

Chapter 1 VHFA Overview4

1.1 Participating Lender Requirements (Rev. 04/23) 4

1.2 VHFA Programs (Rev. 06/22) 4

1.3 ASSIST Mortgages (Rev. 06/22)..... 5

1.4 Mortgage Credit Certificate Programs (Rev. 06/22) 6

1.5 Lender Contacts and Training Requirements (Rev. 06/22)..... 6

1.6 Agreements and Certifications (Rev. 04/26)..... 6

1.7 Pricing (Rev. 01/24)..... 6

Chapter 2 Program Compliance.....7

2.1 Eligible Title Holder, Non-Borrowing Spouse, Separated Spouse & MCC Holders (Rev. 07/24) .. 7

2.2 First-Time Buyer Requirement (MOVE, MOVE MCC & MCC) (Rev. 04/26)..... 7

2.3 Income Limits - MOVE, MOVE MCC, Advantage & MCC (Rev. 04/26)..... 9

2.4 Purchase Price Limits (Acquisition Cost) – MOVE, MOVE MCC, Advantage & MCC (Rev. 04/21) 9

2.5 Occupancy and Principal Residence (MOVE, MOVE MCC, Advantage & MCC) (Rev. 12/13) 10

2.6 Loan Purpose and New Mortgage (MOVE, MOVE MCC, Advantage & MCC) (Rev. 06/22) 10

2.7 Other Real Estate Owned (MOVE, MOVE MCC, Advantage & MCC) (Rev. 04/21) 10

2.8 Maximum Acreage (MOVE, MOVE MCC, Advantage & MCC) (Rev. 07/25)..... 11

2.9 Federal Recapture Tax (MOVE, MOVE MCC & MCC) (Rev. 06/22) 11

2.10 Prohibited Loans and Interest Paid to Related Parties – MOVE MCC and MCC (Rev. 06/22) 12

2.11 Homebuyer Education (MOVE, MOVE MCC, Advantage) (Rev. 01/24) 12

2.12 Landlord Education (MOVE, MOVE MCC, Advantage) (Rev. 07/25)..... 13

Chapter 3 MOVE, MOVE MCC and ADVANTAGE with Government Product.....14

3.1 Government Loans (Rev. 10/21) 14

3.2 Products, Systems and Approvals (Rev. 04/21) 14

3.3 Eligible Property Types (Rev. 07/25)..... 14

3.4 Property Transfer Tax Benefit (Rev. 06/22) 16

3.5 Interested Party Contributions and Buy-downs (Rev. 03/17)..... 16

3.6 Loan Terms and Credit Underwriting (Rev. 01/20)..... 16

3.7 Subordinate Financing (Rev. 10/21)..... 17

3.8 Property Repairs (Rev. 09/19)..... 17

3.9 MCC Information for MOVE MCC (Rev. 06/22) 17

Chapter 4 MOVE, MOVE MCC and ADVANTAGE with Conventional Product.....18

4.1 Products, Systems and Approvals (Rev. 08/23) 18

4.2 Eligible Property Types (Rev. 07/25)..... 18

- 4.3 Property Transfer Tax Benefit (Rev. 06/22) 20
- 4.4 Mortgage Insurance Coverage (Rev. 07/24) 20
- 4.5 Interested Party Contributions and Buy-downs (Rev. 01/19)..... 21
- 4.6 Loan Terms and Credit Underwriting (Rev. 01/20)..... 21
- 4.7 Subordinate Financing (Rev. 01/20)..... 21
- 4.8 Community Land Trust and Resale Restricted (Rev. 07/4) 22
- 4.9 Property Repairs (Rev. 09/19)..... 22
- Chapter 5 MCC Information for MOVE MCC and Stand-alone MCC.....23**
- 5.1 MCC Mortgage Source Eligibility (Rev. 06/22)..... 23
- 5.2 MCC Rate and Tax Limits (Rev. 06/22)..... 23
- 5.3 How a Mortgage Credit Certificate Works (Rev. 04/2026) 23
- 5.4 MCC Carry Forward and Dividing the Credit (Rev. 01/19) 24
- 5.5 Using an MCC in Qualifying (Rev. 01/19) 24
- 5.6 Permissible Fees (Rev. 06/22)..... 24
- Chapter 6 Assistance Programs – Down Payment and Closing Costs25**
- 6.1 General Requirements (Rev. 04/26) 25
- 6.2 Shared Equity Assistance (Rev. 04/26) 26
- 6.3 First-Generation Homebuyer Program (Rev. 04/26) 27
- 6.4 ASSIST (Rev. 04/26)..... 28
- Chapter 7 Reservation and Compliance Submission.....30**
- 7.1 Reservation Process (Rev. 04/26) 30
- 7.2 Compliance Submission (Rev. 04/26) 30
- 7.3 Compliance Conditional Commitment (Rev. 04/26)..... 30
- 7.4 Cancelling/Changing Reservations or Commitments (Rev. 04/26)..... 31
- Chapter 8 Closing, Delivery and Funding32**
- 8.1 Lender and VHFA Fees at Closing (Rev. 01/24)..... 32
- 8.2 Eligible Title and MCC Holders (Rev. 07/23) 32
- 8.3 Closing Process and Documents (Rev. 01/24) 33
- 8.4 Closing Fees (Rev. 01/24)..... 33
- 8.5 Property Transfer Tax Benefit (Rev. 08/24) 33
- 8.6 Closing with VHFA Assistance Programs (Rev. 01/24) 34
- 8.7 Post-Closing Delivery (Rev. 01/24)..... 35
- 8.8 Delivering Loans with Repairs (Rev. 01/24) 36
- 8.9 Loan Funding and Reimbursement (Rev. 01/24) 37

VHFA Program and Procedural Guide



8.10	U.S. Bank Deliveries, Interim Servicing and Funding (Rev. 01/19).....	38
Chapter 9	VHFA Forms.....	39
9.1	VHFA Form Accessibility (Rev. 01/24).....	39
9.2	VHFA Form Signature Requirements (Rev. 04/25)	39
Chapter 10	Post MCC Issuance and Post Loan Funding.....	43
10.1	MCC Federal Reporting Requirements (Rev. 12/13)	43
10.2	MCC Record Retention Requirements (Rev. 12/13)	43
10.3	Revocation of Mortgage Credit Certificate (Rev. 12/13)	43
10.4	MCC Borrower Filing Requirements (Rev. 06/22).....	44
10.5	MCC Assumptions, Transfers and Reissuing (Rev. 12/13)	44
10.6	First Mortgage Loan Assumptions (Rev. 01/19)	44
10.7	VHFA ASSIST Loan Servicing (Rev. 01/20)	44

Chapter 1 VHFA Overview

1.1 Participating Lender Requirements (Rev. 04/23)

To become a VHFA participating lender, lenders must be able to originate mortgage loans eligible for delivery to one or more of the following investors. **Investor** is used throughout this guide as a reference to one or all the agencies below.

- 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.

1.2 VHFA Programs (Rev. 06/22)

VHFA programs provide additional benefits to Freddie, Fannie and Government Guaranteed first mortgage loans originated by participating lenders. VHFA MOVE, MOVE MCC and Advantage are not mortgage financing programs.

Eligible First Mortgage Products: Lenders must determine the eligible product best suited for the borrower(s). The following conventional and government products are 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 Mae requirements to HFA Preferred and use the applicable Special Feature Code.

Government Guaranteed Products:

- FHA Insured
- VA Guarantee
- USDA RD Guarantee

First Mortgage Requirements: VHFA offers enhancements to mortgage products available from Fannie Mae, Freddie Mac, and government guarantee providers. Lenders are responsible for loan origination including processing, underwriting, closing, and funding all first mortgage loans in compliance with the applicable investor or government guarantors, VHFA and U.S. Bank.

VHFA performs a document review for compliance with VHFA requirements. VHFA does not review the underlying loan product for compliance with the investors' credit or collateral policy requirements. The VHFA compliance requirements are detailed in [Chapter 2](#) of this guide.

Delivery and Servicing: U.S. Bank, NA is the designated servicer for all first mortgage loans that comply with VHFA requirements. Lenders must deliver all closed first mortgage loans to U.S. Bank. U.S. Bank will determine loan eligibility for purchase and delivery to the applicable investor and complete the purchase process as applicable.

- Participating lenders must be approved by U.S. Bank to deliver loans and enter into a direct agreement with U.S. Bank agreeing to the process and requirements for loan delivery.
- U.S. Bank determines loan purchase and investor delivery and completes the loan purchase process.
- U.S. Bank is responsible for performing all servicing per the requirements of the GSE or government guarantor.

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.

1.3 ASSIST Mortgages (Rev. 06/22)

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](#).

1.4 Mortgage Credit Certificate Programs (Rev. 06/22)

A Mortgage Credit Certificate (MCC) allows a mortgage borrower to claim a federal income tax credit that is determined based on a percentage of the annual mortgage interest paid annually. An MCC is a direct dollar for dollar reduction in the amount of the total federal income tax a homeowner owes each year. For more information, see [Chapter 5](#).

Lenders must apply directly to VHFA for approval to offer MCCs. Lenders have the option to offer MCCs with a VHFA first mortgage product or as a stand-alone MCC with their own mortgage product.

- MCC with VHFA mortgage product: VHFA sets the rate, term, and eligibility criteria. The first mortgage must comply with all VHFA first mortgage requirements and be delivered to U.S. Bank servicing released per the applicable requirements.
- MCC with lender mortgage product: Lender sets the rate and term for the opted first mortgage product. Lender is responsible for origination and servicing of the first mortgage paired with the MCC.

1.5 Lender Contacts and Training Requirements (Rev. 06/22)

VHFA requires lending institutions to provide contact information for all staff designated to manage the VHFA relationship or originate, close and deliver product to VHFA and the VHFA master servicer, U.S. Bank. Participating lenders must:

- Provide VHFA with 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, VHFA Lender Portal access, escalations, time delivery, etc.
- Identify and provide VHFA with an administrative contact(s) responsible for managing access for all lender personnel to the VHFA Lender Portal as applicable. The VHFA Lender Portal 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 the training offered by VHFA. VHFA reserves the right to limit print and digital marketing only to Participating Lenders who routinely originate loans eligible for VHFA benefits; this includes the Participating Lender listing on the VHFA website and print material that references participating lenders.

1.6 Agreements and Certifications (Rev. 04/26)

Lenders may be required to enter into new agreements or provide information for recertification of approval status for any VHFA program. Failure to execute a new agreement when presented or respond timely to submit documentation for recertification and continued approval, will result in the interruption of the lenders participation in VHFA programs.

1.7 Pricing (Rev. 01/24)

Refer to the VHFA Lender Portal, Rates and Pricing for details on pricing, based on lender performance.

Chapter 2 Program Compliance

The compliance and minimum documentation requirements are covered below. Unless otherwise specified the requirements apply to all loans with VHFA benefits and Mortgage Credit Certificate (MCC). Lenders are responsible for determining that each borrower and non-borrowing spouse and the property meet all compliance requirements. VHFA will review the documentation provided by the lender to confirm eligibility.

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 Eligible Title Holder, Non-Borrowing Spouse, Separated Spouse & MCC Holders (Rev. 07/24)

Eligible Title Holders for Closing – All Programs: Only borrowers and non-borrowing spouses determined eligible by VHFA prior to closing can take title. Each borrower and non-borrowing spouse must meet all compliance requirements and be determined eligible by VHFA prior to closing. If closing documents are signed by persons that have not been approved by VHFA, a post-closing approval will not be issued by VHFA.

Title Holders after Closing: VHFA does **not** allow the addition of a title holder(s) after closing.

Non-borrowing Spouse – MOVE, MOVE MCC, Advantage & MCC: 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 documentation to verify income and liquid assets and sign VHFA forms as required.

Separated Spouse – MOVE, MOVE MCC, Advantage & MCC: If the borrower has entered into a court-approved Separation Agreement with their spouse that is acceptable to VHFA, the spouse may be excluded from meeting the compliance requirements of the program. *See the Borrower Affidavit for Separated Spouse.*

Guarantors and Non-Occupant Borrowers - MOVE, MOVE MCC & Advantage: Guarantors (co-signers) and non-occupant borrowers are not permitted.

Eligible MCC Holder - MOVE MCC and MCC: An MCC will only be issued in the name(s) of the borrower(s) of the first mortgage for both VHFA and lender provided loans. A non-borrowing spouse is not an eligible MCC holder. Only approved borrowers who have been determined eligible by VHFA can be a holder of an MCC. The MCC will not be issued if non-eligible borrowers are included on the loan.

2.2 First-Time Buyer Requirement (MOVE, MOVE MCC & MCC) (Rev. 04/26)

IMPORTANT: The first-time buyer requirement detailed below only applies to first mortgage programs MOVE and MOVE MCC when the borrower is **NOT RECEIVING ASSIST or First-Generation Homebuyer Assistance**. The ASSIST and First-Generation First-Time Buyer requirement is more restrictive and supersedes the three-year restriction. See [Chapter 6](#) for details.

The First-Time Buyer Requirement also applies to a stand-alone MCC paired with a lender provided first mortgage.

For purchase in the following Counties: **Addison, Bennington, Chittenden, Grand Isle or Windsor**, each borrower and non-borrowing spouse must not have held an ownership interest which includes spousal benefits (defined below) 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:

- Purchasing in any Vermont county not listed above.
- At least one borrower served in active duty and was other than dishonorably discharged from the armed services, meets the definition of veteran, and has provided a DD214.

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, leased land, or rent-free land.
- An interest in a mobile home located in a park.
- An interest held in a trust that would constitute an ownership interest if held by the borrower or non-borrowing spouse.
- A life estate retained by the borrower.
- 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.

Sufficient documentation is required to determine that each borrower and any non-borrowing spouse meet this requirement. The documentation required may vary depending on the information provided. VHFA reserves the right to request any, and all documentation needed to confirm compliance with the requirement. At a minimum, VHFA will review the following:

Uniform Residential Loan Application – All areas of the application that reference present address, monthly housing expense and the Declarations must be completed.

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 federal tax returns for the most recent tax year returns were filed, and if requested, provide tax returns for the three previous years.

- Copies of executed as-filed tax returns with all schedules and W2s, or
- Transcripts obtained from the IRS

NOTE: applicants that have a history of not filing federal and/state tax returns are not eligible for VHFA programs.

2.3 Income Limits - MOVE, MOVE MCC, Advantage & MCC (Rev. 04/26)

The combined total gross income of each borrower and non-borrowing spouse cannot exceed the applicable income limits in effect at the time of loan reservation through 60 days after loan closing. On the main menu of the VHFA Lender Portal, click on Income and Purchase Price Limits.

Lenders must complete the VHFA Federal Act Income and Acquisition Cost Worksheet, available from the VHFA Lender Portal to calculate the income used for VHFA income eligibility. The Federal Act Income requires **all sources of income for all borrowers** and any non-borrowing spouse be included to determine program eligibility, as well as any income increase expected to occur within 60 days after closing.

The lender must submit the completed Federal Act Income and Acquisition Cost to VHFA with sufficient documentation to verify the total income from all sources, including for a non-borrowing spouse who will, occupy the property, but will not take title or be obligated on the loan, or is currently separated or estranged but not legally divorced from a borrower and will not occupy the property.

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

2.4 Purchase Price Limits (Acquisition Cost) – MOVE, MOVE MCC, Advantage & MCC (Rev. 04/21)

The total acquisition cost of a property cannot exceed the applicable purchase price limit in effect at the time of loan reservation through loan closing. On the main menu of the VHFA Lender Portal, click on Income and Purchase Price Limits.

Lenders must complete the Federal Act Income and Acquisition Cost Worksheet to calculate the acquisition cost. Form is available on the Guides, Forms, & Resources page of VHFA Lender Portal. The acquisition cost must represent the total cost to the borrower to purchase the completed property. The lender must also consider additional adjustments, as noted on the worksheet, to calculate the acquisition cost. The lender must submit the completed Federal Act Income and Acquisition Cost Worksheet to VHFA with a copy of the fully executed Purchase and Sales Agreement and any addendums or lease agreements to support the acquisition cost.

Any changes to the acquisition cost must be provided to VHFA prior to closing.

2.5 Occupancy and Principal Residence (MOVE, MOVE MCC, Advantage & MCC) (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 cannot be used as recreational, seasonal, or part-time residences or investment property. Borrowers cannot intend to farm the land or receive, other than incidentally, any income from the property or land, or subdivide the land. No more than 15% of the total area of the property may be used for home business or commercial use and not more than 15% of the costs of the property will be deducted as a home business or commercial expense for federal income tax.

2.6 Loan Purpose and New Mortgage (MOVE, MOVE MCC, Advantage & MCC) (Rev. 06/22)

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

- 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.

2.7 Other Real Estate Owned (MOVE, MOVE MCC, Advantage & MCC) (Rev. 04/21)

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).

- 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.

2.8 Maximum Acreage (MOVE, MOVE MCC, Advantage & MCC) (Rev. 07/25)

Property with up to five (5) 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 five (5) acres are not eligible (deed restrictions on subdividing are not acceptable.) Separately deeded lots cannot be financed under VHFA programs.

2.9 Federal Recapture Tax (MOVE, MOVE MCC & MCC) (Rev. 06/22)

NOTE: The Federal Recapture Tax does **not** apply to the Advantage program.

Borrowers receiving benefits under the MOVE, MOVE MCC and stand-alone MCC programs are subject to a Federal Recapture Tax based on certain conditions at the time the borrower disposes of the property purchased with the benefit of a VHFA first mortgage or a stand-alone MCC paired with a lender funded mortgage.

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 (profit) 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 Mortgage Disclosure of Recapture Tax should be reviewed for the income threshold.
 - b. Current tax year income thresholds can be viewed on the Guides, Forms, & Resources page.

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 details 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 applicable program Compliance Affidavit; this form is available to print, view or save in the VHFA Lender Portal 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 Lender Portal 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 recapture 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 of. The borrower is responsible for filing Form 8828 Recapture of Federal Mortgage Subsidy for the tax year the home is sold or disposed of 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 – Limited to MOVE Only (Rev. 06/22)

Borrowers that benefited from a first mortgage that complied with the MOVE program may be eligible for reimbursement from VHFA if a recapture tax was owed and paid. A reimbursement request may 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 may be accessed on www.vhfa.org or by contacting VHFA.

Borrowers that received a first mortgage benefiting from the MOVE MCC program or received a stand-alone MCC **may not** be eligible for reimbursement of any recapture tax owed and paid depending on when the MCC was issued. The borrower must refer to the Mortgagor Disclosure of Federal Recapture Tax.

2.10 Prohibited Loans and Interest Paid to Related Parties – MOVE MCC and MCC (Rev. 06/22)

An MCC will not be issued in conjunction with a mortgage loan funded, directly or indirectly from the proceeds of a Mortgage Revenue Bond or a Qualified Veterans' Mortgage Bond. No interest on the Certified Indebtedness Amount (the loan amount) can be paid to a related person. When the associated mortgage loan is closed, a related person cannot have nor be expected to have an interest as a creditor in the mortgage loan.

2.11 Homebuyer Education (MOVE, MOVE MCC, Advantage) (Rev. 01/24)

At least one borrower must complete homebuyer education within **18 months** prior to the loan closing date using one of the providers listed at www.vhfa.org. Homebuyer education is not required if at least one borrower has an ownership interest in a residential property during the three-year period preceding the date of the purchase. Verification of previous ownership to waive the VHFA homebuyer education requirement must be provided prior to loan approval.

VHFA does not require Homebuyer Education to issue a stand-alone MCC paired with a lender provided first mortgage. The lender is responsible for determining if homebuyer education is required.

Borrowers combining VHFA with a Housing Trust/Community Land Trust (CLT) program, Federal Home Loan Bank of Boston Equity Builder, or other acceptable special programs must complete education and counseling pursuant to the requirements of those programs, if stricter than VHFA requirement.

In all cases, lenders must provide VHFA with a copy of the education completion certificate that lists the provider, course title, and date of completion. If the borrower completed education more than 18 months prior to the loan closing date or completed education that does not meet the requirements, the borrower will be required to retake education at their own expense. In some cases, the lender may also be required to provide VHFA with a copy of *Fannie Mae Form 1017 Certificate of Completion of Housing Counseling* signed by the HUD-Certified Housing Counselor who provided counseling and the counseling recipient.

2.12 Landlord Education (MOVE, MOVE MCC, Advantage) (Rev. 07/25)

In addition, Freddie Mac HFA Advantage requires landlord education for the purchase a 2-Unit property (Duplex or Single-Family with Accessory Dwelling Unit). See Freddie Mac Guide for more detail.

For the Freddie Mac HFA Advantage program, Freddie Mac has issued a requirement for landlord education for borrowers purchasing a 2-unit property (Duplex or Single-Family with Accessory Dwelling Unit). Lenders are responsible for referring to the Freddie Mac and US Bank education requirements for the most current policy and complying.

For the Fannie Mae HFA Preferred program, Fannie Mae has issued a notice of not requiring Landlord Education. Lenders are responsible for referring to the Fannie Mae and US Bank education requirements for changes to this policy and complying.

Chapter 3 MOVE, MOVE MCC and ADVANTAGE with Government Product

3.1 Government Loans (Rev. 10/21)

Mortgage loans guaranteed by the government agencies 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. 04/21)

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 Automated Underwriting Systems are acceptable:

- RD - Loans must be processed through GUS.
- FHA - Loans must be processed through DU or LPA.
- VA - Loans must be processed through DU or LPA.

3.3 Eligible Property Types (Rev. 07/25)

Property and condition must be eligible for and acceptable to the applicable investor: FHA, RD, or VA. In addition, VHFA and U.S. Bank have property requirements. The lender is responsible for determining property eligibility. Questions regarding property eligibility for FHA, RD or VA must be directed to the applicable agency or U.S. Bank.

VHFA requires a full appraisal for all eligible property types. While VHFA does not review the appraisal for compliance with FHA, VA, RD, or US Bank, VHFA does review for property or appraisal deficiencies that render the property or appraisal ineligible for VHFA.

Ineligible Properties: VHFA does not accept every property nor is every property eligible for every product. Ineligible properties include, but may not be limited to:

- Co-operatives
- Single-wide mobile homes
- Property with more than 5 acres
- Property with separately deeded lots
- Residence on leased land privately held
- Tiny homes not permanently affixed to land
- Residences with more than two living units
- Property with multiple single-family detached dwelling
- Fannie Mae Home Path properties are not acceptable to U.S. Bank

Eligible Property Types: property must meet all other VHFA requirements.

Eligible Property Types	FHA	VA	RD
1-Unit Detached/owned land	Eligible	Eligible	Eligible
2-Unit Detached/owned land	Eligible	Eligible	N/A
Eligible Condominium	Eligible	Eligible	Eligible
Manufactured Housing	Eligible	Eligible	Eligible

1-Unit

- Maximum of 5 acres
- The seller's ownership must be evidenced by a single deed.

2-Unit

The property must meet the definition and comply with all requirements of the underlying loan product per the investor, FHA or VA for a Duplex or a Single-Family Dwelling with one Accessory Dwelling Unit (ADU). The appraisal must be completed on the applicable form, contain all required information and attachments, and include rental history and information as required by the investor and VHFA. Refer to the applicable guide and information for the Government Guarantee provider. **See below** for additional information for a duplex or single family with an ADU.

NOTE: For MOVE, MOVE MCC and MCC all properties with 2 units (Duplex and SF with ADU) must be an existing property that was occupied as a residence at least five years prior to closing. Sufficient documentation to confirm the five-year requirement is required. The VHFA Seller Affidavit is required when the property is a Duplex or Single-Family with an Accessory Dwelling Unit (ADU).

Duplex Requirements (all VHFA Programs)

- Maximum of 5 acres
- The seller's ownership must be evidenced by a single deed.
- Multiple detached dwelling structures and/or separate lots are not allowed.
- The dwelling must have been designed and constructed as one structure to provide independent living for two households.
- Each unit must be of comparable size, with facilities and provisions for independent living including separate ingress/egress, kitchen with all expected amenities, sleeping area and bathroom facilities.
- **MOVE, MOVE MCC, STANDALONE MCC ONLY**: In addition to the above requirements, property must be existing and both units must have been occupied as a residence for at least **five years** prior to closing.

Single-Family with Accessory Dwelling Unit (ADU) Requirements (all VHFA Programs)

- Maximum of 5 acres
- The seller's ownership must be evidenced by a single deed.
- An ADU detached from the single-family dwelling is not allowed.
- Multiple detached dwelling structures and/or separate lots are not allowed.
- ADU must be subordinate in size to the primary living area. Additional information may be requested if the ADU exceeds 30% of the square footage of the entire dwelling or 900 square feet, whichever is greater.
- ADU must have a separate means of ingress/egress, but ADU may include access to the primary unit.
- Each unit must be a distinct, independent living area with facilities and provisions for independent living including a kitchen with all expected amenities, sleeping area and bathroom facilities.
- **MOVE, MOVE MCC, STANDALONE MCC ONLY**: In addition to the above requirements, property must be existing and both units must have been occupied as a residence for at least **five years** prior to closing.

For converting a duplex or property with an ADU to a one-unit residence, removal of appliances alone is not sufficient for VHFA to accept the property as a single-family (1-unit) residence. All facilities and

provisions for independent living in the second unit must be completely removed. This includes, but is not limited to, removal of all kitchen amenities, separate ingress/egress capabilities, and consolidation of meters and other mechanical systems as applicable. The space once occupied by the second unit must be converted to living space reasonable and usable for a single-family (1-unit) dwelling, and the final appraisal must support the property as a single-family dwelling.

Condominiums and PUDs

To be eligible for financing, condominium units and qualified 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 HFA 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 HFA Lending Guide](#) for details) and the property must be on owned-land, multi-width and not be manufactured more than 20 years prior to application. The **VHFA Seller Affidavit** is required for new and existing Manufactured Homes.

3.4 Property Transfer Tax Benefit (Rev. 06/22)

Borrowers obtaining a loan to purchase a home with VHFA benefits, are allowed a reduction of the Vermont Property Transfer Tax. See Chapter 8, Closing and Delivery for details.

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 to 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 a 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. See the rates and pricing page on the VHFA Lender Portal.

For VHFA 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 Product Guide ([Matrix](#))
- [U.S. Bank HFA Lending Guide](#)

3.7 Subordinate Financing (Rev. 10/21)

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.

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. The 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. 06/22)

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. 08/23)

The lender is responsible for the proper and accurate underwriting of loans. Loans must comply with U.S. Bank underwriting guidelines, see [U.S. Bank HFA Lending Guide](#), the VHFA Procedural Guide and VHFA Quick Reference Guide 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 Programs and Approval Requirement:**
 - Freddie Mac HFA Advantage (not included in Freddie Mac guide)
 - Freddie Mac HFA Advantage allows for Community Land Trust. Lenders must apply the additional Freddie requirements to the HFA Advantage product and add the applicable Special Feature Codes.
 - **AUS Approval Level:** LPA Accept

- **Fannie Mae:**
 - **Programs:** 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

4.2 Eligible Property Types (Rev. 07/25)

Property type and condition must be acceptable to the applicable investor: Fannie Mae or Freddie Mac. In addition, VHFA and US Bank have property requirements. The lender is responsible for determining whether the property is eligible for the investor. Questions regarding investor property eligibility must be directed to the investor or U.S. Bank.

VHFA requires a full appraisal for all eligible property types. While VHFA does not review the appraisal for compliance with the investor of the underlying loan product, VHFA does review for property or appraisal deficiencies that render the property or appraisal ineligible to VHFA.

Ineligible Properties: VHFA does not accept every property nor is every property eligible for every product. Ineligible properties include, but may not be limited to:

- Co-operatives
- Single-wide mobile homes
- Residence on leased land privately held
- Tiny homes not permanently affixed to land
- Residences with more than two living units
- Property with more than 5 acres
- Property with separately deeded lots
- Property with multiple single-family detached dwellings

VHFA Program and Procedural Guide



- Fannie Mae Home Path properties are not acceptable to U.S. Bank

Eligible Property Types: property must meet all other VHFA requirements, as well as be acceptable to U.S. Bank and the investor.

FREDDIE MAC Eligible Property Types	HFA Advantage: LPA Accept	HFA Advantage: LPA Accept
		95% LTV/105% CLTV
1 Unit Detached	Eligible	Eligible
2 Unit Detached	Eligible	N/A
Eligible Condominium	Eligible	Eligible

FANNIE MAE Eligible Property Types	HFA Preferred: DU Approval/Eligible	HFA Preferred: DU Approval/Eligible
		95% LTV/105% CLTV
1 Unit Detached	Eligible	Eligible
2 Unit Detached	Eligible	N/A
Eligible Condominium	Eligible	Eligible
Manufactured Housing	Eligible	FNMA MH Advantage Only

1-Unit

- Maximum 5 acres.
- The seller’s ownership must be evidenced by a single deed.

2 Unit

The property must meet the definition and comply with all requirements of the underlying loan product per the investor for a Duplex or a Single-Family Dwelling with one Accessory Dwelling Unit (ADU). The appraisal must be completed on the applicable form, contain all required information and attachments, and **include rental history** and information as required by the investor and VHFA. Refer to the applicable guide and information for Fannie Mae or Freddie Mac. See below for additional information for a Duplex or Single Family with an ADU. The VHFA Seller Affidavit is required for a Duplex or a Single Family with an ADU.

Duplex Requirements (all VHFA Programs)

- Maximum 5 acres.
- The seller’s ownership must be evidenced by a single deed.
- Multiple detached dwelling structures and/or separate lots are not allowed.
- The dwelling must have been designed and constructed as one structure to provide independent living for two households.
- Each unit must be of comparable size, with facilities and provisions for independent living including separate ingress/egress, kitchen with all expected amenities, sleeping area and bathroom facilities.
- **MOVE, MOVEMCC, STANDALONE MCC ONLY:** In addition to the above requirements, property must be existing and both units must have been occupied as a residence for at least **five years** prior to closing.

Single-Family with Accessory Dwelling Unit (ADU) Requirements (all VHFA Programs)

- Maximum 5 acres.
- The seller's ownership must be evidenced by a single deed.
- An ADU detached from the single-family dwelling is not allowed.
- Multiple detached dwelling structures and/or separate lots are not allowed.
- ADU must be subordinate in size to the primary living area. Additional information may be requested if the ADU exceeds 30% of the square footage of the entire dwelling or 900 square feet, whichever is greater.
- ADU must have a separate means of ingress/egress, but ADU may include access to the primary unit.
- Each unit must be a distinct, independent living area with facilities and provisions for independent living including a kitchen with all expected amenities, sleeping area and bathroom facilities.
- **MOVE, MOVE MCC, Standalone MCC ONLY:** In addition to the above requirements, property must be existing and both units must have been occupied as a residence for at least **five years** prior to closing.

For converting a duplex or property with an ADU into a one-unit residence, removal of appliances alone is not sufficient for VHFA to accept the property as a single-family residence. All facilities and provisions for independent living in the second unit must be completely removed. This includes, but is not limited to, removal of all kitchen amenities, separate ingress/egress capabilities, and consolidation of meters and other mechanical systems as applicable. The space once occupied by the second unit must be converted to living space reasonable for a single-family dwelling, and the final appraisal must support the property as a single-family dwelling.

Condominiums and PUDs

To be eligible for financing, condominium units and qualified 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 HFA Lending Guide](#). Also refer to www.fanniemae.com and/or www.freddiemac.com for details.

Manufactured Homes (Fannie Mae Only)

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 HFA Lending Guide](#) for property and document details) and the property must be on owned-land, multi-width and not have been manufactured more than 20 years prior to application. The VHFA Seller Affidavit is required for Manufactured Homes.

4.3 Property Transfer Tax Benefit (Rev. 06/22)

Borrowers obtaining a first mortgage loan with VHFA benefits pay a lower Vermont Property Transfer Tax. See [Chapter 8](#), Closing and Delivery for details.

4.4 Mortgage Insurance Coverage (Rev. 07/24)

The level of mortgage insurance required is set by Fannie Mae and Freddie Mac – NOT VHFA.

- MI must be provided by an insurer acceptable to Fannie Mae or Freddie Mac.

- The **qualifying income*** the lender used for the DU or LPA findings determines the level of MI coverage. MI is based on qualifying income and the published Fannie Mae/Freddie Mac Area Median Income (AMI) per their look-up tools.
- No LLPA is allowed to reduce the MI coverage. Review the AUS carefully to be sure the required level of MI is obtained **without an LLPA adjustment**.

* **NOTE:** the Federal Act Income calculated for VHFA compliance is **not the income** used to determine the MI level. VHFA does not publish the Fannie Mae/Freddie Mac AMI limit for charter MI coverage. Refer to the Fannie Mae and Freddie Mac Look Up Tools for the applicable income limit.

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 to the investor. 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 a fixed-interest rate and term (30-years) for the first mortgage loan. Rates are set daily and available at 10:00am each business day. Go to the rates and pricing page on the VHFA Lender Portal.

For VHFA 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 HFA Lending Guide](#)

4.7 Subordinate Financing (Rev. 01/20)

Subordinate financing that complies with the requirements for Fannie Mae Community Seconds or Freddie Mac Affordable Seconds 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.

4.8 Community Land Trust and Resale Restricted (Rev. 07/4)

U.S. Bank may accept mortgages for properties with leasehold or resale restrictions that meet **Fannie Mae** or **Freddie Mac** requirements. For questions about lease agreements and/or required closing documents refer to the applicable guide, Fannie Mae, or Freddie Mac, and/or contact U.S. Bank.

VHFA only reviews documents to determine the subsidy amount and the type of structure. VHFA does not review documents or the transaction structure for Fannie/Freddie eligibility.

Community Land Trust (CLT): For loans on properties that include a Lease Agreement from a housing trust (shared equity program), the loan must comply with Fannie Mae's or Freddie Mac requirements to be eligible for delivery to U.S. Bank. The lender is responsible for determining the details of the agreement for each loan as required by the housing trust. For properties subject to a ground lease from a housing trust, the lender must be familiar with and follow requirements for the Community Land Trust product outlined in the Fannie Mae or Freddie Mac 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. Lenders must complete the applicable section of the VHFA Acquisition Cost Worksheet.

Resale Restricted: For these transactions, the housing trust relies on a covenant (not a ground lease) to place restrictions that impact on the resale of the property. For loans with properties that include resale restrictions, the lender is responsible for determining that the loan complies with the requirements for this type of transaction. For Fannie Mae, a checklist, program requirements and details for the Resale Restricted program are available in the Fannie Mae guide. Refer to the Freddie Mac guide for their requirements.

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. The 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 FNMA, FHLMC and U.S. Bank.

Chapter 5 MCC Information for MOVE MCC and Stand-alone MCC

5.1 MCC Mortgage Source Eligibility (Rev. 06/22)

MCCs are restricted to new purchase transactions. An MCC can be paired with a loan using VHFA benefits or with a lender funded first mortgage. Funding for an MCC cannot be directly or indirectly combined with proceeds of a Mortgage Revenue Bond or a qualified Veterans' Mortgage Bond. Also, no interest on the Certified Indebtedness Amount (the loan amount) can be paid to a related person. When the associated mortgage loan is closed, a related person cannot have, nor be expected to have, an interest in as a creditor in the mortgage loan.

- MOVE MCC - VHFA sets the rate and term for the first mortgage paired with the MCC. Lenders must submit all information as outlined in the previous chapters and required by the applicable checklists.
- Stand-alone MCC – Lenders may offer any financing instrument legally being used for a first mortgage using their own available terms, amortization, and requirements, except for the prohibited funding sources as noted above. VHFA does not review or underwrite a lender provided first mortgage being paired with an MCC. Underwriting and proper closing of the first mortgage is the responsibility of the lender. VHFA does require sufficient information from the lender that the loan product being used meets the minimum MCC Compliance guidelines.

5.2 MCC Rate and Tax Limits (Rev. 06/22)

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

- Tax Liability: The tax credit may not exceed the holder's total tax liability for the tax year.
- MCC Rate: The current rate for VHFA issued MCCs is up to 50% of the annual mortgage interest.
- 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.

5.3 How a Mortgage Credit Certificate Works (Rev. 04/2026)

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 allowed 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.

For tax information holders of an MCC should consult a tax advisor. VHFA will **not** provide guidance or advice for tax planning, preparation, or filing.

5.4 MCC 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.

5.5 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, Freddie Mac, 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.

5.6 Permissible Fees (Rev. 06/22)

- **Permissible Lender Fees:** Lenders may collect up to a \$500 processing fee. Any fee paid to the lender must be disclosed in compliance with Regulation Z and Federal TILA requirements. Lenders can only charge an applicant purchasing with an MCC those reasonable fees for processing the financing as they would charge a potential borrower applying for financing without an MCC.
- **MOVE MCC – No VHFA Fee:** VHFA does not charge borrowers a fee to process an MCC in conjunction with MOVE MCC.
- **Stand-alone MCC – VHFA Fee:** VHFA assesses a one-time issuance fee in the amount of \$500. The lender is responsible for ensuring the VHFA fee is collected at closing and delivered to VHFA post-closing. Personal checks are not acceptable. The VHFA fee is in addition to the processing fee lenders may charge.

See [Chapter 8.1](#) for more information on closings with an MCC.

Chapter 6 Assistance Programs – Down Payment and Closing Costs

VHFA offers down payment and closing cost assistance to eligible borrowers using a VHFA mortgage product and meeting the requirements of the selected down payment program. Not all down payment programs are available with a VHFA mortgage product. Eligible borrowers may receive funds from multiple VHFA down payment programs depending on their eligibility and/or the property type. VHFA currently offers the following down payment programs:

- [Section 6.2 - Shared Equity Assistance](#)
- [Section 6.3 - First-Generation Homebuyer Program](#)
- [Section 6.4 - ASSIST](#)

6.1 General Requirements (Rev. 04/26)

The following requirements apply to all VHFA down payment programs. For a side-by-side comparison, refer to the **VHFA Down Payment Assistance Quick Reference Guide**.

Reserving a VHFA Assistance Program

- For instructions to add a VHFA down payment program to a reservation, refer to the VHFA Lender Portal Guide, *Chapter 2, Section 2.6*.

Order of Applying Funds

All sources of funds must be listed on the URLA, supported by documentation and applied in this order:

- **NON-VHFA Assistance (Applied First):** All non-VHFA assistance – such as seller contributions, gifts, grants or other acceptable subordinate financing must be applied before any VHFA assistance.
 - Funds must be accurately reflected on the Uniform Residential Loan Application (URLA) and supported by acceptable documentation.
 - VHFA will rely on the information provided at time of compliance review. EXAMPLE: Gift funds listed on the URLA at time of the VHFA compliance review, **even if** supporting documentation (such as a gift letter) is not submitted, will be calculated as available funds to complete the transaction.
 - Reductions to previously documented funding will not be recognized unless updated documentation and an acceptable detailed borrower explanation are provided and accepted before VHFA issues a commitment.

VHFA Shared Equity Assistance (Applied Second):

- If the property is qualified, the full \$5,000 Shared Equity Assistance grant must be applied before any other VHFA assistance program. A partial use is not permitted.

First-Generation Homebuyer (Applied Third):

- The full 15,000 First-Generation Homebuyer grant is applied after all non-VHFA funds and Shared Equity Assistance when applicable. The full grant amount of \$15,000 must be used; partial use is not allowed.

ASSIST (Applied Last):

- The ASSIST loan amount is based on eligible down payment and closing costs and must be applied after all non-VHFA funds and VHFA grants. The allowable ASSIST amount may be reduced depending on remaining eligible costs. **ASSIST is only available with MOVE.**

Eligible Uses

- Funds may be used for down payment and usual and customary closing costs associated with the lender provided first mortgage.
- First mortgage closing costs Paid Outside of Closing (POC) may be eligible if clearly itemized on the final Closing Disclosure, examples include: credit report, appraisal fee, property inspection, homeowner's insurance premium, homebuyer education, etc.
- Private Mortgage Insurance (PMI), RD Guarantee Fee, or FHA Mortgage Insurance (**not financed in the first mortgage**) paid as a closing cost fee and listed on the final Closing Disclosure.

Ineligible Uses

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

- Per diem interest
- Principal balance reduction
- Debt payoff and/or reduction
- Difference (gap) from appraisal to higher purchase price.
- Financed upfront mortgage insurance or other fees included in the loan amount.

NO Fees to Borrower:

- NO fees for origination, processing, closing, or document recording, or fees or third-party expenses can be charged to the borrower.
- If fees are charged, VHFA will not reimburse the lender until the borrower is reimbursed for the fees paid and evidence is provided to VHFA.

Taxability:

- VHFA First-Generation and Shared Equity Assistance grant funds may be eligible to be excluded from taxable income. However, IRS precedents are pursuant to facts and circumstances not identical to these programs. Homebuyers must contact a tax preparer for determination. VHFA does not issue opinions on IRS federal or state tax rules.

Compliance Submission:

- For submission, follow the VHFA Compliance Checklist for stacking order and required documents.
- See details below for each Down Payment Program.

Closing and Post-Closing Delivery:

- For closing, delivery, and reimbursement of a VHFA Down Payment Program, see [Chapter 8](#). For a listing of program forms, refer to [Chapter 9](#).

Review the sections below for details and requirements for each Down Payment Program.

6.2 Shared Equity Assistance (Rev. 04/26)

Terms:

- \$5,000 Grant – no interest and no repayment, forgiven.

Mortgage Products:

- Limited to Fannie Mae or Freddie Mac mortgage products for Community Land Trust or Resale Restricted.

Borrower/non-Borrowing Spouse Eligibility:

- Borrower(s) and any non-borrowing spouse must meet all VHFA compliance requirements per [Chapter 2](#). No additional requirements apply.

Property Requirements:

- Must be a VHFA eligible property type with shared equity from a Vermont Housing Trust.
- Lender is responsible for ensuring the Housing Trust documents comply with the requirements of Fannie Mae or Freddie Mac and U.S. Bank. VHFA does not review or approve shared equity agreements or other documents related to shared equity transactions.

6.3 First-Generation Homebuyer Program (Rev. 04/26)

Terms:

- \$15,000 Grant – no interest and no repayment, forgiven

Mortgage Products:

- Fannie Mae, Freddie Mac, VA, FHA, and USDA RD.

Borrower and non-Borrowing Spouse Eligibility:

- Must meet all VHFA compliance rules of the Homeownership Program per *Chapter 2, and*.
- First-Time Homebuyer: Each borrower and non-borrowing spouse must be a true first-time homebuyer and have never held an ownership interest, including a spousal benefit, in a principal residence which includes a cooperative, manufactured home on owned land, leased land or rent-free land at any location at any time, and.
- At least one person taking title to the property must attest:
 - A. Such homebuyers' parents or legal guardians **(I)** do not have and during the homebuyer's lifetime never had any residential ownership interest **OR (II)** lost ownership of a home due to foreclosure, short sale or deed-in-lieu and have not owned a home since that loss, **OR**
 - B. At least one borrower is an individual who has at any time been placed in foster care.

Asset Limit:

- Each borrower and any non-borrowing spouse **cannot have access** to assets, including gift funds, that collectively exceed \$20,000 at any time through the loan closing date.
- VHFA requires information **on all asset** accounts held by the borrower and a non-borrowing spouse, not just verification of sufficient assets to close. Assets for non-borrowing spouses must be included even if the spouse will not take title, be obligated on the loan, or are currently separated or estranged, but not legally divorced from a borrower and does not intend to occupy the property.
- For examples of asset accounts refer to the [VHFA Asset Worksheet](#). While this form is not required, lenders are urged to use the worksheet to be sure all asset information is collected and submitted. VHFA reserves the right to require the *ASSET Worksheet for Lenders* and additional information.

Property:

- Must meet VHFA property eligibility

Processing and Compliance Submission:

- Borrowers and non-borrowing spouses must sign the required VHFA Affidavits for the selected VHFA program and complete and sign the First-Generation Homebuyer Program Compliance Affidavit. **NOTE:** the First-Generation Homebuyer Compliance Affidavit requires at least one borrower to complete section #3 by initialing **either A or B**. For signature requirements see [Chapter 9](#).

6.4 ASSIST (Rev. 04/26)

Terms:

- **Only available with the VHFA MOVE program**
- Maximum loan amount \$10,000.
- 0% interest, non-amortizing loan.
- ASSIST must be included in the CLTV calculation.
- CLTV maximum 105% based on the lower of the purchase price or appraised value.
- ASSIST mortgage may be at 3rd or 4th lien position.
- Payment due in full in the event of any of the following:
 - Any change in ownership of the property securing the note for the VHFA first mortgage associated with the ASSIST loan, including addition of a title holder after closing.
 - The borrower(s) sell or otherwise transfer or dispose of the property; or,
 - The first mortgage loan associated with the ASSIST loan is refinanced or paid in full.
 - Acceleration of the indebtedness secured by the first mortgage of the holder.

Mortgage Products:

- Fannie Mae, Freddie Mac, FHA, and USDA RD.
- NOT VA, VHFA Down Payment Program not acceptable to VA.

VHFA Down Payment Program Coordination:

Shared Equity Assistance, if applicable, is applied first, then First-Generation and ASSIST last. ASSIST is the only program where the amount may be reduced based on remaining eligible costs

Borrower and Non-Borrowing Spouse Eligibility:

- Must meet all VHFA compliance requirements per *Chapter 2*, and,
- Each borrower and non-borrowing spouse must be true first-time homebuyer and have never held an ownership interest, including a spousal benefit, in a principal residence which includes any cooperative, manufactured home on owned land, leased land or rent-free land at any location at any time.

Asset Limit:

- Each borrower and non-borrowing spouse **cannot have** access to assets, including gift funds, that collectively exceed \$20,000 at any time through the loan closing date.
- VHFA requires information **on all asset** accounts held by the borrower and any non-borrowing spouse. Providing information for only some accounts to show sufficient funds to close is **not** acceptable to comply with the Asset Limit requirement
- Assets for a non-borrowing spouse must be included even if the spouse will not take title, occupy the property, be obligated on the loan, or are currently separated or estranged, but not legally divorced from a borrower.
- For examples of asset accounts refer to the [VHFA Asset Worksheet](#). While this form is not required, lenders are urged to use the worksheet to be sure all asset information is collected and submitted. VHFA reserves the right to require the ASSET Worksheet and additional information.

Determining ASSIST Loan Amount:

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

- The ASSIST loan amount is the lesser of the maximum ASSIST loan amount based on the program, or the maximum down payment and closing cost assistance allowable (rounded down to the nearest dollar/no cents).
- In no case can ASSIST funds that exceed the total down payment and/or eligible closing costs be disbursed to the borrower or applied as a principal reduction. Only the exact amount of the POCs may be disbursed to the borrower with ASSIST funds. For a listing of funding sources that must be applied before ASSIST, refer to the [VHFA ASSIST Worksheet](#). **NOTE:** the form does NOT account for all situations. Lenders must be aware of all funds available to the borrowers for down payment and closing costs.
- Any disallowed amount the lender disburses for ASSIST will not be reimbursed by VHFA. The lender will absorb the difference between the ASSIST note and the eligible ASSIST reimbursement amount as determined by VHFA.

Property:

- Must meet VHFA property eligibility.
- NOTE: if property includes shared equity a Shared Equity Assistance will be applied, see [Section 6.2](#). Shared Equity Assistance **must be applied before** ASSIST funds.

Conditional Commitment:

- Once compliance documents are acceptable, the VHFA Conditional Commitment will outline the requirements for closing and delivering the ASSIST loan.

Chapter 7 Reservation and Compliance Submission

7.1 Reservation Process (Rev. 04/26)

A VHFA reservation allocates funds to a particular borrower for a specific property. The rate assigned to that reservation request remains in effect through closing. For instructions on completing a Reservation, refer to Lender Portal Guide, *Chapter 2: Reserving a Loan*.

If it is later determined by the lender or VHFA that the applicant is not eligible for the initially selected program but is eligible for a different program, see [Chapter 7.4](#) of this guide.

Compliance Checklist: After successfully completing the reservation process, the VHFA Compliance Checklist and program forms are generated and available to the lender from the VHFA Lender Portal. The Compliance Checklist is issued based on information the lender provided in the reservation. The Compliance Checklist provides additional information, the final purchase date, and compliance documents required for submission. Refer to the VHFA Lender Portal Guide, *Chapter 3: Compliance Upload*.

7.2 Compliance Submission (Rev. 04/26)

For submission instructions refer to the **VHFA Lender Portal Guide, Chapter 3: Compliance Upload**

Documentation required to determine compliance for the borrower(s), a non-borrowing spouse and the property, must be submitted to VHFA for the VHFA mortgage program, down payment programs or a stand-alone MCC.

To be acceptable, documents cannot be more than 90 days old from the date of receipt. 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. VHFA reserves the right to require additional documentation.

7.3 Compliance Conditional Commitment (Rev. 04/26)

When all required compliance documents per the Compliance Checklist are received and satisfactory, VHFA will issue a Compliance Conditional Commitment for the VHFA program. A specific Conditional Commitment is issued for a stand-alone MCC.

- Compliance Conditional Commitments include the required post-closing documents listed 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 or issuance of an MCC.
- Upon VHFA issuance of the Compliance Conditional Commitment, the Compliance Conditional Commitment and required closing forms will be available from the VHFA Lender Portal. Search for the applicable loan, go to Manage Documents for the list of documents applicable to that loan.
- For the first mortgage, the Compliance Conditional Commitment includes the Final Purchase Date. The Final Purchase date is the last date for the loan to be purchased by U.S. Bank and be

eligible for compensation as published by VHFA. VHFA has no obligation to authorize purchase and U.S. Bank has no obligation to purchase the loan after the Final Purchase Date. Any purchase after the Final Purchase Date is at the discretion of, and at a price set by VHFA. The adjusted lender compensation will be reflected in the funding notice. The lender will not be notified in advance of the final compensation.

- For stand-alone MCCs, all post-closing documentation received must be acceptable to VHFA to allow the issuance of the MCC within 30 days of closing. If VHFA cannot issue the MCC within 30 days, the MCC Conditional Commitment may be cancelled by VHFA.

7.4 Cancelling/Changing Reservations or Commitments (Rev. 04/26)

To cancel reservations or commitments:

1. Go to Lender Portal Guide for details
2. Go to the VHFA Lender Portal Forms and Resources page and select **Cancellation Request**
3. Complete the applicable fields of the Cancellation Request
4. Upload the required documents as applicable

When a reservation or commitment is cancelled, the following applies:

- If a lender requests to reactivate a cancelled reservation or commitment less than 30 days from the cancelled date, VHFA will apply the higher rate of the original reservation or the rate in effect at the time of the reactivation.
- **VHFA will not accept a new Reservation for a borrower purchasing the same property until 30 days after the date of cancellation.**
- VHFA will consider reactivating the original reservation or accepting a new reservation for a different property within 30 days if the cancellation is due to an issue with the property and supporting information can be provided.
- 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:

- Lender must complete the **VHFA Program Change Request** form. See the Lender Portal, Forms, Guides and Resources.
 - Download the form and complete with all required lender and borrower information
 - Identify the requested changes per the form
 - Upload the form via the LOC Document Upload process
 - Within 24 hours, VHFA will upload a revised Reservation form to the Loan Detail for that borrower(s)

When reservation or committed first mortgage is canceled, if applicable, a MCC and VHFA assistance loan and grant programs will be canceled.

Chapter 8 Closing, Delivery and Funding

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 the LOC or [U.S. Bank HFA Lending Guide](#).

8.1 Lender and VHFA Fees at Closing (Rev. 01/24)

Acceptable Fees are outlined below:

- **First Mortgage Lender Fees:** 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 a mortgage loan that complies with a VHFA program.
- **Extension and or Late Delivery Fees:** VHFA does not charge extension fees to borrowers or lenders. Lenders are prohibited from charging the borrower a fee to cover a potential reduction in lender compensation.
- **First Mortgage Third-Party Fees:** 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.
- **MCC Permissible Lender Fees:** Lenders may collect up to a \$500 processing fee. Any fee paid to the lender must be disclosed in compliance with Regulation Z and Federal TILA requirements. Lenders can only charge an applicant for an MCC those reasonable fees for processing the financing as they would charge a potential borrower applying for financing that was not combined with an MCC.
- **Stand-alone MCC – VHFA Fee:** VHFA assesses a one-time issuance fee in the amount of \$500. The lender is responsible for ensuring the VHFA fee is collected at closing and delivered to VHFA post-closing. Personal checks are not acceptable. The VHFA fee is in addition to the processing fee lenders may charge.

NO Fees may be applied to the following:

- **MOVE MCC – No VHFA Fee:** VHFA does not charge borrowers a fee to process an MCC in conjunction with a MOVE MCC mortgage.
- **VHFA Assistance Programs:** for ASSIST, First-Generation and Shared Equity Assistance, **NO Fees** can be charged to the borrower. Lenders cannot assess any fees for origination, processing or closing costs, including recording fees. All proceeds from any VHFA assistance program must be used for down payment or closing costs associated with the first mortgage loan. See [Chapter 6](#) for more information.

8.2 Eligible Title and MCC Holders (Rev. 07/23)

First Mortgage Programs: Only borrowers and non-borrowing spouses can take title. Each borrower and non-borrowing spouse must meet all compliance requirements and be determined eligible by VHFA. If closing documents, including documents for any applicable VHFA Assistance program, are signed by persons that have not been determined eligible by VHFA, a post-closing approval will not be issued by VHFA.

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:

- **Reaffirmation and Closing Affidavit** required for all VHFA programs
- **Mortgage Disclosure of Recapture Tax**, if applicable
- **ASSIST Mortgage Disclosure**, if applicable

MCC: A non-borrowing spouse (not liable for the debt) is not an eligible MCC Holder. The MCC will only be issued to the borrowers that appear on the note.

8.3 Closing Process and Documents (Rev. 01/24)

Lenders are responsible for funding each loan and accurately completing all required closing documents required for the loan type. Refer to the Conditional Commitment issued for the loan being closed for further instructions and the required closing documents. See [Chapter 9](#) for a list of VHFA forms by program and status for the signature requirements.

Power of Attorney: If any documents are signed by a person who has a 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 POA or court authorization must be acceptable to GNMA or the GSEs, as applicable, and U.S. Bank. VHFA reserves the right to require additional documentation.

Refer to the [U.S. Bank HFA Lending Guide](#) and the VHFA issued Conditional Commitment for the required documents and further information.

8.4 Closing Fees (Rev. 01/24)

Lenders can only charge a VHFA borrower for usual and customary fees that are in line with fees charged to non-VHFA borrowers, with the following exception. Lenders cannot charge borrowers a lock or extension fee to offset any potential reduction in lender compensation because of a late delivery. Refer to the VHFA Lender Portal, Rates and Pricing for details.

8.5 Property Transfer Tax Benefit (Rev. 08/24)

An eligible VHFA borrower receives the following reduction of the Vermont Property Transfer Tax. Not applicable to Stand alone MCC.

If the borrower is overcharged for the Property Transfer Tax, VHFA requires the lender to provide evidence that steps to reimburse the borrower have been initiated before VHFA will notify U.S. Bank to purchase the first mortgage or VHFA will reimburse the ASSIST. **NOTE:** if the ASSIST loan amount included the Property Transfer Tax overcharge, the ASSIST amount may not be eligible for full reimbursement.

Taxable Increments of Purchase Price	Rate for VHFA borrowers
\$0.00 - \$250,000	0.00
\$250,001 and up	0.0147

Stand-alone MCC: Borrowers who only receive an MCC are not eligible for the reduced Vermont Property Transfer Tax.

8.6 Closing with VHFA Assistance Programs (Rev. 01/24)

Shared Equity Assistance: If a Shared Equity Assistance grant is included in the transaction, the lender is responsible for:

- **Funding.** The lender is responsible for providing the funding for the Shared Equity Assistance grant at closing. VHFA does not table fund assistance programs.
- **Closing Disclosure (CD).** The lender is responsible for correctly reflecting the Shared Equity Assistance grant on the CD. The Shared Equity Assistance amount must be on a separate line from any other VHFA assistance program or other non-VHFA assistance. If the CD references the Shared Equity Assistance as a loan or combined with another VHFA assistance program, the lender will not be reimbursed.
- **VHFA Shared Equity Assistance Confirmation of Grant Form.** The lender is responsible for ensuring that this VHFA form is completed and signed (wet signature) by the borrower and any non-borrowing spouse. This form includes Closing Agent Instructions; however, the instructions do not replace the need for the Closing Agent Instructions for VHFA Loans. Both forms must be sent to the closing agent.

First-Generation Homebuyer Program: If a First-Generation Homebuyer grant is included in the transaction, the lender is responsible for:

- **Funding.** The lender is responsible for providing the funding for the First-Generation grant at closing. VHFA does not table fund assistance programs.
- **Closing Disclosure (CD).** The lender is responsible for correctly reflecting the First-Generation grant on the CD. The First-Generation Grant amount must be on a separate line from any other VHFA assistance program or other non-VHFA assistance. If the CD references the First-Generation grant as a loan or combined with another VHFA assistance program, the lender will not be reimbursed.
- **First Generation Homebuyer Borrower Confirmation of Grant Form:** This VHFA form must be completed and signed (wet signature) by the borrower and any non-borrowing spouse. This form includes Closing Agent Instructions; however, the instructions do not replace the need for the Closing Agent Instructions for VHFA Loans. Both forms must be sent to the closing agent.
- For FHA only, First Generation Homebuyer Program Grant Acknowledgement and Award Letter

ASSIST: 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 first mortgage Closing Disclosure.
- Providing the funding for the ASSIST loan at closing. VHFA will not table fund ASSIST loans.
- **NOTE:** the first mortgage note amount, including eligible financed fees, must be used to calculate the CLTV (maximum 105%).
- Providing the **Closing Agent Instructions for VHFA Loan** to the closing agent along with the required documents for closing the ASSIST loan:
 - VHFA Zero Interest ASSIST Note
 - VHFA ASSIST Mortgage Deed
 - ASSIST Mortgage Disclosure and Acknowledgement of Terms

- 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
- Closing agents must be instructed to send the original VHFA Zero Interest Note and original unrecorded VHFA ASSIST Mortgage Deed and Schedule A and original ASSIST Mortgage Disclosure and Acknowledgement of Terms **to VHFA immediately** after closing by a delivery method that includes tracking.
- VHFA will send the original ASSIST Mortgage Deed and Schedule A for recording and pay any fees associated with recording the ASSIST Mortgage Deed.
- For FHA only, ASSIST Acknowledgement and Award Letter

Lenders and closing agents may not assess any type of origination, processing or closing costs, including recording fees, for the VHFA ASSIST loan. All proceeds must be used for down payment or closing costs associated with the VHFA first mortgage program and underlying product. 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 assistance funds can be applied toward payment of the MI at closing.

8.7 Post-Closing Delivery (Rev. 01/24)

First Mortgage Loan Delivery: Within 14 days after closing all closing documents required per the applicable Conditional Commitment must be delivered to VHFA. The Conditional Commitment is available in the VHFA Lender Portal, Loan Detail and is the coversheet and document checklist for the post-closing submission to VHFA. Upon receipt of the required post-closing documents VHFA will review the documentation and notify the lender if there are conditions per the Post-Closing Conditions status or if all documents are acceptable and the status is Post-Closing Approval.

VHFA and U.S. Bank will perform separate post-closing document reviews, and each will notify the lender of any outstanding conditions and when post-closing approved. For U.S. Bank delivery requirements, see [Section 8.10](#).

Power of Attorney: If any documents are signed by a person who has a 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 POA or court authorization must be acceptable to GNMA or the GSEs, as applicable, and U.S. Bank. VHFA reserves the right to request additional documentation.

VHFA Assistance Programs Closing Documents:

- **Shared Equity Assistance:** Lender shall deliver the **original VHFA** Shared Equity Assistance Confirmation of Grant form with all other required closing documents. VHFA will not reimburse the lender until the original document is received in satisfactory form.
- **First-Generation Homebuyer Program:** Lender shall deliver the **original VHFA** First Generation Homebuyer Borrower Confirmation of Grant and, for FHA only, a copy of the First-Generation Homebuyer Program Grant Acknowledgement and Award Letter with all other required documents. VHFA will not reimburse the lender until the original document is received in satisfactory form.
- **ASSIST:** Immediately after closing, the lender must ensure that the **original** executed VHFA Zero Interest Note, and unrecorded ASSIST Mortgage Deed (including complete Schedule A) and all additional required documents are delivered to VHFA. VHFA will not issue a Post-Closing Approval until all original documents are received in satisfactory form. If acceptable original loan documents are not received by VHFA within 60 days from closing, the ASSIST loan will not be funded. VHFA will determine the maximum eligible ASSIST amount and reimburse the lender for the allowed amount. Refer to [Chapter 6](#) for details on calculating the allowable ASSIST loan amount.

MOVE MCC & Stand-alone MCC: Immediately after closing, lenders are responsible for the proper completion and delivery of all closing documents required by VHFA to issue a Mortgage Credit Certificate (MCC). VHFA must have satisfactory documentation to issue the MCC within 30 days after closing. VHFA has no obligation to issue an MCC later than 30 days after closing. Beyond 30 days after closing, issuance of an MCC is at the sole discretion of VHFA. The MCC is not effective until the date VHFA issues the MCC. Borrowers cannot claim the MCC benefit until VHFA issues the MCC.

8.8 Delivering Loans with Repairs (Rev. 01/24)

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

<p>If repairs will be completed before submitting the loan for sale to U.S. Bank...</p>	<p>Lender must provide the following with the loan delivery package to both VHFA and U.S. Bank:</p> <ul style="list-style-type: none"> <input type="checkbox"/> A Completion Certification from the appraiser if the appraised value was “subject to completion.” <input type="checkbox"/> Verification of the final cost when the borrower is responsible for any repair costs. A VHFA Lenders Final Cost Certification should be used. <input type="checkbox"/> The total cost of financed repairs cannot exceed \$15,000. <input type="checkbox"/> Verification that all funds were disbursed appropriately. Mortgage proceeds cannot be released to the borrower.
<p>If repairs will be completed after submission for loan sale...</p>	<p>Only allowed for weather-related items.</p> <ul style="list-style-type: none"> <input type="checkbox"/> 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

	<p>escrow must comply with the requirements of the applicable agency (Fannie Mae, RD, VA, or FHA).</p> <p><input type="checkbox"/> The Escrow agreement must reflect any excess funds that are returned to the donor.</p>
--	---

For a stand-alone MCC, the lender is fully responsible for managing the escrow and confirming completion of repairs. VHFA requires that any repair costs paid by the borrower must be included in the final purchase price (acquisition cost) and accounted for on the VHFA Lender’s Final Cost Certification.

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. Funds must be returned to the donor. Funds released to the borrower will result in a reduction of the acquisition cost and potentially a reduction in the loan amount. If financed, unspent funds **must be applied** to the principal balance.

8.9 Loan Funding and Reimbursement (Rev. 01/24)

First Mortgage Loan Funding: VHFA does not purchase first mortgage loans. U.S. Bank, as the master servicer, purchases, and services all first mortgage loans. See [Section 8.10](#) for information on *U.S. Bank Delivery, Interim Servicing, and Funding*.

VHFA and U.S. Bank have no obligation to purchase the loan after the Final Purchase Date per the Conditional Commitment. Any purchase after the Final Purchase Date is at the sole discretion of VHFA and at a price determined by VHFA. See VHFA Lender Portal Rates and Pricing for more information.

VHFA Assistance Program Reimbursement: All VHFA Assistance Programs are funded by the lender at closing. For reimbursement all assistance program documents, and lender wire instructions must be received and accepted by VHFA. It is the lender’s responsibility to update VHFA if any instructions for electronically transferring funds change. See [Section 8.6](#).

Shared Equity and First-Generation Programs are reimbursed weekly by the end of day Friday.

- The Shared Equity and/or First-Generation must reflect Post-Closing Approved status; and
- Lenders will receive a Funding Notice detailing the upcoming reimbursement.
- The Funding Notice is available from Loan Detail for each Assistance Record until the Tuesday after reimbursement.

ASSIST Loans are reimbursed weekly by end of Friday.

- The VHFA ASSIST mortgage must be Post-Closing Approved; and
- The first mortgage must be purchased by U.S. Bank.
- Lenders will receive a Funding Notice detailing the upcoming reimbursement.
- The ASSIST Funding Notice is available from Loan Detail for each ASSIST loan until the Tuesday after reimbursement.

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 HFA 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 and Government) 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 HFA 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. 01/24)

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

All VHFA forms required for origination are accessible from the VHFA Lender Portal, at the locations below. The VHFA Lender Portal contains the most accurate and up to date forms.

1. **Loan Detail-First Mortgage:** VHFA forms are available for each loan from the VHFA Lender Portal, *Main Menu, Loan Detail, Print Documents*. The documents available from this source are specific to the loan type, program, and borrower. Most forms accessed from this location will **auto-populate** with information provided by the lender at reservation and thereafter.
2. **Loan Detail-Assistance Programs:** VHFA forms for assistance programs are available from the VHFA Lender Portal, *Main Menu, Loan Detail for the first mortgage, Other Loans*.
3. **Guides, Forms and Resources:** Some VHFA forms are also available as PDF Fillable from the VHFA Lender Portal, *Main Menu, Guides Forms and Resources*.

Electronic Document Vendors: Participating lenders are responsible for providing their document management vendor with the most recent forms- VHFA will not accept forms that a lender alters. VHFA will not review or guarantee acceptance of VHFA forms that a lender recreates. VHFA forms recreated by the lender must be the most current version, in the same format with no wording/text changes.

9.2 VHFA Form Signature Requirements (Rev. 04/25)

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 borrowers, co-borrowers, 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 wet signatures from all parties. The tables below list the signature requirements for VHFA forms.

Pre-Closing (Compliance Review)

MOVE, MOVE MCC, Advantage

Submit to VHFA prior to closing

VHFA Form #	Form Name	Form Location Availability	Program(s)	Minimum Signature Requirement	Submission Requirement
4005	Reservation Confirmation	Loan Detail	MOVE, MOVE MCC, Advantage, MCC	N/A	N/A

VHFA Program and Procedural Guide



8006	Compliance Checklist	Loan Detail	MOVE, MOVE MCC, Advantage	eSignature	Copy
8007	MCC Compliance Checklist	Loan Detail	Stand-alone MCC	eSignature	Copy
S-601	Federal Act Income and Acquisition Cost Worksheet	Loan Detail and Guides, Forms & Resources	MOVE, MOVE MCC, Advantage, Stand-alone MCC	eSignature	Copy
S-607tba	ADVANTAGE Compliance Affidavit	Loan Detail and Guides, Forms & Resources	Advantage	eSignature	Copy
S-607mbs	MOVE Compliance Affidavit	Loan Detail and Guides, Forms & Resources	MOVE	eSignature	Copy
S-2014D	MOVE MCC Compliance Affidavit	Loan Detail and Guides, Forms & Resources	MOVE MCC	eSignature	Copy
SA-2023	Seller Affidavit	Guides, Forms & Resources	MOVE, MOVE MCC	eSignature	Copy
MCC 2014A	MCC Compliance Affidavit	Loan Detail and Guides, Forms & Resources	Stand-alone MCC	eSignature	Copy
S-2022	Borrower Affidavit for Separated Spouse	Guides, Forms and Resources	MOVE, MOVE MCC, Advantage, Stand-alone MCC	eSignature	Copy
AW-23	Asset Worksheet for Lenders	Guides, Forms and Resources	First-Generation and ASSIST	N/A	Copy

Pre-Closing (Compliance Review)

First-Generation

Submit to VHFA prior to closing

VHFA Form #	Form Name	Form Location and Availability	Program	Minimum Signature Requirement	Document Submission Requirement
FG-1	First-Generation Homebuyer Compliance Affidavit	Loan Detail and Guides, Forms and Resources	First-Generation	WET signature	Copy

Post-Closing Documents (Purchase Eligibility)

MOVE, MOVE MCC, Advantage

Submit to VHFA after closing

VHFA Form #	Form Name	Form Location and Availability	Program	Minimum Signature Requirement	Submission Requirement
8008	Conditional Commitment	Loan Detail	MOVE, MOVE MCC, Advantage	eSignature	Copy
8010	MCC Conditional Commitment	Loan Detail	Stand-alone MCC	eSignature	Copy
S-645mbs	Reaffirmation and Closing Disclosure	Loan Detail and Guides, Forms & Resources	MOVE, MOVE MCC, Advantage, Stand-alone MCC	WET SIGNATURE	Original
MCC-2014B	Mortgage Credit Certificate Notice to Holder	Loan Detail and Guides, Forms & Resources	MOVE MCC Stand-alone MCC	WET SIGNATURE	Copy
5311	Mortgagor Disclosure of Recapture Tax	Loan Detail and Guides, Forms & Resources	MOVE, MOVE MCC, MCC Stand-alone	WET SIGNATURE	Copy
S-937	Property Transfer Tax Benefit	Loan Detail and Guides, Forms & Resources	MOVE, MOVE MCC, Advantage	eSignature	Copy
S-2015C	Closing Agent Instructions for VHFA Loans	Loan Detail and Guides, Forms & Resources	MOVE, MOVE MCC, Advantage	N/A	N/A
MFAA2019	Manufactured Home Affidavit of Affixation (use only with MH loan)	Guides, Forms & Resources	MOVE, MOVE MCC, Advantage	eSignature	VHFA N/A Required by US Bank
S-644	Lenders Final Cost Certification (Use only when Post-Closing Repairs)	Guides, Forms and Resources	MOVE, MOVEMCC, Advantage, Stand-alone MCC	eSignature	Copy

Post-Closing Documents (Reimbursement Eligibility)
Shared Equity Assistance, First-Generation, ASSIST
 Submit to VHFA after closing

VHFA Form #	Form Name	Form Location and Availability	Program	Minimum Signature Requirement	Document Submission Requirement
SE-2	Shared Equity Assistance Confirmation of Grant	Loan Detail	Shared Equity Assistance	WET Signature	Original
8024	Shared Equity Assistance Funding Notice	Loan Detail	Shared Equity Assistance	N/A	N/A
FG-2	First-Generation Homebuyer Confirmation of Grant	Loan Detail	First-Generation Homebuyer Program	WET Signature	Original
FG-3	First-Generation Homebuyer Grant Acknowledgement & Award Letter (FHA Only)	Loan Detail	First-Generation Homebuyer Program	WET Signature	Copy
8022	First-Generation Funding Notice	Loan Detail	First-Generation	N/A	N/A
8009	ASSIST Conditional Commitment	Loan Detail	ASSIST	eSignature	Copy
S-2015D	Zero Interest ASSIST Note	Loan Detail and Guides, Forms & Resources	ASSIST	WET SIGNATURE	Original
S-2015E	ASSIST Mortgage Deed	Loan Detail and Guides, Forms & Resources	ASSIST	WET SIGNATURE	Original
5714	ASSIST Loan Acknowledgement & Award Letter (FHA Only)	Loan Detail and Guides, Forms & Resources	ASSIST	WET SIGNATURE	Copy
S-2015A	ASSIST Mortgage Disclosure and Acknowledgement of Terms	Loan Detail and Guides, Forms & Resources	ASSIST	WET SIGNATURE	Original
CC-2021	Customer Contact Form	Loan Detail and Guides, Forms & Resources	ASSIST	WET SIGNATURE	Copy
8020	ASSIST Funding Notice	Loan Detail	ASSIST	N/A	N/A
ASSIST-WS 2025	ASSIST Worksheet	Forms, Guides & Resources	ASSIST	N/A	N/A

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, by January 15th, with information that may be required to complete the form, including:

- VHFA MCC Record 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 lender's sole responsibility to maintain appropriate and accurate records 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 Revocation of Mortgage Credit Certificate (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. 06/22)

MCC Holders that have been issued an MCC are responsible for independently filing the tax credit annually and ensuring they are still eligible to use the tax when filing IRS tax returns. Go to www.irs.gov for information. The MCC Holder is responsible for completing the required IRS forms and calculating the credit amount to benefit from the MCC.

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 Note holders 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 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 requirements in place at the time of the loan assumption and the new borrower is acceptable to U.S. Bank requirements.

10.7 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.

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.

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