VHFA Program and Procedural Guide

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

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 programs are 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 loan review for compliance with VHFA program requirements. VHFA does not perform a review of the underlying conventional or government 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 paired with a VHFA mortgage program. Lenders must deliver all closed first mortgage loans paired with a VHFA mortgage program 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, Loan Origination Center access, escalations, aged conditions, etc.
- Identify and provide VHFA with an administrative contact(s) responsible for managing access for all lender personnel to the VHFA Loan Origination Center, as applicable. The VHFA Loan Origination Center houses guides, forms, training resources, rate and pricing information, the reservation system, loan level conditions and loan documents.
- Provide updated contact information, as changes occur or at the request of VHFA, for all personnel involved in the origination, closing and delivery of mortgage loans.

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

1.6 Agreements and Certifications (Rev. 06/22)

Lenders can be required to enter into a new agreement or submit information for recertification of approval status for one or all VHFA programs. 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 lender participating in VHFA programs.

Chapter 2 Program Compliance

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

2.1 Eligible Title Holder, Non-Borrowing Spouse, Separated Spouse & MCC Holders (Rev. 06/22)

Eligible Title Holders - MOVE, MOVE MCC & Advantage: 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 are signed by persons that have not been approved by VHFA, the loan is not eligible for sale through VHFA's Program, even if Fannie Mae, FHA, VA, or RD approved the loan.

Non-borrowing Spouse – 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. 09/22)

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**. The ASSIST 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.

To 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.
- Borrowers purchasing in Census Tract 4 and 10 in Burlington.
- 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 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 by borrower 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

2.3 Income Limits - MOVE, MOVE MCC, Advantage & MCC (Rev. 04/21)

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

Lenders must complete the VHFA Federal Act Income and Acquisition Cost Worksheet, available from the VHFA Loan Origination Center at *https://loc.vhfa.org/* to calculate the income used for VHFA income eligibility. Federal Act Income requires all sources of income for all borrowers and any non-borrowing spouse be included to determine program eligibility.

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, even for a non-borrowing spouse who will not take title, occupy the property, be obligated on the loan, or is currently separated or estranged but not legally divorced from a borrower.

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

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

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

Lenders must complete the Federal Act Income and Acquisition Cost Worksheet, available from the VHFA Loan Origination Center at *https://loc.vhfa.org/*, to calculate acquisition cost. The 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, in calculating 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 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 programs, including stand-alone MCCs, 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 combined with a VHFA program:

- The loan constitutes a mortgage on the subject property (unsecured debt is not eligible); **and,**
- The loan to be replaced is the original first mortgage the borrower(s) and non-borrowing spouse gave on the property and is for an original term of 24 months or less. If the original mortgage loan had a longer term and was refinanced to reduce the term, that subsequent mortgage loan is ineligible for replacement.

VHFA requires a copy of the Vermont Property Transfer Tax Return showing when the property was transferred to the borrower and a copy of the recorded deed.

2.7 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. 12/13)

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

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

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

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 Mortgagor Disclosure of Recapture Tax should be reviewed for the income thresholds.
    b. Current tax year income thresholds can be viewed at *https://loc.vhfa.org/*.

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

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

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

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

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

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

Borrower Responsibility
The recapture tax a borrower might owe is determined when taxes are filed for the tax year that the subject property is sold or disposed 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 – MOVE Only (Rev. 06/22)
Borrowers that purchase with a first mortgage from the VHFA MOVE program, if required to pay recapture tax may be eligible for reimbursement from VHFA. 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 using 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 Requirement (MOVE, MOVE MCC, Advantage) (Rev. 06/22)

For all VHFA first mortgage programs, **including with VHFA ASSIST,** 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 Community Land Trust (CLT) program, Federal Home Loan Bank of Boston Equity Builder, or other acceptable special program must complete education and counseling pursuant to the requirements of those programs.

Only one borrower per household must complete education. 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. 04/23)

In addition to Homebuyer Pre-Purchase education required per section 2.10, landlord education is required to be completed by at least one borrower when the property to be purchased is a 2-unit either a **duplex or a single-family home with an Accessory Dwelling Unit (ADU).** VHFA does not require Landlord Education for a stand-alone MCC paired with a lender provided first mortgage.

Chapter 3 MOVE, MOVE MCC and ADVANTAGE with Government Product

3.1 Government Loans (Rev. 10/21)

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

3.2 Products, Systems and Approvals (Rev. 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 Underwriting Systems are acceptable:

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

3.3 Eligible Property Types (Rev. 04/23)

Property type 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 whether the property is eligible for the investor. Questions regarding investor property eligibility must be directed to the investor or U.S. Bank.

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 for VHFA.

VHFA does not accept every property type, nor is every property type eligible for every product. Review the information below for acceptable property types and maximum allowable LTV/CLTV:

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

1-Unit

- Maximum of 15 acres.
- Seller's ownership must be evidenced by a single deed.
- Multiple detached dwelling structures and/or separate lots are not allowed.

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 must be existing and occupied as a residence at least five years prior to closing. Sufficient documentation to confirm the five-year requirement is required.

Duplex Requirements (all VHFA Programs)

- Maximum of 15 acres.
- The seller's ownership must be evidenced by a single deed.
- Multiple detached dwelling structures and/or separate lots are not allowed.
- 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 15 acres.
- 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, and not exceed 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.

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

Borrowers obtaining a loan to purchase a home using a VHFA **first mortgage** program, benefit from 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 for the government agency. Any amount that exceeds the actual closing costs will be treated as a seller concession and the acquisition cost and loan amount will be reduced accordingly.

Temporary interest rate buy-downs are not permitted by VHFA.

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

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

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

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

Government agency requirements, refer to:

- USDA Rural Development (RD)
- Veterans Administration (VA)
- Federal Housing Administration (FHA)

U.S. Bank requirements, refer to:

- U.S. Bank, Vermont HFA Government Loan 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. The VHFA ASSIST program is an acceptable subordinate financing program for FHA or RD,

VHFA ASSIST is not available when pairing a VHFA program with VA mortgage. For additional information on VHFA ASSIST refer to *Chapter 6*.

3.8 Property Repairs (Rev. 09/19)

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

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

3.9 MCC Information for MOVE MCC (Rev. 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. 03/22)

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 Guides for any applicable overlays. Full documentation to support the underwriting decision must be obtained by the lender and provided to VHFA and U.S. Bank, as required. The acceptable programs and approval levels are:

- **Freddie Mac:**
  - **Program:** Freddie Mac HFA Advantage (not included in Freddie Mac guide.)
  - **AUS Approval Level:** LPA Accept
- **Fannie Mae:**
  - **Program:** Fannie Mae HFA Preferred (not included in Fannie Mae guide.)
    Fannie Mae HFA Preferred allows for MH Advantage, Community Land Trust and Resale Restricted options per their guide. Lenders must apply the additional Fannie requirements to the HFA Preferred product and add the applicable Special Feature Codes.
  - **AUS Approval Level:** DU Approve

4.2 Eligible Property Types (Rev. 04/23

Property type and condition must be eligible for 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.

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.

VHFA does not accept every property type, nor is every property type eligible for every product. Review the information below for acceptable property types and maximum allowable LTV/CLTV:

FREDDIE MAC	**HFA Advantage: LPA Accept**	**HFA Advantage: LPA Accept**
	95% LTV/105% CLTV	97% LTV/105% CLTV
1 Unit Detached	Eligible	Eligible
2 Unit Detached	Eligible	**N/A**
Eligible Condominium	Eligible	Eligible

FANNIE MAE	HFA Preferred: DU Approval/Eligible	HFA Preferred: DU Approval/Eligible
	95% LTV/105% CLTV	97% 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
Community Land Trust/Resale Restricted (Shared Equity)	Eligible	Eligible

1-Unit

- Maximum of 15 acres.
- Seller's ownership must be evidenced by a single deed.
- Multiple detached dwelling structures and/or separate lots are not allowed.

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 Fannie Mae or Freddie Mac. See below for additional information for a duplex or single family with an ADU.

Duplex Requirements (all VHFA Programs)

- Maximum of 15 acres.
- Seller's ownership must be evidenced by a single deed.
- Multiple detached dwelling structures and/or separate lots are not allowed.
- 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 of 15 acres.
- 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, and not exceed 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 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 maximum acreage is 15.

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

Borrowers obtaining a loan to purchase a home using a VHFA **first mortgage** program, benefit from a reduction of the Vermont Property Transfer Tax. See *Chapter 8*, Closing and Delivery for details.

4.4 Mortgage Insurance Coverage (Rev. 04/23

Mortgage insurance must be provided by an insurer acceptable to Fannie Mae or Freddie Mac. Review the AUS carefully to be sure the required level of MI is obtained **without** an LLPA adjustment. The required level of coverage is based on Area Median Income (AMI).

Fannie Mae HFA Preferred:
- below 80% AMI – Charter MI is acceptable.
- above 80% AMI – Standard coverage is required by VHFA/US Bank.

Freddie Mac HFA Advantage
- below 80% AMI – Charter MI is acceptable.
- above 80% AMI – Standard coverage is required by VHFA/US Bank.

For current Fannie Mae / Freddie Mac 80% AMI Limits, refer to the VHFA Loan Origination Center, **OR**:
- Fannie Mae Area Median Income Lookup Tool
- Freddie Mac Home Possible Income and Property Eligibility Tool.

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

Temporary interest rate buy-downs are not permitted by VHFA.

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

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

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

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

U.S. Bank requirements, refer to:

- U.S. Bank, Vermont HFA Conventional Loan Products (*Matrix*)
- *U.S. Bank 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. The VHFA ASSIST program is an acceptable subordinate financing program for Freddie and Fannie. For additional information on VHFA ASSIST refer to *Chapter 6*.

4.8 Fannie Mae Community Land Trust and Resale Restricted (Rev. 04/21)

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

Fannie Mae Community Land Trust (CLT): Only Fannie Mae approved lenders can originate loans secured by properties with a leasehold agreement structured by a housing trust. For loans on properties that include a Lease Agreement from a housing trust (shared equity program), the loan must comply with Fannie Mae's requirements to be eligible to VHFA and 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 Fannie Mae's requirements for the Community Land Trust product outlined in the Fannie Mae guide.
NOTE: To determine that the acquisition cost of the property is within VHFA's limits, the purchase price plus the calculated leasehold value must be within the current limits.

Fannie Mae Resale Restricted: For these transactions, the housing trust relies on a covenant (not a ground lease) to place restrictions that impact 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. A checklist, program requirements and details for the Fannie Mae Resale Restricted program is available in the Fannie Mae guide.

Fannie Mae provides a checklist for lenders to follow on their web site.

If…	Then…
If the Community Land Trust program will result in a lien on the property.	The Community Land Trust program amount must be included in the Combined-Loan-To-Value (CLTV) and the CLTV cannot exceed 105%.
The Community Land Trust program will result in a regularly scheduled payment.	The payment must be included in the Debt-to-Income (DTI) calculation.
The Community Land Trust program will result in leasehold ownership or other resale restrictions.	The appraisal must reflect the leasehold ownership or resale restrictions in the property value.
There are specific Community Land Trust documents that the borrower must execute.	Confirm that these documents are acceptable with the applicable product requirements set forth in the Fannie Mae guidelines.

4.9 Property Repairs (Rev. 09/19)

When repairs to an existing property are determined by the lender to be necessary (per the Uniform Residential Appraisal Report or a property inspection) or are requested by the borrower, the cost of the repairs may be included in the loan amount if the final acquisition cost is supported by the appraised value. 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 Sand-alone MCC

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

An MCC can be paired with a VHFA first mortgage 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 mortgage program that pairs a first mortgage with an 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 per 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. 01/20)

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

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

Example A: If the original principal balance is $150,000 at a rate of 4.75% with a 30-year amortization, the borrower would pay approximately $7,075 in interest for the first year. An MCC allows the borrower to take up to 50% of the $7,075 as a mortgage tax credit **not to**

exceed $2,000. In this case, 50% of the annual interest paid is $3,537.50. The borrower can only take the maximum credit of $2,000 if allowable based on the tax liability.

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

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

5.4 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 a MOVE MCC mortgage.
- **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 VHFA ASSIST Program Compliance Requirements

6.1 Compliance and Eligibility (Rev. 06/22)

ASSIST is VHFA's program that provides down payment and closing cost assistance to eligible borrowers. ASSIST loans must be paired with a VHFA program: MOVE, MOVE MCC or Advantage and an eligible first mortgage product (Fannie Mae, Freddie Mac, FHA, or RD).

ASSIST is not available for borrowers using a VA first mortgage loan or with a stand-alone MCC paired with a lender provided mortgage.

All compliance and eligibility requirements per *Chapter 2* apply to ASSIST with the following revisions:

- **First-Time Borrower**: Each borrower and any non-borrowing spouse must be **true** first-time homebuyers. Any borrower or non-borrowing spouse may **never have held** an ownership interest, including a spousal benefit, in a principal residence which includes any manufactured homes on owned land, leased land or rent-free land.
- **Asset Limit:** Each borrower and any non-borrowing spouse cannot have access to liquid assets collectively that exceed $30,000 at any time through the loan closing date. Examples of liquid assets include funds in a checking account or savings account, a certificate of deposit, gift funds received or to be received prior to closing, the earnest money deposit, and any non-retirement liquid assets such as stocks or bonds, foreign-based assets, or digital currencies. Assets that cannot be easily converted into cash without penalty are not counted towards the accessible liquid cash asset limitation (including IRA, SEP, Keogh, 403B, 401K and other tax-favored retirement accounts). However, if funds are withdrawn from the retirement account, they will be considered cash and must be included in the asset calculation. Lenders must submit documentation sufficient to verify liquid assets from all sources for all borrowers and non-borrowing spouses. Liquid assets for all non-borrowing spouses 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. If the requirements for a Separated Spouse apply, the assets of the separated spouse are not considered. See, Borrower Affidavit for Separated Spouse form. Funds used to pay debt will be included in the asset test.
- Homebuyer Education: See *Chapter 2.10*.

6.2 ASSIST Terms (Rev. 06/22)

- Maximum ASSIST loan amounts:
  - Below 80% AMI maximum $15,000
  - Above 80% AMI maximum $10,000
- Terms:
  - 0% interest rate
  - Non-amortizing, no scheduled payments
  - Must be included in CLTV calculation, maximum 105.000%
  - No fees, including recording fees, can be charged to the borrower for the ASSIST loan
  - ASSIST mortgage may be a 3rd or 4th lien **with** a CLT shared equity or Equity Builder

- Payment in full is required in the event the borrower sells, transfers, or disposes of the property, or the original first mortgage associated with the ASSIST loan is refinanced or paid in full.

6.3 Determining ASSIST Loan Amount (Rev 04/23)

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).

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

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

In no case can ASSIST funds that are more than the total down payment and/or eligible closing costs be disbursed to the borrowers or applied as a principal reduction. Only the exact amount of the POCs may be disbursed to the borrower from the ASSIST loan. Any amount the lender disburses for ASSIST that exceeds the allowed amount 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.

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

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

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

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

ASSIST Fees Not Allowed

- NO lender fees for origination, closing or document recording or fees or third-party expenses for ASSIST can be charged to the borrower.

If the borrower is charged any fees for the ASSIST loan, VHFA will not reimburse the lender for the ASSIST loan until the borrower is reimbursed those fees and evidence is provided to VHFA. If the borrower is not reimbursed, VHFA will not reimburse the lender for ASSIST. VHFA will endorse the note

and assign the mortgage to the lender. NOTE: Non-acceptance of the ASSIST loan by VHFA may result in U.S. Bank not accepting the first mortgage or, if already funded, requiring the lender to repurchase.

6.4 Closing and Payment Requirements (Rev. 04/23)

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

- VHFA Zero Interest ASSIST Note
- VHFA ASSIST Mortgage Deed
- VHFA ASSIST Mortgage Disclosure and Acknowledgement of Terms
- ASSIST Loan Acknowledgement and Award Letter, only applicable with FHA loans.
- If a separate Loan Estimate (LE) and Closing Disclosure (CD) were issued for the ASSIST loan, copies must be provided to VHFA with the closing documents.
- Lenders must follow all applicable rules and regulations regarding the disclosure of a subordinate mortgage. The first mortgage Closing Disclosure must document the borrower(s) receipt of VHFA ASSIST funds.

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

- Any change in ownership of the property securing the note for the VHFA first mortgage associated with the ASSIST loan,
- 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.
- Acceleration of the indebtedness secured by the first mortgage of the holder.

6.5 Post-Closing (Rev. 04/21)

Immediately after loan closing the documents required per the applicable Conditional Commitment must be delivered to VHFA. If any documents are signed by a person who has a 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 GSE's, as applicable, and U.S. Bank. VHFA reserves the right to request additional information.

NOTE: To help lenders and closing agents, VHFA provides **Closing Agent Instructions for VHFA loans** that outlines specific requirements for VHFA first mortgage and ASSIST loans. The form is available from the Loan Origination Center. The closing agent is instructed that **no fees** may be associated with the ASSIST loan and **not** to send the mortgage deed for recording. VHFA will be responsible for recording the ASSIST mortgage deed and paying the associated fees.

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

6.6 Funding Eligibility and Process (Rev. 04/21)

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

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

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

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

ASSIST Mortgage Reimbursement Ineligible: If VHFA determines the ASSIST mortgage is ineligible for reimbursement, the first mortgage may no longer be purchase eligible by U.S. Bank. VHFA will endorse the ASSIST Note and assign the ASSIST Mortgage to the lender. For the first mortgage, U.S. Bank will withdraw the loan for purchase, or if already purchased contact the lender to repurchase.

Chapter 7 Reservation and Compliance Submission

7.1 Reservation Process and Terms (Rev. 06/22)

To reserve funds for a mortgage program or a stand-alone MCC the lender must submit a completed VHFA reservation through the VHFA Loan Origination Center (LOC) at *https://loc.vhfa.org/*. The lender must choose the applicable program and product from the options provided. 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, VHFA will determine if a new reservation is required or if the existing reservation may be revised.

To reserve a VHFA first mortgage program with an MCC, choose MOVE MCC. For an MCC paired with a lender provided first mortgage, choose MCC.

To reserve ASSIST Funds when completing the on-line reservation for the first mortgage, select the program option that includes ASSIST. ASSIST funds cannot be reserved separate from the first mortgage. NOTE: VHFA will not issue separate documents prior to the commitment. The ASSIST and first mortgage information will be on the same documents.

Upon successful submission of a reservation request, the documents required for that program and specific to that loan will be generated and available to the lender from the Loan Origination Center. The Reservation Confirmation and Compliance Checklist is conditionally issued based on information the lender provided and does not guarantee loan approval or purchase. The Compliance Checklist includes the compliance documents required to be submitted and the applicable deadlines.

7.2 Compliance Submission (Rev. 06/22)

Documentation required to determine compliance for the borrower(s), a non-borrowing spouse and the property, must be submitted to VHFA for the first mortgage or a stand-alone MCC. The applicable compliance checklist is available from the Loan Detail area of each loan. Go to the Loan Origination Center (*https://loc.vhfa.org/*, search for the applicable loan, select Loan Detail for the list of documents applicable to that loan. The Compliance Checklist details the information required for submission and the stacking order for compliance review.

To be acceptable, documents cannot be more than 90 days old from the date of receipt. VHFA reserves the right to require additional documentation. If any VHFA form is deemed incomplete or inaccurate a new form must be fully executed before a Conditional Commitment will be issued. Corrected or modified copies of any VHFA forms will not be accepted.

7.3 Conditional Commitment (Rev. 06/22)

When all submitted documents are satisfactory, VHFA will issue a Conditional Commitment for the first mortgage (MOVE, MOVE MCC & Advantage), and, if applicable, a separate ASSIST Conditional Commitment. A specific Conditional Commitment is issued for a stand-alone MCC. Conditional Commitments include the post-closing documents, in the stacking order, the lender is required to

deliver to VHFA. VHFA's review and acceptance of submitted documents does not guarantee future acceptance of a loan for purchase or issuance of an MCC.

Upon issuance of the Conditional Commitment, the Conditional Commitment and required closing forms will be available from the VHFA Loan Origination Center *https://loc.vhfa.org/*, search for the applicable loan, go to Loan Detail for the list of documents applicable to that loan.

For first mortgage programs, the 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 on the funding notice. The lender will not be notified in advance of the final compensation.

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

7.4 Cancelling/Changing Reservations or Commitments (Rev. 12/22)

To cancel reservations or commitments:

1. Go to LOC (Loan Origination Center) and select **Cancellation Request**
2. Complete the applicable field.
3. Upload the required documents as applicable.

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

- **VHFA will not accept a new Reservation for a borrower purchasing the same property until 60 days after the date of cancellation**. VHFA will consider accepting a new reservation for a different property if the cancellation was due to an issue with the property and supporting information can be provided.
- If a lender requests to reactivate a cancelled reservation or commitment less than 60 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.
- A reservation or commitment will not be transferred to a new borrower purchasing a property previously reserved for a different borrower.

For changes to a reservation or commitment, the following applies:

- For a change in the loan amount, the lender must provide updated information to VHFA prior to closing.
- For a property change, the original reservation or commitment must be withdrawn, and a new reservation submitted.
- To change the VHFA program or underlying loan product, the request must be received by VHFA within 60 days of the Reservation Date. VHFA will determine the requirements for documentation, rate, and final purchase date upon review of the request.

When reservation or commitment is cancelled for a first mortgage that was combined with ASSIST or a MCC, the cancellation will also apply to the ASSIST loan and/or MCC. For an MCC, If the lender will be replacing the VHFA first mortgage with their own financing and will continue to process the MCC, the lender must submit an MCC Reservation through the VHFA Loan Origination Center *https://loc.vhfa.org/*.

Chapter 8 Closing and Delivery

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

8.1 Lender and VHFA Fees at Closing (Rev. 06/22)

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

- **ASSIST Second Mortgage – NO Fees:** lenders cannot assess any fees for origination or closing costs, including recording fees, for the ASSIST loan. All ASSIST loan proceeds must be used for down payment or closing costs associated with the VHFA first mortgage loan. See *Chapter 6* for more information on closing an ASSIST loan.
- **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.
- **MOVE MCC – No VHFA Fee:** VHFA does not charge borrowers a fee to process an MCC in conjunction with a MOVE MCC mortgage.
- **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.

8.2 Eligible Title and MCC Holders (Rev. 06/22)

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 are signed by persons that have not been approved by VHFA, the loan is not eligible for sale through VHFA's Program, even if Fannie Mae, FHA, VA, or RD approved the loan.

When there is a non-borrowing spouse that will not be liable for the debt associated with the mortgage, they must sign the documents below:

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

For MCCs**:** 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. 09/21)

Lenders are responsible for funding each loan and accurately completing all required closing documents required for the loan type. In addition, a VHFA Property Transfer Tax Reduction must be completed for each loan.

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

For 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 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.

8.4 Property Transfer Tax Benefit (Rev. 04/23)

A borrower obtaining a loan with a VHFA first mortgage program 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 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 - $110,000.00	0.00
$110,000.01 - $200,000.00	0.0125
$200,000.01 and up	0.0145

Stand-alone MCC: Borrowers who receive an MCC combined with mortgage financing **not** from a VHFA loan program must pay the full Vermont Property Transfer Tax. The exemption that applies to borrowers accessing a VHFA loan program is not available with a stand-alone MCC.

8.5 Closing with ASSIST Loan (Rev. 04/21)

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. VHFA will reimburse the lender after the ASSIST mortgage is post-Closing approved by VHFA and U.S. Bank purchases the first mortgage.
- 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

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

Closing agents must be instructed to send the original 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.

8.6 Post-Closing Delivery and Purchase (Rev. 04/21)

First Mortgage Loan Delivery and Purchase - Lender shall deliver all required closing documents within 14 days after loan closing. 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 Loan Origination Center Rates and Pricing for more information.

ASSIST Document Delivery and Funding – 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 reimburse the lender after the ASSIST Mortgage is VHFA Post-Closing Approved by VHFA, and U.S. Bank purchases the first mortgage. If documents are not received within 60 days after the closing date, VHFA is has no obligation to reimburse the lender for the ASSIST loan. If VHFA does not remit funds for the ASSIST loan, the first mortgage will not be funded, or if previously funded U.S. Bank may require repurchase.

MCC Issuance – VHFA must have satisfactory documentation to issue the MCC within 30 days after closing. VHFA has no obligation to issue an MCC beyond 30 days of closing.

Recorded Documents – Within 120 days after closing, recorded documents must be received by U.S. Bank or late fees can be assessed.

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

Immediately after loan closing the documents required per the applicable Conditional Commitment must be delivered to VHFA. If the first mortgage transaction is paired with an ASSIST loan, lenders must also meet the requirements of the ASSIST Conditional Commitment. The Conditional Commitment is available in the Loan Origination Center, Loan Detail (*https://loc.vhfa.org/*) and is the coversheet, checklist and shows the stacking order for the Post-Closing submission to VHFA 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.
Upon receipt of the post-closing documents listed on the Conditional Commitment, VHFA will review the documentation and notify the lender of either Post-Closing Conditions or Post-Closing Approval.

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

Immediately after loan closing the documents required per the ASSIST Conditional Commitment must be delivered to VHFA. 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 VHFA. VHFA reserves the right to require additional documentation.

NOTE: The closing agent is instructed to send the original ASSIST Note, Mortgage and Exhibit A and the ASSIST Mortgage Disclosure and Acknowledgement of Terms directly to VHFA per the Closing Agent Instructions for VHFA Loans (see Documents and Forms Appendix). If the lender receives those original documents from the closing agent, the lender must immediately send them to VHFA by a delivery method that includes tracking. If loan documents are not received by VHFA within 60 days from closing, the ASSIST loan will not be funded.

To receive the ASSIST funds:

- The VHFA ASSIST mortgage must be Post-Closing Approved; and
- The first mortgage must be purchased by U.S. Bank.

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

VHFA will provide lenders with an ASSIST Funding Notice for each loan that includes the scheduled funding date and amount. Lenders can access the notice at *https://loc.vhfa.org/* under the Loan Detail for the ASSIST loan. Lenders must provide VHFA instructions for electronically transferring funds. It is the lender's responsibility to update VHFA if any instructions for electronically transferring funds change.

8.9 Delivering Loans with Repairs – MOVE, MOVE MCC, Advantage (Rev. 06/22)

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

If repairs will be completed before submitting the loan for sale to U.S. Bank…	Lender must provide the following with the loan delivery package to both VHFA and U.S. Bank: ☐ A Completion Certification from the appraiser if the appraised value was "subject to completion." ☐ Verification of the final cost when the borrower is responsible for all repair costs. A VHFA Lenders Final Cost Certification should be used. ☐ Total cost of financed repairs cannot exceed $15,000. ☐ Verification that all funds were disbursed appropriately. Mortgage proceeds cannot be released to the borrower.
If repairs will be completed after submission for loan sale…	**Only allowed for weather-related items.** ☐ The lender must provide a copy of the Repair Escrow Agreement that establishes the amount of funds escrowed and the terms for completion of the repairs, along with any supporting documentation referenced in the agreement. The amount escrowed and terms of the escrow must comply with the requirements of the applicable agency (Fannie Mae, RD, VA, or FHA). ☐ Escrow agreement must reflect any excess funds be returned to the donor.

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 unless financed. If financed, unspent funds must be applied to the principal balance.

8.10 Stand-alone MCC (Rev. 06/22)

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.

8.11 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. 04/23)

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

All VHFA program forms required for origination are accessible through the VHFA Loan Origination Center *https://loc.vhfa.org/* locations below. The VHFA Loan Origination Center contains the most accurate and up to date VHFA Forms.

1. **Loan Detail:** VHFA forms are available for each loan from the Loan Origination Center, *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. **Guides, Forms and Resources:** Some VHFA forms are also available as PDF Fillable from the Loan Origination Center, *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 nor 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. 04/21)

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

Some forms require wet signatures by all parties. The tables below list the signature requirements for VHFA forms.

Pre-Closing (Compliance Review)

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, Stand-alone MCC	N/A	N/A
8006	Compliance Checklist	Loan Detail	MOVE, MOVE MCC, Advantage	N/A	Copy

8007	MCC Compliance Checklist	Loan Detail	Stand-alone MCC	N/A	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
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

Post-Closing Documents (Purchase Eligibility)

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	N/A	Copy
8010	MCC Conditional Commitment	Loan Detail	Stand-alone MCC	N/A	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, Advantage, 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

ASSIST Post-Closing Documents (Purchase Eligibility)

Submit to VHFA after closing for VHFA ASSIST

VHFA Form #	Form Name	Form Location and Availability	Minimum Signature Requirement	Document Submission Requirement
8009	ASSIST Conditional Commitment	Loan Detail	N/A	Copy
S-2015D	Zero Interest ASSIST Note	Loan Detail **and** Guides, Forms & Resources	WET SIGNATURE	Original
S-2015E	ASSIST Mortgage Deed	Loan Detail **and** Guides, Forms & Resources	WET SIGNATURE	Original
5714	ASSIST Loan Acknowledgement & Award Letter (FHA Only)	Loan Detail **and** Guides, Forms & Resources	WET SIGNATURE	Copy
S-2015A	ASSIST Mortgage Disclosure and Acknowledgement of Terms	Loan Detail **and** Guides, Forms & Resources	WET SIGNATURE	Original
CC-2021	Customer Contact Form	Loan Detail **and** Guides, Forms & Resources	WET SIGNATURE	Copy
8020	ASSIST Funding Notice	Loan Detail	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 Loan Number
- MCC Holder Name
- MCC Holder Social Security Number
- Property Address
- Amount of Certified Indebtedness related to the MCC
- Date MCC was issued
- Credit Certificate Rate
- Amount of MCC Issued

While VHFA will provide this information to lenders as a courtesy, it is the lenders sole responsibility to maintain appropriate and accurate records 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 made to VHFA.