrower completes on-line education and phone counseling provided by eHome America. To access this option from www.vhfa.org/homebuyer/education, borrowers must choose from VHFA Programs without VHFA ASSIST "Option C: Online Education and Phone Counseling" . Once the borrower chooses the above option, they will be guided through the system to create a profile, obtain access to the education course and instructed on completing counseling. **Or**,
- A borrower may complete education/counseling per option A or B above if desired.

2.11 Landlord Education

In addition to Homebuyer Pre-Purchase education required per section 2.10, landlord education is required in the following cases:

- Borrower(s) are purchasing a two-unit property, and
- LTV is 85% or greater.

Landlord education from mortgage insurers Genworth or MGIC is acceptable.

Chapter 3 MOVE, MOVE MCC and ADVANTAGE with Government Product

3.1 Government Loans (Rev. 09/19)

Mortgage loans guaranteed by the government agencies are eligible to be paired with a VHFA first mortgage program and ASSIST program. All mortgage loans must be originated and closed based on the criteria and requirements of VHFA, U.S. Bank and the applicable government agency.

3.2 Products, Systems and Approvals (Rev. 01/20)

The lender is responsible for the proper and accurate underwriting of all loans including compliance with the U.S. Bank Lending Guide and VHFA requirements. Full documentation to support the underwriting decision must be obtained by the lender and provided to VHFA and U.S. Bank, as required.
The following Underwriting Systems are acceptable:

- RD - Loans may be processed through GUS or manually underwritten by lenders.
- FHA - Loans may be processed through DU or LPA. Lenders may a select a manual underwrite for FHA loans only when using VHFA Advantage.
- VA - Loans may be processed through DU, LPA or manually underwritten by the applicable agency or by lenders with delegated authority.

3.3 Eligible Property Types (Rev. 01/20)

Property type and condition must be acceptable to the applicable government insurer/guarantor. Maximum 15 acres of land. Not every property type is eligible for every product. N/A means the property is not eligible.

	FHA	VA	RD
1-Unit Detached	Eligible	Eligible	Eligible
2-Unit Detached (existing)	Eligible	Eligible	N/A
Eligible Condominium	Eligible	Eligible	Eligible
Manufactured Housing	Eligible	Eligible	Eligible (new only)

2 Unit Detached
To be eligible for financing, 2-unit properties must be existing and have been occupied as a dwelling for the prior five years. Restricted to FHA and VA only.

Condominiums and PUDs
To be eligible for financing, condominium units and PUDs must be approved and be acceptable to the applicable government agency and U.S. Bank. 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 the U.S. Bank Lending Guide.

Manufactured Homes
To be eligible for financing, manufactured housing units must meet the requirements of the applicable agency and U.S. Bank, which includes meeting U.S. Bank overlays (see U.S. Bank Lending Guide for details) and the property must be on owned-land, multi-width and have been manufactured in the year 2000 or more recently.

3.4 Property Transfer Tax Benefit (Rev. 09/19)

A borrower obtaining a loan with a VHFA first mortgage program receives the following reduction of the Vermont Property Transfer Tax:

Taxable Increments of Purchase Price	Rate for VHFA borrowers
$0.00 - $110,000.00	0.00
$110,000.01 - $200,000.00	1.25%
$200,000.01 and up	1.45%

3.5 Interested Party Contributions and Buy-downs (Rev. 03/17)

Interested party contributions cannot exceed the actual amount of the usual and customary closing costs and must be acceptable for the government agency. 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 by VHFA.

3.6 Loan Terms and Credit Underwriting (Rev 01/20)

VHFA sets the fixed-interest rate and term (30-years) for all first mortgage loans paired with a VHFA program. Rates are set daily and available at 10:00am each business day. Go to www.vhfa.org or https://loc.vhfa.org/ for rates and pricing.

For VHFA programs, the Loan to Value (LTV) and Combined Loan to Value (CLTV) are based on the lower of the purchase price or the appraised value.

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 combine a government loan product with a VHFA program. Lenders are responsible for reviewing the requirements for the applicable government agency and U.S. Bank and applying the most stringent requirements.

Government agency requirements, refer to:
- USDA Rural Development (RD)
- Veterans Administration (VA)
- Federal Housing Administration (FHA)

U.S. Bank requirements, refer to:

- U.S. Bank, Vermont HFA Government Loan Products (Matrix)
- U.S. Bank Lending Guide

VHFA requirements refer to:

- VHFA Quick Reference Guides in the Loan Origination Center at https://loc.vhfa.org/

3.7 Subordinate Financing (Rev. 01/20)

Subordinate financing that complies with the requirements for FHA, VA or RD may be permitted. The lender is responsible for thoroughly reviewing and understanding the requirements that apply and warranting that all loans originated are in full compliance with FHA, VA or RD requirements. Based on the structure of the subordinate financing, include the debt in calculating the CLTV and DTI as applicable. The VHFA ASSIST program is an acceptable subordinate financing program for FHA, VA or RD. For additional information on VHFA ASSIST refer to *Chapter 6*.

3.8 Property Repairs (Rev. 09/19)

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 financed 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. Repairs 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 and the provider of the insurance or guarantee (RD, VA, and FHA).

3.9 MCC Information for MOVE MCC (Rev. 01/19)

Refer to *Chapter 5* for information on how an MCC works. Refer to *Chapter 8* for processing, delivery, and issuance of an MCC. Refer to *Chapter 10* for MCC post issuance requirements.

Chapter 4 MOVE, MOVE MCC and ADVANTAGE with Conventional Product

All conventional loans must be eligible for delivery to Fannie Mae or Freddie Mac.

4.1 Products, Systems and Approvals (Rev. 01/20)

The lender is responsible for the proper and accurate underwriting of loans including compliance with U.S. Bank underwriting guidelines (U.S. Bank Lending Guide) and the VHFA Procedural Guide and VHFA Quick Reference Guides for any applicable overlays. Full documentation to support the underwriting decision must be obtained by the lender and provided to VHFA and U.S. Bank, as required. The acceptable programs and approval levels are:

- **Freddie Mac:**
    - **Program:** Freddie Mac HFA Advantage (not included in Freddie Mac guide.)
    - **AUS Approval Level:** LPA Risk Class of Accept
    - **Manual Underwrites:** As allowed. Follow Home Possible requirements and U.S. Bank and VHFA overlays.
- **Fannie Mae:**
    - **Program:** Fannie Mae HFA Preferred (not included in Fannie Mae guide.) Fannie Mae HFA Preferred allows for MH Advantage, Community Land Trust and Resale Restricted options per their guide. Lenders must apply the additional Fannie requirements to the HFA Preferred product and add the applicable Special Feature Codes.
    - **AUS Approval Level:** DU Approve/Eligible
    - **Manual Underwrites:** As allowed. Follow Home Ready requirements and U.S. Bank and VHFA overlays.

4.2 Eligible Property Types (Rev. 01/20)

Property type and condition must be acceptable to the applicable investor. Maximum 15 acres of land.

Not every property type is eligible for every product. N/A means the property type is not eligible. Please review the information below for property eligibility and maximum allowable LTV/CLTV:

Freddie Mac	**HFA Advantage: LPA Accept**	**HFA Advantage: LPA Accept**	**Home Possible: Manual**
	95% LTV/105% CLTV	97% LTV/105% CLTV	95% LTV/105% CLTV
1 Unit Detached	Eligible	Eligible	Eligible
Eligible Condominium	Eligible	Eligible	Eligible

Fannie Mae	**HFA Preferred: DU Approval/Eligible**	**HFA Preferred DU Approval/Eligible**	**HomeReady Manual**
	95% LTV/105% CLTV	97% LTV/105% CLTV	95% LTV/105% CLTV
1 Unit Detached	Eligible	Eligible	Eligible
2 Unit Detached	Eligible	**N/A**	**N/A**
Eligible Condominium	Eligible	Eligible	Eligible

Manufactured Housing (FNMA only)	Eligible	Eligible **ONLY** for FNMA MH Advantage Program	**N/A**
Community Land Trust and Resale Restricted	Eligible	Eligible	Eligible

2 Unit Detached
To be eligible for financing, 2-unit properties must have been in existence and have been occupied as a dwelling for the prior five years. (Restricted to Fannie Mae only)

Condominiums and PUDs
To be eligible for financing, condominium units and PUDs must be Fannie Mae or Freddie Mac approved and be acceptable to U.S. Bank. 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 U.S. Bank Lending Guide. Also refer to www.fanniemae.com and/or www.freddiemac.com for details.

Manufactured Homes
To be eligible for financing, manufactured housing units must meet Fannie Mae standards, be acceptable to U.S. Bank which includes meeting U.S. Bank overlays (see U.S. Bank Lending Guide for details) and the property must be on owned-land, multi-width and have been manufactured in the year 2000 or more recently.

4.3 Property Transfer Tax Benefit (Rev. 09/19)

A borrower obtaining a loan with a VHFA first mortgage program receives the following reduction of the Vermont Property Transfer Tax:

Taxable Increments of Purchase Price	Rate for VHFA borrowers
$0.00 - $110,000.00	0.00
$110,000.01 - $200,000.00	1.25%
$200,000.01 and up	1.45%

4.4 Mortgage Insurance Coverage (Rev. 01/20)

Mortgage insurance must be provided by an insurer acceptable to Fannie Mae or Freddie Mac. For VHFA loans, the level of coverage is lower than for standard loans as noted below:

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%

4.5 Interested Party Contributions and Buy-downs (Rev. 01/19)

Interested party contributions cannot exceed the actual amount of the usual and customary closing costs and must be acceptable for the government agency. 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 by VHFA.

4.6 Loan Terms and Credit Underwriting (Rev. 01/20)

VHFA sets the fixed-interest rate and term (30-years) for all first mortgage loans paired with a VHFA program. Rates are set daily and available at 10:00am each business day. Go to www.vhfa.org or https://loc.vhfa.org/for rates and pricing.

For VHFA programs, the Loan to Value (LTV) and Combined Loan to Value (CLTV) are based on the lower of the purchase price or the appraised value.

While all loans must be underwritten to Fannie Mae HFA Preferred or Freddie Mac HFA Advantage requirements, VHFA and U.S. Bank have applied overlays. Lenders are responsible for reviewing the requirements for Fannie Mae, Freddie Mac the Mortgage Insurer, VHFA and U.S. Bank and applying the most stringent requirements.

U.S. Bank requirements, refer to:

- U.S. Bank, Vermont HFA Conventional Loan Products (Matrix)
- U.S. Bank Lending Guide

VHFA requirements refer to:

- VHFA Quick Reference Guides in the Loan Origination Center at https://loc.vhfa.org/

4.7 Subordinate Financing (Rev. 01/20)

Subordinate financing that complies with the requirements for Freddie Mac Affordable Seconds or Fannie Mae Community Second may be permitted. The lender is responsible for thoroughly reviewing and understanding the requirements that apply and warranting that all loans originated are in full compliance with Freddie Mac or Fannie Mae requirements. Based on the structure of the subordinate financing, include the debt in calculating the CLTV and DTI as applicable. The VHFA ASSIST program is an acceptable subordinate financing program for Freddie and Fannie. For additional information on VHFA ASSIST refer to *Chapter 6*.

4.8 Fannie Mae Community Land Trust and Resale Restricted (Rev. 01/20)

VHFA may accept properties with leasehold or resale restrictions that meet Fannie Mae requirements.

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. For loans on properties that include a Lease Agreement from a land trust/nonprofit (shared equity), 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. 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: 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. 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 at their web site.

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.

4.9 Property Repairs (Rev. 09/19)

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 financed 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. Repairs 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.

4.10 MCC Information for MOVE MCC Program (Rev. 01/20)

Refer to *Chapter 5* for information on how an MCC works. Refer to *Chapter 8* for processing, delivery, and issuance of an MCC. Refer to *Chapter 10* for MCC post issuance requirements.

Chapter 5 Mortgage Credit Certificate (MOVE MCC only)

VHFA is authorized by Internal Revenue Service (IRS) Code to issue Mortgage Credit Certificates (MCC) to eligible applicants. An MCC may be issued in conjunction with a VHFA funded mortgage loan as detailed in this guide, or with a lender funded mortgage loan as explained in the MCC Procedural Guide.

In addition to the information provided in this Chapter, please refer to *Chapter 8* for information on the MCC issuance process and *Chapter 10* for lender required IRS reporting, record retention and revocation.

5.1 Mortgage Credit Certificate Rate and Tax Limits (Rev. 01/20)

The following limits impact the tax credit the applicant is eligible to receive (subject to change):

- MCC Rate: The current rate that the MCC issued by VHFA is 50%.
- Tax Liability: The tax credit may not exceed the holder's total tax liability for the tax year.
- Maximum Credit: The maximum tax credit the holder is entitled to may not exceed 50% of the mortgage interest paid annually or the IRS threshold of $2,000 (whichever is lower). The remaining interest paid may be taken as a standard deduction.

NOTE: VHFA has issued MCCs at various rates. The Mortgage Credit Certificate the borrower receives is the controlling document for the credit percentage.

5.2 How a Mortgage Credit Certificate Works (Rev. 01/20)

An MCC is a federal income tax credit that is determined based on a percentage of annual mortgage interest paid. An MCC is a direct dollar for dollar reduction in the total federal income taxes a homeowner owes. The basic formula for calculating an MCC is as follows:

Mortgage Interest Paid for year on Certified Indebtedness
X 50%
= Amount of Credit (cannot exceed $2,000)

Example A: If the original principal balance is $150,000 at a rate of 4.75% with a 30-year amortization, the borrower would pay approximately $7,075 in interest for the first year. An MCC allows the borrower to take up to 50% of the $7,075 as a mortgage tax credit **not to exceed** $2,000. In this case, 50% of the annual interest paid is $3,537.50. The borrower can only take the maximum credit of $2,000 if allowable based on the tax liability.

Example B: If the original principal balance is $80,000 at a rate of 4.75% with a 30-year amortization, the borrower would pay approximately $3,773.35 in interest for the first year. An MCC allows the borrower to take up to 50% of the $3,773.35 as a mortgage tax credit not to exceed $2,000. In this case, 50% of the annual interest paid is $1,886.68 and the borrower may be able to take a maximum credit of $1,886.68 if allowable based on the tax liability.

The preceding examples are for reference only. It is the responsibility of the MCC Holder to understand how an MCC is used and all tax restrictions and requirements. VHFA will not provide guidance or advice for tax planning, preparation or filing.

5.3 Carry Forward and Dividing the Credit (Rev. 01/19)

Should the amount of the maximum annual credit created by the MCC (i.e. lesser of MCC rate percentage of the annual mortgage interest or $2,000) exceed the holder's total tax liability, the portion of the unused credit can be carried forward for up to three (3) years.

If the subject property has multiple owners, and each mortgagor is acknowledged as a Holder on the MCC, the credit may be divided if it does not exceed the total credit created by the MCC.

5.4 Using an MCC in Qualifying (Rev. 01/19)

Fannie Mae, Freddie Mac and government guarantee programs may permit the reduction in federal income tax burden to be considered as additional disposable income. It is the lender's responsibility to follow all guidelines from Fannie Mae, RD, VA, and FHA, as well as mortgage insurers, about how an MCC may impact a potential holder's income for qualification purposes.

If income is adjusted for the MCC, the FNMA Underwriting Transmittal 1008/FHLMC Underwriting Transmittal 1077 and AUS findings from the applicable agency must reflect that information.

5.5 Permissible Fees (Rev. 01/20)

VHFA does not charge borrowers a fee to process an MCC in conjunction with a MOVE MCC mortgage.

Lenders may collect and retain up to $500.00 for an MCC processing fee, and only those reasonable fees for processing the financing as they would charge a potential borrower applying for financing that was not combined with an MCC.

Chapter 6 VHFA ASSIST Program Compliance Requirements

ASSIST is VHFA's program to provide down payment and closing cost assistance to eligible borrowers. ASSIST loans can only be paired with a first mortgage eligible under a VHFA program: MOVE, MOVE MCC and Advantage.

6.1 Compliance and Eligibility (Rev. 01/20)

All compliance and eligibility requirements per *Chapter 1* apply to ASSIST with the following revisions:

- **First-Time Borrower**: Each borrower and any non-borrowing spouse must be **true** first-time homebuyers. Any borrower or non-borrowing spouse may **never have held** an ownership interest, including a spousal benefit, in real estate. For ASSIST, having owned a manufactured home in a park is considered an ownership interest.
- **Asset Limit:** Each borrower and any non-borrowing spouse cannot have access to liquid assets collectively 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). However, if funds are withdrawn from the retirement account, they will be considered cash and must be included in the asset calculation.
- **ASSIST Required Pre-Purchase Education and Counseling**:
  VHFA requires at least one borrower complete education and counseling per one of the options below 18 months prior to closing. If the borrower completes education and counseling that is **not** acceptable for ASSIST, the borrower will be required to retake the education course and complete the required counseling at their own expense.
  - A borrower completes on-line education provided by eHomeAmerica and in-person counseling with a Vermont HomeOwnership Center. To access this option, from www.vhfa.org/homebuyer/education, borrowers must choose "Option A: VHFA program **with** down payment and closing cost assistance loan". Once the borrower chooses the above option, they will be guided through the system to create a profile, obtain access to the education course and instructed on completing counseling, **Or**,
  - A borrower may complete an in-person class and counseling with a Vermont HomeOwnership Center "See Option B: In Person Education and Counseling at www.vhfa.org/homebuyer/education.

6.2 ASSIST Terms (Rev. 01/20)

- 0% interest rate
- Maximum loan amount $5,000
- Non-amortizing, no scheduled payments
- Must be included in CLTV calculation, maximum 105%
- Subordinate lien – VHFA will allow the ASSIST mortgage to be a 3rd or 4th lien
- Payment in full is required in the event , the borrower sell, transfer or dispose of the property, or, the original first mortgage associated with the ASSIST loan is refinanced or paid in full.

6.3 Determining ASSIST Loan Amount (Rev 01/20)

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 VHFA programs including ASSIST, the Loan to Value (LTV) and Combined Loan to Value (CLTV) are based on the lower of the purchase price or the appraised value.

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 applied to the down payment and/or closing cost obligation before the eligible amount of ASSIST funds can be determined.

In no case, can ASSIST funds that are in excess of the total down payment and/or eligible closing costs, including costs paid outside of closing (POC), be disbursed to the borrowers or applied as a principal reduction. Any ASSIST funds in excess of the actual allowed amount will not be reimbursed by VHFA. Only the exact amount of the POCs may be disbursed to the borrower from the ASSIST loan.

Eligible ASSIST Uses
ASSIST is limited to down payment and usual and customary closing costs associated with the first mortgage. Lenders may not assess any origination fees or closing costs to VHFA ASSIST loans.

- First mortgage closing costs paid outside of closing (POC) are eligible if clearly itemized on the final Closing Disclosure, examples include: credit report, appraisal fee, property inspection, homeowner's insurance premium, homebuyer and counseling education, etc.
- Mortgage insurance, RD guarantee fee, FHA or VA funding fee (not financed) paid as a closing cost fee and listed on the final Closing Disclosure.

Ineligible ASSIST Uses

- Per diem interest
- Principal balance reduction
- Financed upfront mortgage insurance or fees included in the loan amount.

If ASSIST funds are applied to any of the above, the lender will not be reimbursed for that amount.

Lenders **may not** assess any type of origination or closing costs on VHFA ASSIST mortgage loans.

6.4 Closing and Payment Requirements (Rev. 01/20)

Lenders are required to fund the ASSIST loan at closing. ASSIST loans must be closed in VHFA's name with the following:

- VHFA Zero Interest ASSIST Note
- VHFA ASSIST Mortgage Deed
- VHFA ASSIST Disclosure
- No fees or charges may be applied for origination, closing or document recording
- Lenders should follow all applicable rules and regulations regarding the disclosure of a subordinate mortgage. The first mortgage Closing Disclosure must document the borrower(s) receipt of VHFA ASSIST funds.

ASSIST loans do not have scheduled monthly payments. Borrowers are required to pay ASSIST funds in full in the event of any of the following:

- The borrower(s) sell or otherwise transfer or dispose of the property; or,
- The original first mortgage loan associated with the ASSIST loan is refinanced or paid in full.

6.5 Post-Closing (Rev. 01/20)

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.

NOTE: To help lenders and closing agents, VHFA provides **Closing Agent Instructions** available with other VHFA forms. The closing agent is instructed that no fees may be associated with the ASSIST loan and **not** to send the mortgage for recording. VHFA is responsible for recording the ASSIST mortgage deed.

The original executed VHFA Zero Interest Note and **unrecorded** VHFA ASSIST Mortgage deed (including complete Schedule A) must be delivered to VHFA within **60 days** from the closing date for the ASSIST loan to be eligible for funding. The original Note and Mortgage Deed must be sent via a delivery method that includes tracking.

6.6 Funding Eligibility and Process (Rev. 01/20)

To receive reimbursement for the ASSIST funds the items below must be in place:

- VHFA issuance of a Post-Closing Approval for the VHFA ASSIST Mortgage, and
- U.S. Bank funding of the first mortgage.

IMPORTANT: VHFA will only reimburse lenders for ASSIST loans after U.S. Bank has purchased the associated first mortgage. If U.S. Bank determines the first mortgage is ineligible for purchase, VHFA will not reimburse the lender for the ASSIST loan. VHFA will endorse Note and assign the Mortgage to the lender.

Each week, VHFA will provide lenders with a funding notice for each loan to be funded. The funding notice is available from the Loan Origination Center (https://loc.vhfa.org/) for up to 5 days after the funding date per the notice. VHFA will transfer funds electronically to the lender per their wire instructions. It is the lender's responsibility to be sure VHFA has the correct information for the transmittal.

Chapter 7 Reservation and Compliance Submission

7.1 Reservation Process and Terms (Rev. 09/19)

To reserve funds for a borrower(s) the lender must submit a completed VHFA Reservation from https://loc.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 reservation for the first mortgage select the program option that indicates an ASSIST program is included. VHFA will not issue a separate Reservation Confirmation and Compliance Checklist Form for ASSIST, information for ASSIST prints on the Reservation Confirmation and Compliance Checklist for the first mortgage program.

Upon successful submission of a Reservation, a Reservation Confirmation, Compliance Checklist, Compliance Affidavit, Federal Act Income and Acquisition Cost Worksheet and Mortgagor Disclosure of Recapture Tax (for MOVE and MOVE MCC only) will be available from 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 Compliance Documents required to be submitted and the applicable deadlines.

7.2 Compliance Submission (Rev. 09/19)

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, ASSIST. The Compliance Checklist is available from the Loan Origination Center (https://loc.vhfa.org/) and is the coversheet and checklist, in the stacking order, for the compliance submission.

If all submitted documents are satisfactory, VHFA will issue a Conditional Commitment that includes the post-closing documents, in the stacking order, 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 a Conditional Commitment will be issued. Corrected or modified copies of any VHFA forms will not be accepted.

7.3 Conditional Commitment (Rev. 09/19)

Upon receipt of all satisfactory documentation required per the Reservation Confirmation and Compliance Checklist, VHFA will issue a Conditional Commitment outlining the minimum documents and terms for the delivery of the closed loan to VHFA. VHFA reserves the right to require additional documentation. Upon issuance of the Conditional Commitment, the Conditional Commitment and required closing forms will be available from the VHFA Loan Origination Center.

The Conditional Commitment includes the Final Purchase Date U.S. Bank 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 by the Final Purchase Date will be ineligible for purchase or subject to daily pricing outside of the standard VHFA pricing tiers.

7.4 Withdrawing/Changing Reservations or Commitments (Rev. 09/19)

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

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.
- If a lender requests to reactivate a withdrawn reservation or commitment less than 60 days from the withdrawn date, VHFA will apply the higher rate from the original reservation or the rate in effect at the time of the reactivation.
- A reservation or commitment 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 or commitment must be withdrawn and a new reservation submitted. 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.

If the MOVE MCC reservation or commitment is cancelled or withdrawn, the cancellation shall also apply to the MCC and the ASSIST loan (if applicable). If the lender will be replacing the VHFA first mortgage with their own financing and will continue to process the MCC, the lender must submit an MCC Reservation at https://loc.vhfa.org/ and follow the requirements of the MCC Procedural Guide.

Chapter 8 Closing and Delivery

This chapter covers only the closing and delivery requirements for VHFA. Refer to the U.S. Bank guide for more information on closing and delivering loans. The U.S. Bank guide can be accessed from https://loc.vhfa.org/ or (U.S. Bank Lending Guide).

8.1 Lender Fees at Closing (Rev. 09/19)

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 MOVE MCC only: VHFA does not charge borrowers a fee to process an MCC in conjunction with a MOVE MCC mortgage. Lenders may collect and retain up to $500.00 for an MCC processing fee, and only those reasonable fees for processing the financing as they would charge a potential borrower applying for financing that was not combined with an MCC.

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

8.2 Eligible Title and MCC Holders (Rev. 09/19)

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 Affidavit**– Completed by all borrowers and non-borrowing spouses.

For MOVE MCC only: A non-borrowing spouse (not liable for the debt) is not an eligible MCC Holder and an MCC will not be issued to a non-borrowing spouse.

8.3 Closing Process and Documents (Rev. 09/19)

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 Reduction must be completed for each loan.

Refer to the U.S. Bank Lending Guide and the VHFA issued Conditional Commitment for the required documents and further information.

For MOVE MCC only: For the MCC, lenders are responsible for the proper completion of all closing documents required for VHFA to issue an MCC.

8.4 Property Transfer Tax Benefit (Rev. 09/19)

A borrower obtaining a loan with a VHFA first mortgage program receives the following reduction of the Vermont Property Transfer Tax.

Taxable Increments of Purchase Price	Rate for VHFA borrowers
$0.00 - $110,000.00	0.00
$110,000.01 - $200,000.00	0.0125
$200,000.01 and up	0.0145

8.5 Closing with ASSIST Loan (Rev. 09/19)

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

- Determining the maximum allowable amount of the ASSIST loan.
- 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 first mortgage and 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**.
- Ensuring the **VHFA Zero Interest ASSIST Note and VHFA ASSIST Mortgage Deed** are correctly prepared and properly executed at closing. The Zero Interest ASSIST Note and VHFA ASSIST Mortgage Deed are both closed in VHFA's name. The accuracy and satisfactory completion of all ASSIST documents are the responsibility of the lender.
- Ensuring that the hazard insurance policy and flood insurance policy (if applicable) reflect VHFA as a loss payee:
  Vermont Housing Finance Agency, ISAOA and ATIMA
  P.O. Box 408
  Burlington, VT 05402

Lenders and closing agents may not assess any type of origination or closing costs, including recording fees, for the VHFA ASSIST loan. All ASSIST proceeds must be used for down payment or closing costs associated with the VHFA first mortgage program and underlying product. 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. 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 60 calendar days after closing or VHFA will not fund the ASSIST loan.

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

8.6 Post-Closing Delivery Time Frames (Rev. 04/18)

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

- **Loan and MCC Delivery** - Immediately after closing all required loan closing documents must be delivered simultaneously to VHFA and U.S. Bank. MCC documents must be submitted VHFA. U.S. Bank does not process MCC requests.
- **Loan Purchase** – First mortgage loans must be purchased by U.S. Bank, 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.
- **MCC Issuance** – VHFA must have satisfactory documentation to issue the MCC by the Final Issue Date, per the Conditional Commitment.
- **Recorded Documents** – Within 120 days after reservation, recorded documents must be received by U.S. Bank or late fees can be assessed. If there will be a delay in delivering the recorded documents, please contact U.S. Bank or VHFA.

8.7 Post-Closing Delivery Process (Rev. 09/19)

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. The Conditional Commitment is available in the Loan Origination Center (https://loc.vhfa.org/) and should be used as the coversheet, checklist and stacking order for the Post-Closing submission to VHFA. VHFA reserves the right to require additional documentation.

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.

8.8 ASSIST Post-Closing Delivery and Loan Funding (Rev. 01/20)

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 Documents and Forms Appendix). 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. If loan documents are not received within 60 days from closing, the ASSIST loan will not be funded.

To receive the ASSIST funds:
- The VHFA ASSIST mortgage must be Post-Closing Approved; and
- The first mortgage must be purchased by U.S. Bank.

VHFA will determine the maximum eligible ASSIST amount and reimburse the lender for the allowed amount. Refer to *Chapter 4* for details on calculating the allowable ASSIST loan amount.

VHFA will provide lenders with an ASSIST Funding Notice for each loan that includes the scheduled funding date and amount. Lenders can access the notice at https://loc.vhfa.org/. 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.

8.9 Delivering Loans with Repairs (Rev. 09/19)

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…	Lender must provide the following with the loan delivery package to both VHFA and U.S. Bank: ☐ 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. ☐ Total cost of financed 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 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 for instructions. Unspent mortgage proceeds cannot be released to the borrower.

8.10 U.S. Bank Deliveries, Interim Servicing and Funding (Rev. 01/19)

Loan Delivery - Refer to the U.S. Bank guide available at (U.S. Bank Lending Guide) for details on loan delivery, including delivery fees, funding and transferring servicing. All loans must be sold servicing released.

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

U.S. Bank 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.

Interim Servicing – Lenders are responsible for all loan servicing functions from the loan closing date until U.S. Bank 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 will consider any payments for taxes or insurance during loan funding. Inquiries regarding escrow payment reimbursements should be made to U.S. Bank, please refer to U.S. Bank Lending Guide.

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

U.S. Bank purchases loans on the **amortized balance. Loan payments that are due and received prior to purchase by U.S. Bank, 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.

Chapter 9 VHFA Forms

9.1 VHFA Form Accessibility (Rev. 10/20)

Lenders must follow the instructions and submit all required documents listed in the applicable VHFA Compliance Checklist and VHFA Conditional Commitment.

All VHFA forms are accessible through the VHFA Loan Origination Center (https://loc.vhfa.org/). The VHFA Loan Origination Center contains the most accurate and up-to-date VHFA Forms. Therefore, lenders are strongly encouraged to access VHFA forms from the Loan Origination Center.

Forms may be accessed from two places in the VHA Loan Origination Center:

1. **Loan Level:** all VHFA Forms are available at the Loan Origination Center *Main Menu → Loan Detail → Print Documents*. Most forms accessed from this location will auto-populate with information provided by the lender at reservation and thereafter.

2. **Guides, Forms and Resources:** VHFA forms are also available at Loan Origination Center *Main Menu → Guides Forms and Resources*. Forms accessed from this location will not auto-populate but will contain both PDF-fillable and word versions available for download.

9.2 VHFA Form Signature Requirements (Rev. 10/20)

VHFA allows electronic signatures on certain VHFA forms from lenders who have received approval from U.S. Bank to deliver documents signed electronically. Lenders should contact U.S. Bank to confirm they are approved before submitting any electronically signed forms to VHFA or U.S. Bank. **All borrower, co-borrower, and non-borrowing spouse signatures must contain eSignature vendor certification. Lender agent electronic signatures may, but are NOT required to, contain eSignature vendor certification.**

Some forms require actual signatures by all parties. The tables below list the minimum signature requirements for VHFA forms that lenders must submit according to the **VHFA Compliance Checklist** (Form #MLW8006), **VHFA Conditional Commitment** (Form #MLW8008) and the **VHFA ASSIST Conditional Commitment** (Form #MLW8009):

COMPLIANCE CHECKLIST (#MLW8006)

Submit to VHFA prior to commitment for ADVANTAGE, MOVE, and MOVE MCC

VHFA Form #	Form Name	Minimum Signature Requirement
S-601	Federal Act Income and Acquisition Cost Worksheet	eSignature
S-607tba	ADVANTAGE Compliance Affidavit (ADVANTAGE ONLY)	eSignature
S-607mbs	MOVE Compliance Affidavit (MOVE ONLY)	eSignature
S-2014D	MOVE MCC Compliance Affidavit (MOVE MCC ONLY)	eSignature

CONDITIONAL COMMITMENT (#MLW8008)

Submit to VHFA after closing for ADVANTAGE, MOVE, and MOVE MCC

VHFA Form #	Form Name	Minimum Signature Requirement
S-645mbs	Reaffirmation and Closing Affidavit	**ACTUAL SIGNATURE**
MCC-2014B	Mortgage Credit Certificate Notice to Holder (MOVE MCC ONLY)	**ACTUAL SIGNATURE**
5311	Mortgagor Disclosure of Recapture Tax (MOVE & MOVE MCC)	eSignature
S-937	Property Transfer Tax Benefit	eSignature
MFAA2019	Manufactured Home Affidavit of Affixation (if necessary)	eSignature
S-644	Lenders Final Cost Certification (Post-Closing Repairs Only)	eSignature

ASSIST CONDITIONAL COMMITMENT (#MLW8009)

Submit to VHFA after closing when using VHFA ASSIST

VHFA Form #	Form Name	Minimum Signature Requirement
S-2015D	Zero Interest ASSIST Note	**ACTUAL SIGNATURE**
S-2015E	ASSIST Mortgage Deed	**ACTUAL SIGNATURE**
MLW-5714	ASSIST Loan Acknowledgement & Award Letter (FHA Only)	**ACTUAL SIGNATURE**
S-2015A	ASSIST Mortgage Disclosure	eSignature

Chapter 10 Post MCC Issuance and Post Loan Funding

10.1 MCC Federal Reporting Requirements (Rev. 12/13)

Lenders are responsible for meeting the IRS requirements for filing an annual report, using IRS Form 8329, to summarize the lender's annual MCC activity. Each report must be filed at the applicable Internal Revenue Service Center on or before January 31st of the year following the calendar year to which the report relates.

VHFA will provide the lender with a summary report following the end of each calendar year with information that may be required to complete the form, including:

- VHFA Loan Number
- MCC Holder Name
- MCC Holder Social Security Number
- Property Address
- Amount of Certified Indebtedness related to the MCC
- Date MCC was issued
- Credit Certificate Rate
- Amount of MCC Issued

While VHFA will provide this information to lenders as a courtesy, it is the lenders sole responsibility to maintain appropriate and accurate records in order to report the correct information and meet all IRS requirements for filing form 8329 directly with the IRS.

For more information regarding lender reporting requirements, including all the information IRS Form 8329 requires lenders to track, and penalties for failure to file, see IRS Temp. Reg. {1.25-8T}.

10.2 MCC Record Retention Requirements (Rev. 12/13)

The lender must follow all IRS guidelines regarding retention of information and documents associated with MCCs. At minimum, the lenders must retain the following for Six (6) years:

- Name, address, TIN of the Issuer.
- Closing Date of the mortgage loan associated with the MCC, Certified Indebtedness Amount, and Certificate Credit Rate.
- Name, address, TIN (Social Security Number or Tax Identification Number) of the MCC holder.

10.3 MCC Revocation (Rev. 12/13)

Should the lender become aware of information that varies from any of the information represented to the lender, VHFA, or the IRS due to neglect or fraudulent acts, it is the responsibility of the lender to inform VHFA immediately. The holder's MCC may be subject to revocation and other penalties from the IRS.

10.4 MCC Borrower Filing Requirements (Rev. 01/20)

Each borrower who has been issued an MCC is responsible for independently filing the tax credit annually and ensuring they are still eligible to use the tax when filing IRS tax returns. The IRS Form 8396 is required. More information can be found at www.irs.gov.

10.5 MCC Assumptions, Transfers and Reissuing (Rev. 12/13)

The original holder(s) of an MCC are the only persons eligible to receive the benefit of the MCC credit. The following applies to all MCCs:

- MCCs may not be assumed by or transferred to any person assuming the first mortgage associated with the MCC.
- After the MCC is issued, additional persons may not be added as holders. Only the original mortgagor(s) will be included on an MCC.
- MCCs will not be reissued if the holder refinances the first mortgage that was the basis of the MCC.

10.6 Federal Recapture Tax Reimbursement (01/20)

A homeowner required to pay recapture tax may be eligible for reimbursement from VHFA. A reimbursement request can be submitted to VHFA after the tax is paid and no later than December 31 of the calendar year immediately following the tax year that the recapture tax was due and paid. A reimbursement request can be accessed on www.vhfa.org or by contacting VHFA. ASSIST loans are not subject to recapture.

10.7 First Mortgage Loan Assumptions (Rev. 01/19)

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

First mortgages 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 requirements.

10.8 VHFA ASSIST Loan Servicing (Rev. 01/20)

For ASSIST loans, VHFA is the owner, investor and servicer. U.S. Bank does not manage ASSIST loan processing, post-closing questions, or documentation. All inquiries about ASSIST loan compliance and documentation must be made directly to VHFA. VHFA is responsible for the following:

- Receives and reviews all documents required for ASSIST loans.
- Determines loan eligibility and loan funding.
- Recording of the ASSIST mortgage.
- Performs all loan servicing functions.

Requests for pay-offs and instructions for submitting funds must be made to VHFA.

ASSIST loans do not have scheduled monthly payments. Borrowers are required to pay ASSIST funds in full in the event of any of the following:

- The borrower(s) sell or otherwise transfer or dispose of the property; or,
- The original first mortgage loan associated with the ASSIST loan is refinanced or paid in full.