Step UP

# PROCEDURAL MANUAL

ALABAMA HOUSING FINANCE AUTHORITY

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# INTRODUCTION

The Alabama Housing Finance Authority (the Authority), is a public corporation and an instrumentality of the State. It was organized pursuant to Title 24, Chapter 1A of the Code of Alabama, as revised. The Authority, a non-profit organization, was established as the housing entity for the state in 1980 and currently administers several housing programs such as the First Step Mortgage Revenue Bond Program, the Mortgage Credit Certificate Program, the Step Up Program, the Down Payment Assistance Program, the Habitat for Humanity Loan Purchase Program, the Low-Income Housing Tax Credit "LIHTC" and the HOME Program, as well as several specialty housing programs within the state of Alabama.

The lender determines if the mortgagor, loan, and property are within guidelines as stated in Sections II, III, and IV of the Step Up Procedural Manual based upon information obtained. The lender must explain the Program and its requirements to the buyer.

The lender reserves funds and sends to the Authority the reservation package as stated in Section V of the Step Up Procedural Manual.

The lender processes and underwrites the loan as stated in Sections VI and VII of the Step Up Procedural Manual. The lender sends to the Authority the Request for Conditional Commitment package before closing as stated in Section VI of the Step Up Procedural Manual. Upon approval of the loan the lender will receive from the Authority a conditional commitment. The lender may then close the loan with the conditions listed on the conditional commitment. The lender must have the loan approved by the Authority and close the loan before the reservation of funds expires.

After the loan closing the lender sends to the Authority the closed loan package as stated in Section VIII of the Step Up Procedural Manual. Upon receipt and approval of the closed loan package, the Authority will fund the mortgage loan as stated in Section IX of the Step Up Procedural Manual.

The purpose of this manual is to provide pertinent information and to enhance any current guidelines established by Authority for the Step Up Program. Applicable Program Guidelines and the Origination and Sale Agreement supersede this manual. Please utilize the appropriate, applicable documents. The Authority reserves the right to update or revise the Step Up Procedural Manual at any time.

## SECTION I—DEFINITIONS

**Agreement:** The Origination and Sale Agreement between the Originators and the Authority, and all amendments or supplements where appropriate, the Invitation, the Notice of Acceptance, and all forms or reports prescribed by the Authority.

**Appraised Value:** An appraisers' opinion of value based on regulations and guidelines established by the mortgage industry.

**Authority:** Alabama Housing Finance Authority, a public corporation and instrumentality of the State organized pursuant to the Act, or any successor to its duties.

**Co-Signer:** A person who will occupy the property being purchased and who will be secondarily liable for the mortgage loan.

**Commitment Fee:** A percentage amount of the related mortgage loan, to be paid to the Authority through a Lender at the time of Reservation of Funds.

**Conventional Mortgage:** A Mortgage Loan other than an FHA-Insured Mortgage Loan or a Mortgage Loan with a VA Guaranty or a Rural Development Guaranty.

**Eligible Mortgagor:** A person intending to purchase a principal residence to be financed with a Step Up loan, who can meet all qualifications as established.

**Eligible Loan Area:** The entire geographical area of the State of Alabama.

**Equal Credit Opportunity Act (ECOA):** A federal law that prohibits lenders from denying mortgages on the basis of the borrower's race, color, religion, national origin, age, sex, marital status, or receipt of income from public assistance programs.

**Family Income:** The meaning given to such term in Section II of this Manual.

**Fannie Mae:** The Federal National Mortgage Association, or any successor thereto.

**Fee Simple:** The greatest possible interest a person can have in real estate, including the right to dispose of the property or pass it on to one's heirs.

**FHA:** The Federal Housing Administration of the Department of Housing and Urban Development of the United States of America, or any successor thereto.

**Ginnie Mae:** The Government National Mortgage Association, a entirely-owned corporate instrumentality of the United States of America within the Department of Housing and Urban Development, whose powers are prescribed generally by Title III of the National Housing Act of 1932, as amended.

**Ground Rent:** The earnings of improved property allocated to the ground itself after allowance is made for earnings of the improvements. Also, payment for the use of land in accordance with the terms of a ground lease.

**Guarantor:** A promise by one party to pay debt or perform an obligation contracted by another in the event that the original obligor fails to perform as contracted.

**Interest Held In Trust:** Property held in trust until fulfillment of certain conditions are met.

**Joint Tenancy:** Joint ownership by two or more person, giving each tenant equal interest and rights in the property, including the right of survivorship.

**Lease:** A written document containing the conditions under which the possession and use of real and/or personal property are given by the owner to another for a stated period and for a dated consideration.

**Life Estate:** A freehold estate giving a beneficiary all property rights, except the right to sell. The estate is terminated upon the death of the beneficiary.

**Mortgage:** The instrument securing a mortgage loan which creates a lien on a Residence subject only to Permitted Encumbrances.

**Mortgage Documents:** The documents specified for delivery to the Authority.

**Mortgage Loan:** Any loan evidenced by a Mortgage Note which is secured by the related Mortgage for financing the purchase of a Residence.

**Mortgage Note:** The promissory note evidencing the obligation to repay a mortgage loan, payable to the order of a lender, executed by a mortgagor to evidence obligation to repay the mortgage loan.

**Mortgagor:** The purchaser of a single-family residence who borrows funds to obtain a Residence.

**New Construction:** Single-Family residences less than one year old and never occupied.

**Originators:** Lending institutions that execute an Agreement with the Authority to participate in the Program.

**Permitted Encumbrances:** The title encumbrances on a Residence permitted under the Program Guidelines.

**Primary Wage Earner:** The occupying, note-signing borrower who receives the most monthly income.

**Principal Residence:** Housing which the Eligible Mortgagor intends to occupy as a primary residence and which is not to be used in a trade or business, or as an investment property.

**Profit and Loss:** A statement by a business reflecting a financial gain or loss for a given period.

**Program Guidelines:** Guidelines established by the Authority to administer the Step Up Program and any revisions, amendments and modifications thereof.

**Program Participation Fee:** A fee to be set by the Authority for each series.

**Rate Commitment:** An interest rate guaranteed to the borrower for either 15 days or 30 days from the loan reservation date.

**RD (Rural Development):** A U.S. agency formerly known as Farmers Home Administration.

**RD Guaranty:** A guaranty of a mortgage loan by RD under the provisions of Subchapter III, Chapter 8A, Title 42, U.S. Code Annotated.

**Remainder Interest:** The property remainder of an estate after the termination of a prior estate; can have either a vested or contingent interest.

**Reservation Expiration Date:** A period of 30 days or 15 days from the reservation date.

**Reservation of Funds:** Reserved funds equal to the mortgage loan amount for an Eligible Mortgagor.

**Residence:** A single-family owner-occupied dwelling unit located within the Eligible Loan Area, including detached and attached units, condominiums, planned unit developments and manufactured homes which have a minimum of 400 square feet of living space and a minimum width of 102 inches and which is of a kind customarily used at a fixed location, and meeting applicable lender requirements.

**Servicer:** Alabama Housing Finance Authority.

**State:** The State of Alabama.

**Survivorship:** The legal right of the survivor or persons having joint interest in property to take the interest of the person who is deceased.

**Take-Out Loan:** Any mortgage loan made for the purpose of paying a construction period loan, bridge loan or similar temporary initial financing which qualifies as such pursuant to Section II, of the Step Up Procedural Manual.

**Transfer Date:** A date to be designated in accordance with the Origination Period as defined in the Program Guidelines of any series. The Transfer Date is established by the Authority.

## SECTION II—MORTGAGOR ELIGIBILITY EVALUATION

*A.* *Income Restrictions.* The Authority has adopted a single income restriction for the program. The annual family income of the mortgagor may not exceed 200% of the statewide median income—or $97,300 as of October 21, 2005. Annual family income will be calculated to include the income of anyone over 18 years of age who will reside in the home. The Authority may revise the income eligibility criteria in the future.

*B.* *Occupancy.* Mortgagor must occupy the residence as their Principal Residence within 60 days after the closing and thereafter, as their principal and permanent residence.

*C.* *Residence Used as Vacation, Seasonal, Rental, Recreational or Second Home.* The Mortgagor cannot purchase the residence for use as a rental, recreational, seasonal, vacation or second residence.

*D.* *Legal Separation.* Legal separation agreements are not acceptable documentation in the determination of a household's eligibility. Lenders must treat separated occupants as married and the separated spouse must meet all Step Up guidelines as established in Sections II, III, & IV of this manual.

*E.* *Homebuyer Education.* All eligible mortgagors must complete an AHFA-approved homeownership education course prior to loan closing. The Originator must submit the certificate of completion with the closed loan file. Certificates of completion must be dated within one year of loan reservation to AHFA. Acceptable forms of counseling include face-

to-face, various online courses, and the *Keys to Homeownership* book published by the National Foundation for Credit Counseling.

F. *Credit Score Requirement.* Under FHA Step Up and Conventional Step Up, the primary wage-earning, occupying borrower must have a middle credit score of at least **620** to be eligible for the program. In the case the primary wage-earner has only two scores, the lower of the two scores must be used. In the case the primary wage-earner has only one score or does not have a credit score, the borrower would not be eligible for the program. The primary wage-earner is defined as the occupying borrower with the highest monthly income.

All other occupying borrowers must meet FHA credit score requirements for FHA Step Up; or Fannie Mae and the applicable MI company credit score requirements for Conventional Step Up.

G. *Total Debt-to-Income Ratio.* The TDTI ratio may not exceed 45 percent for the Step Up program. When using the "HFA Preferred" conventional product, the lender will also need to adhere to current Fannie Mae TDTI requirements, in addition to the applicable MI company TDTI requirements. TDTI ratio should be based on the **lender's qualifying** total income and total debts. To verify TDTI, the following documentation must be submitted with the compliance package:

• DU Findings or FHA Total Scorecard Findings (FHA)

• DU Findings only (conventional)

AND

• HUD Form 92900-LT (FHA Loan Underwriting and Transmittal Summary) for FHA loans

• 1008 for conventional loans

Once the closed file is received, AHFA's Funding and Delivery Department will ensure the final TDTI meets program guidelines by reviewing the final Automated Underwriting Findings and final FHA Loan Underwriting and Transmittal Summary. Loans not meeting program requirements will not be purchased.

H. *Acceptable MI Providers.* Lenders may use the following providers: 1) Arch, 2) Essent, 3) Genworth, 4) MGIC, or 5) Radian. This list is subject to change.

I. *AUS Findings.* AHFA will not accept manual underwriting for FHA/conventional loan approvals. We accept DU or FHA Total Scorecard Findings resulting in Approve/Eligible or Accept/Accept that is consistent with FHA guidelines, and DU Findings resulting in Approve/Eligible consistent with conventional guidelines. DU/FHA Total Scorecard submissions for FHA loans resulting in a Refer decision will be ineligible for delivery to AHFA. DU submissions resulting in a Refer decision will be ineligible for delivery to AHFA.

J. *Tax Liens*. Unpaid, unsatisfied, and/or unreleased federal or st ate tax liens are not permitted under the Step Up Program. Any borrower or spouse who will hold title that has a tax lien cannot utilize the program. We will not accept repayment plans on files with an established lien. All liens must be satisfied prior to approval and evidence to support the release included in the loan file.

Furthermore, if a borrower currently has a repayment plan in place for taxes owed (not yet a tax lien) and *shows a history of previous tax liens* per credit documents, they will not be eligible for the Step Up program as well.

As a side note, should a borrower currently have a repayment plan in place for taxes owed (not a tax lien) and that credit issue is referenced in our compliance package, for our purposes, AHFA will require verification from the IRS that the account is current. If the account is not current, AHFA will not be able to approve the loan due to the uncertainty that a tax lien could be imposed at any point-in-time.

K. *Federal Tax Return Transcripts*. The lender must be able to provide the most recent year's IRS tax transcripts for each occupying borrower and non-borrower(s), 18 years of age and older. Self-employed borrowers are still required to provide the most recent two years' transcripts and a year-to-date profit and loss statement. Any late filers or IRS responses of "no record of tax return being filed" where returns were applicable will have to be satisfactorily resolved before the loan will be eligible for Step Up. Extensions will not be accepted by AHFA.

L. *Previous Foreclosure*. Any borrower with a previous foreclosure or "Deed in Lieu", by any servicer, must wait three years

before applying for financing through AHFA's homeownership programs. In addition, they must have established two new credit lines (as reported on the credit report) following the foreclosure sale with an acceptable pay history, and they must have a 660 minimum credit score (middle score). Non-traditional credit accounts will not be acceptable as new accounts. The lender must receive an Approve/Eligible underwriting decision. Manually underwritten loans will not be eligible for the program.

## SECTION III—LOAN ELIGIBILITY EVALUATION

A. *Permitted Encumbrances.* All Mortgage Loans must be secured by a first lien on the fee simple title or leasehold estate to the Residence. Permitted Encumbrances are those liens, covenants, conditions and restrictions, rights of way, easements and other matters of public record as of the date of the recording of the related Mortgage. These encumbrances must be permitted under FHA and Ginnie Mae, as applicable.

B. *Types of Loans.* In order to qualify under the program, each mortgage loan must be insured by FHA (203(k) loans are not eligible for inclusion in the Step Up program) or Fannie Mae.

C. *Amount of Mortgage Loan.* The maximum amount of any mortgage loan may not exceed the applicable requirements of FHA and Ginnie Mae as of the closing date of the mortgage loan.

D. *New Mortgage Requirements.* No refinancing of any outstanding indebtedness shall be permitted except with regard to take-out loans. A take-out loan may be made to permit an Eligible Mortgagor to finance a residence which qualifies as a newly constructed residence under the Program Guidelines.

If warranted by the circumstances, an Eligible Mortgagor shall be considered as both a Mortgagor and a seller with respect to take-out loans. A newly constructed residence is considered a residence which has not previously been occupied, and is less than one year old.

## SECTION IV—PROPERTY ELIGIBILITY EVALUATION

A. *Eligible Loan Area.* The Eligible Loan Area shall be the entire geographic boundaries of the State.

B. *Qualifying Residences.* Subject to certain limitations described below, all Residences financed by the Step Up Program must meet the following:

1. The Residences must be permanently affixed, and considered "Real Property";
2. Detached single-family houses, consisting of no more than one dwelling unit;
3. Attached single-family houses or townhouses, units which are manufactured housing insured under Section 203(b) of the National Housing Act of 1934, as amended; and
4. Units of a "condominium" or units within a "planned unit development" as such terms are defined in the Fannie Mae guide.
5. Manufactured homes using FHA financing must meet the following requirements:
   (a) The manufactured home must be attached to the land.
   (b) The manufactured home must be classified and taxed as real estate.
   (c) In accordance with the jurisdictional requirements, the manufactured home title has to be surrendered/cancelled (copy of cancellation must be provided at the time of loan purchase by AHFA).

No more than 5% of the Reservations of Funds may be used, without the written authorization of the Authority, to originate mortgage loans which constitute manufactured housing. All product guidelines concerning the eligibility of

manufactured housing must be met.

C. *Foreclosures.* All foreclosed properties must have affirmative title coverage with no exception for Right of Redemption.

D. *AHFA Requirements for Repair Escrows*. AHFA must issue prior approval for any repair escrow. The lender must furnish AHFA with a copy of the escrow agreement and copies of work bid estimates, along with the request for approval. In order to qualify for a repair escrow, the following terms must be met and included in the escrow agreement:

1. Repair escrow funds must be held and disbursed by either the originating lender or the closing agent.
2. Repair escrow funds must be equal to 150% of the repair estimate amount.
3. Repairs must be completed within 10 days after closing.
4. No structural repairs are permitted.
5. A copy of the final inspection must be forwarded to AHFA within 5 days after completion.
6. The maximum repair escrow amount is $10,000.

## SECTION V—RESERVATION SECTION

*A. Reservation Procedure.* Subject to the funding restrictions and applicable reservations, applications for mortgage loans will be accepted in all of the lending offices of each Participating Originator in the State. Reservations will be made on a first-come, first-served, fair and equal basis irrespective of race, color, religion, national origin, age, or sex.

Prior to making a reservation request, the lender must have taken a mortgage loan application from a potential Eligible Mortgagor. The mortgagor furnishes the lender an earnest money sales agreement or construction contract entered into by the seller/builder of a Residence and the Eligible Mortgagor. Lenders are responsible for making a preliminary determination to see if the potential Eligible Mortgagor will qualify for the mortgage loan. The Program processing is designed to compliment the lender's regular credit and underwriting procedures. Since the Authority is not part of the credit approval process, no formal notice of rejection of the Step Up loan is required by the Authority under the Equal Credit Opportunity Act. The Authority recognizes the procedural variations among participating lenders.

The following steps are for the reservation and loan processing process:

1. The Eligible Mortgagor applies for mortgage financing from a participating lender.
2. The lender determines if the loan applicant is eligible for the Step Up Program based on preliminary information obtained on annual income.
3. All mortgage loans must be originated in compliance with, and must conform to the provisions of all applicable rules, regulations and limitations of FHA, Ginnie Mae, and Fannie Mae as appropriate.

Each lender is to assign user names and passwords to designated employees responsible for making requests for Reservations of Funds. All reservations must be made through the Authority's online reservation system, *https://lenders.ahfa.com*. Telephoned requests for reservations will be accepted if the web site is unavailable for more than 24 hours. In that event, telephone reservations will be accepted temporarily until the site resumes operation. **The Authority, at its sole discretion, may continue to accept reservation request in the manner specified even though the available funds may be fully reserved.** These reservation requests may be eligible for funding on a first-come, first-served basis under any future Step Up programs.

*B. Rate Commitment Form.* Beginning on a date designated by the Authority, the participating lenders may request Reservations of Funds online at *https://lenders.ahfa.com*. The lender completes the New Reservation Form within the online system to reserve funds and secure the current interest rate. Upon completion of the form, the online system will generate a commitment number and expiration date of the commitment. The lender then prints the Reservation of Funds/Rate Commitment Form within the online system for the borrower(s)'s execution. The lender will include this form and the Reservation Acceptance in Step 1 of the Step Up package.

NOTE: The lender is responsible for making the reservation in a timely manner while the rate is still available. The Step Up rate is subject to change with market activity. Under no circumstances should a lender postpone or delay making a reservation, due to the possibility of an increase in the rate. AHFA cannot honor a lender's disclosure to a borrower without an actual loan reservation commitment issued from Lender OnLine.

*(Proposed Construction) Reservation of Funds Commitment Form.* While the Authority offers the Alabama Home Buyer Initiative under Conventional Step Up, lenders will have the opportunity to reserve funds *only* for a 120-day period on proposed construction. This option will be available for a limited time. The lender uses the same New Reservation Form after selecting the proposed construction option within the online system. Upon completion of the form, the online system will generate a commitment number and expiration date of the funds. The lender then prints the (Proposed Construction) Reservation of Funds Commitment Form within the online system for the borrower(s)'s execution. The lender will include this form and the Reservation Acceptance in Step 1(a) of the Step Up package.

The lender will then be responsible for locking the interest rate by the commitment expiration date. This will be achieved by submitting the Rate Lock Request Form to the Authority to lock the current interest rate. Once the lender receives confirmation of the rate lock, they will print the Reservation of Funds/Rate Commitment Form to confirm the rate and revised commitment expiration date. The borrower(s) will execute the form, and it will be included in Step 1 of the Step Up package. The standard Step Up non-refundable commitment fee will be due at this time which is 0.50% for a 15-day reservation and 0.75% for a 30-day reservation.

C. *Reservation Document Delivery.* Upon completion of the Loan Reservation Form and reservation procedure, each lender must furnish the Authority with the Reservation Package as stated on the Step Up Transmittal Checklist (Step 1), Appendix 1. The Authority must receive these documents within 72 hours (three working days) of receipt of a commitment number. Failure to deliver the requested documentation to the Authority within the time specified may result in cancellation of the Reservation of Funds and Rate Commitment. Documentation should be mailed to 7460 Halcyon Pointe Drive, Suite 200, Montgomery, AL 36117.

D. *Reservation Expiration Date.* There will be two available "lock in" commitments:

1. A 30-day reservation expiration requiring a non-refundable commitment fee of 0.75% of the total loan amount for FHA and conventional loans.

2. A 15-day reservation expiration requiring a non-refundable commitment fee of 0.50% of the total loan amount for FHA and conventional loans.

E. *Lock Policy.* The purpose of this policy is to enhance the Authority's Step Up program by offering specific rules and guidelines in areas that were previously handled on a case-by-case basis.

1. Extensions

   (a) Fifteen-day extensions are available on 15-day or 30-day reservations.

   (b) The cost per extension is 0.25 percent.

   **(c) Extensions must be requested on or before the reservation expiration date.**

   (d) A maximum of two extensions are available on a 15-day reservation, one on a 30-day reservation.

   (e) The extension fee must be received within 72 hours of the extension request or the reservation will expire and the extension opportunity will be lost.

2. Re-locks

   (a) Re-locks are available at *worst-case pricing* for expired reservations or reservations that have been extended the maximum amount of time allowed.

   (b) Re-locked loans must pay an additional commitment fee.

   (c) Reservations that are not expired may not re-lock.

(d) A reservation ***to the borrower*** must be expired for 60 days to get current market (better rate).

(e) Reservations that are cancelled due to nonpayment of the commitment fee may re-lock at *worst-case pricing.*

(f) Borrowers that change lenders must re-lock due to system limitations, but will retain the original reservation.

(g) Borrowers that change property, provided that the loan amount is within 10 percent of the original loan amount, will retain the original reservation.

3. Expired reservations

(a) Loans not **closed** on or before the reservation expiration date will be charged a 0.25 percent penalty.

(b) The penalty will be netted from the loan funding proceeds.

4. Late Delivery

(a) Loans that are not delivered in fundable format within 10 days of the commitment expiration will not be paid per-diem interest from the 10th day until the funding date.

(b) Loans that are not delivered in fundable format within 10 days of the commitment expiration will be subject to *worst-case pricing*.

(c) Loans that are not delivered in fundable format within 15 days of the commitment expiration will be subject to an additional 0.25 percent late delivery penalty for each 15 days past the commitment expiration.

(d) Loans that are not delivered in fundable format within 15 days of the commitment expiration will be subject to a funding adjustment equal to the greater of *worst-case pricing* or a late delivery penalty, as determined by AHFA.

(e) Late delivery penalties will be netted from the loan funding proceeds.

(f) Loans that are not delivered in fundable format within 30 days of the commitment expiration will not be purchased and will be returned to the originating lender.

5. Definitions

*(a)* *Worst-case pricing:* The higher of either the original lock rate or the current market rate at the time of the request or at the time of the funding, if no request is made. Alternatively, if the rate cannot be changed, the lower of either the original lock price or current market price at the time of the request or at the time of the funding, if no request is made.

*(b)* *Days:* All references to days shall be calendar days.

*F.* *Cancellation of Reservation.* If it is determined that the proposed mortgagor does not qualify for the program, the reservation will be canceled. If the Authority determines that a mortgage loan application was taken by a lender after the date the lender submitted its request for Reservation of Funds, the reservation will be canceled. The commitment fee is non-refundable.

Written notification must be sent to the Authority within 24 hours of reservation if it is determined that the mortgagors do not meet Step Up Program guidelines. Otherwise, the commitment fee will have to be remitted to AHFA regardless.

Lenders who repeatedly make Step Up reservations, but fail to follow through with the loan process and do not remit the commitment fee, will be billed. Further continued abuse may result in expulsion from the program.

*G.* *Transfer of Reservation.* The Authority will allow a transfer of any Reservation of Funds from one Eligible Mortgagor to another, with Authority approval. A new Rate Commitment Form is required. The Authority also may allow a loan

transfer from one approved lender to another. The Commitment Fee will be transferred upon approval by the Authority. Reservations of Funds may be transferred one time only.

The Reservation of Funds and Rate Commitment committed to an Eligible Mortgagor may be transferred from one property to another with the prior approval of the Authority. **Loan amount changes may affect your commitment. Notify the Authority of any changes immediately.**

## SECTION VI—LOAN PROCESSING & UNDERWRITING PROCEDURES

A. *Request for Conditional Commitment Package.* The Originator performs the customary verifications for loan underwriting as required by the Origination and Sale Agreement. The Originator completes the remainder of the mortgage application process and sends to the Authority the Request for Conditional Commitment Package as stated on the Transmittal Checklist (Step 2). Upon receipt of the required documentation, the package is placed in a first-come first served order and processed within 72 hours (three business days) beginning the next business day.

**Delegated Examiners only:** The Originator completes the remainder of the mortgage application process and sends to the Delegated Examiner the Request for Conditional Commitment Package as stated on the Delegated Examiners' Transmittal Checklist (Step 2). Upon receipt of the required documentation, the Delegated Examiner will review the package and make a compliance determination. The Delegated Examiner will e-mail a decision to *compliance@ahfa.com* using the Delegated Conditional Commitment form.

B. *Request for Conditional Commitment.* The Request for Conditional Commitment package and the reservation package will be compared at the time the Request for Conditional Commitment package is received.

**Delegated Examiners only:** The Request for Delegated Conditional Commitment package and a copy of the reservation package will be compared at the time the Request for Delegated Conditional Commitment package is received by the Delegated Examiner.

The following criteria will help ensure accuracy and consistency in files when reviewed:

1. *Commitment Fee.* The non-refundable commitment fee is to be checked to ensure the amount reserved is covered. The commitment fee should be paid within 72 hours of loan reservation and should agree with the amount shown on the Rate Commitment Form. If the amounts do not agree, a request in writing for a decrease or increase is needed. (Amounts that increase will require additional funds to cover the commitment fee, and are subject to the availability of funds.) See Section X, Modifications, for more information.

2. *Request for Conditional Commitment.* The Transmittal Checklist must be completed thoroughly. The Authority will check the income reflected on the Income Calculation Worksheet to ensure compliance with applicable limits. Information provided on the worksheet should agree with the Rate Commitment Form, handwritten application and the sales contract (name, property status, etc.).

2. **Delegated Conditional Commitment (Delegated Examiners only).** The Delegated Examiners' Transmittal Checklist must be completed thoroughly. The Delegated Examiner will check the income to ensure compliance with applicable limits. Information provided should agree with the Rate Commitment Form, handwritten application and the sales contract (name, property status, etc.).

3. *Handwritten/Initial Application.* The handwritten/initial application should be completed, signed, and dated by the mortgagors and lender. All information should agree with all applicable areas of the Rate Commitment Form and sales contract as follows:

    (a) Names of the mortgagors.

    (b) Property information section.

    (c) Number of dependents.

    (d) Marital status.

(e) Residency history.

(f) Employment (income purposes).

(g) Other income section (to ensure all income has been included).

(h) Schedule of real estate owned section (to establish whether the borrowers have rental property, owns a lot or presently owns a home. Additional income may be received from these sources).

(i) Assets section to ensure all funds which are not a part of closing are included in the annual family income, i.e., interest and dividends earnings.

(j) Declaration section reflects the mortgagors intent to occupy the property as their primary principal residence.

4. *Fully Executed Sales Contract.* Any changes or addendums to the sales contract must be reviewed by the Authority prior to closing.

   Changes in the sales price will require an amended sales contract. All changes are to be initialed by all parties involved.

   All areas of the sales contract are to be completed and properly executed by the mortgagor and seller where applicable. The following areas should be consistent with all applicable areas of the Rate Commitment Form and handwritten application.

   (a) Names of the mortgagors.

   (b) Sales Price.

   (c) Property address.

   (d) Loan Type: FHA or Conventional.

   (e) Real estate agency's name and address.

   (f) Number of days for the seller to surrender possession is 60 days or less after loan closing.

   (g) Signatures of the sellers and buyers with dates.

## SECTION VII—INCOME GUIDELINES FOR SALARIED & SELF-EMPLOYED MORTGAGORS

A. Salaried Mortgagors

1. *Gross Monthly Income.* Gross monthly income includes: gross monthly pay, any additional income from overtime, part-time employment, bonuses, dividends, interest, royalties, pensions, Veterans Administration (VA) compensation, net rental income, etc.; and other income (such as alimony, child support, public assistance, sick pay, social security benefits, unemployment compensation, income received from trusts, and income received from business activities and investments, etc.) Overtime pay and bonuses are to be projected in an amount consistent with the earnings history of each household member.

   The income to be taken into account in determining the gross monthly income is the income of any person who is expected to live in the residence being financed. The income of a person who is under 18 years of age and a full-time student (excluding the mortgagors) will not be included in the gross monthly income.

   Persons over 18 years of age who are not employed and do not intend to seek employment within the next 12 months will be required to sign a statement to such, see Appendix 5, Employment Statement.

2. *Verifications of Employment.* When checking verifications of employment, all areas of the verification should

be completed and executed by the employer. Make sure all income has been derived (i.e., raises, bonuses, commissions, car allowance, etc.). Verify that pay stubs and verifications are consistent with one another. If they differ, an explanation must be provided. Previous year earnings (overtime, etc.) should be consistent with current year earnings. If not, it may be necessary to use only year-to-date figures depending upon the increases the mortgagor has received (overtime, raise, etc.). Verifications of Employment must be updated if they are more than four months old at the time of closing.

When reviewing verifications, watch for certain types of employment, i.e., ministers, nurses, etc., which have unusual income. For example, a minister's income usually consists of a base income, utilities allowance, housing allowance, insurance allowance and car allowance. A nurse's income usually consists of a base income, overtime, and shift differentials for night and weekend pay, which in most cases differ. Be very cautious when calculating income for these types of employment to ensure all income has been included in the calculations.

If a letter is used in lieu of the original verification form, it must contain all items covered in the original verification.

3. *Pay stubs.* Pay stubs covering the most recent 30-day period are required on all loans and income must be consistent with the Verification of Employment or W-2 form. Pay stubs must be dated within 30 days of submission.

4. *Income History.* If the prospective mortgagor has additional earned income and has a history of such earnings, then the income is to be included in the gross monthly income. If the income is earned only within the current year with no prior history, and will not continue after closing then a statement from the employer stating the earned income, (i.e., overtime, etc.) will not continue is required.

5. *Alternative Documentation.* AHFA allows documentation for the verification of employment with the following requirements:

    (a) Pay stubs covering the most recent 30-day period which reflect the mortgagor's name, Social Security number, hourly rate of pay, number of hours worked per pay period, and year-to-date earnings.

    (b) Copy of the past two-years' W-2 forms or 1099 which includes the mortgagor's name, Social Security number, company name, and total compensation, or a standard Verification of Employment (VOE) completed and signed by the employer.

    (c) Telephone certification.

6. *Averaging Income.* Income is averaged for overtime, commissions, and any other income (except base earnings) over a period of no less than 15 months, but no more than 27 months. However, if income over base earnings is not consistent with past years' earnings, or the income history is less than 15 months, the Authority will determine the period for income calculations.

7. *Overtime Earnings.* Income earned from overtime will be included if the borrower has a history of such income or the income was earned during the current year. The verification of employment form from the employer must explain how much overtime is expected if any, and at what rate of pay.

8. *Bonus.* The gross amount of recurring bonuses is to be included in the income calculations if:

    (a) The bonus is part of a collective bargaining agreement and must be paid; or

    (b) The bonus is included in the computation of income by the employer; or

    (c) There is a history of bonuses.

    If there is a history of bonuses but the applicant does not know if a bonus is planned, nor does the employer divulge its plans for a bonus or the projected amount, an average of past years' bonuses will be calculated as income. A bonus history for Step Up purposes is to be considered for one year or more.

    The bonus is not to be included in the annual family income if there is no history of a bonus and the bonus is totally discretionary by the employer and wages of the applicant are the basic source of income. The file must be documented with a statement from the employer.

9. *Rental Properties or Contract Income.* Rental income and contract income is determined by subtracting the monthly mortgage payment from the gross rental income. Depreciation should be added back to net rental income where applicable. Contract income (income derived from the mortgagor selling property with owner financing) is to be used in calculating annual family income.

   The use of standard underwriting criteria to document this income is acceptable (i.e. copies of leases & mortgage verifications).

10. *Child Support/Alimony.* Child support and alimony must be included in the annual family income and a copy of the final divorce decree is required. If the mortgagors have not received child support or alimony for the past 24 months and to their knowledge, none is forth coming, a statement from the mortgagors is required, see Child Support Statement.

11. *Education Grants.* The portion of the income from grants that is used for living expenses is to be added to the annual family income if this income will continue for the next 12 months.

12. *Employee Benefits Program.* Some companies offer an employee benefits program designed to let employees create their own insurance package. The monthly amount is usually shown separately on the pay stub, yet included in year-to-date earnings. The pay stub usually shows the monthly amount actually spent on this plan. A letter from the employer is needed to verify the actual cost of this plan year-to-date, in order to determined if the employees received funds over the actual cost. In this case the additional unused portion would be included in the annual family income.

    If the mortgagor receives monthly income for the employee benefit program and elects not to purchase benefits offered by the program, then the full amount will be added to the annual family income.

13. *Permanent Seasonal, Seasonal & Temporary Income.* Include all permanent seasonal, seasonal and temporary earnings when calculating annual family income.

14. *Social Security/VA Benefits.* Social Security income should be verified with an Awards letter obtained from the Social Security office. VA benefits should be verified with a benefits letter from the Veterans Affairs Office.

15. *Lump Sum Payments.* Lump sum payments, including but not limited to, inheritance, reenlistment bonuses, and disbursements from insurance policies do not have to be included in the annual family income. However, interest income on investments must be included and calculated at the current passbook rates over a 12-month period. If the income is received in any other form other than lump sum (i.e. monthly or annual), then it must be treated as permanent income and added to the annual family income.

16. *Capital Gains/Loss.* Both taxable and non-taxable portions of capital gains are to be included as income if a history of this income exists. If the two-year average results from the tax returns is a gain, then it must be added to annual family income (losses cannot be used to reduce annual family income).

17. *Pension and Stock Withdrawals.* Withdrawals of principal funds from pension or stock sources is not considered income. However, annuity or interest payments under a pension or stock investment program are considered income. Verification of benefits will be required, i.e., federal tax returns, statement of benefits, etc.

18. *Interest, Dividend and Royalty Income.* Interest, dividend and royalty earnings are considered income. Current interest and dividend earnings are calculated at current passbook rates over a 12-month period. Income calculations for royalties are calculated by net earnings and interest. Earnings from IRAs and 401Ks are not included. Documentation will be required to verify theses sources of income, i.e., federal tax returns, statement of benefits and contract agreements for royalties income.

19. *Exclusion from Gross Monthly Income.* Gross monthly income shall not include casual, sporadic or irregular gifts; amounts that are specifically for or in reimbursement of medical expenses; inheritances; insurance payments (including payments under health and accident insurance and workmen's compensation, other than payments in lieu of earnings); settlement for personal or property losses; amounts of education scholarships paid directly to the student or the educational institution and amounts paid by the government to a veteran for use in meeting the costs of tuition, fees, books and equipment, but in either case only to the extent used for such purpose; special pay to active military personnel exposed to hostile fire; and foster child care payments.

B. Self-Employed Mortgagors

1. *Annual Family Income.* The procedure to calculate annual family income for self-employed mortgagors requires the following:

   (a) Depreciation and depletion is to be added back to the adjusted gross income (AGI) on all self-employed mortgagors.

   (b) Two years' current signed individual federal income tax returns with all applicable schedules.

   (c) Year-to-date Profit & Loss. If a sole proprietorship, P&L can come directly from sole proprietor himself/herself. If a partnership, S-corp., or corporation, P&L must be provided by an accountant.

   (d) U.S. Partnership Returns and U.S. Corporate federal income tax returns with all schedules and W-2 form (where applicable), with individual federal income tax returns (form 1040)

   Income must be averaged over a period of no less than 15 months, but no more than 27 months. Self-Employed mortgagors may need two years of federal income tax returns with a current Profit and Loss. After April 15 each year, the most "current year" federal income tax returns are required.

2. *Sole Proprietorship.* Sole Proprietorship is a business owned by one person. IRS form 1040—Schedule C or Schedule C-EZ is required. Sole Proprietorship income is detailed on Form 1040 (Schedule C) of U.S. income tax returns. This form will list all income, depreciation, and depletion which is added back to the AGI.

3. *General Partnership.* A General Partnership is a business owned by two or more partners. Each partner is personally liable for all debts of the business. Each partner is responsible for all other partners. The following documents are required:

   (a) IRS form 1065—Schedule K-1 & Schedule E, Part II.

   (b) U.S. Partnership Returns with all applicable schedules.

   General Partnerships require income to be calculated on form 1065 of U.S. Partnership Returns, to determine the share of net income distributable to each partner. This is reported on Schedule K-1 of form 1065 and on the individual's Schedule E, Part II; this amount is included in the AGI on form 1040. Note: The total depreciation and depletion will be determined by the number of the partners, and should be divided to determine what percentage or total dollar amount to be added back for each partner.

4. *Limited Partnerships.* Limited Partnerships are usually formed for investing money. Limited partners often take a loss on their investment, which reduces their taxable income. Liability is limited to the amount invested. The following documents are required:

   (a) IRS form 1065—Schedule K-1 & Schedule E, Part II.

   (b) U.S. Partnership Returns with all applicable schedules.

   Limited Partnerships require income to be taken from Schedule K-1 (form 1065), and the individual's Schedule E, Part II; this amount is included in the AGI on form 1040.

5. *S-Corp.* Usually a small start-up business requiring the following documentation:

   (a) IRS forms 1120/1120S—Schedule K-1, Schedule E, II.

   (b) Verification of W-2 earnings.

   S Corporation's income is detailed on form 1120S (US federal income tax return for an S Corporation). Schedule K-1 will list borrower's percentage of ownership and ordinary income, depreciation and depletion from the S Corporation (this information is transferred to Schedule E, Section II of the individual tax returns). This income must be proportionately added back as determined by the percentage of ownership to the ordinary income since depreciation and depletion are actually non-cash expenses. The primary source of income for an owner comes

from W-2 wages, which must be included in earnings in addition to corporate earnings.

6. *Corporation.* A Corporation requires a state charter and is a separate legal entity from its owners (stockholders). The corporation's profits (retained earnings) are put back into the business or are distributed to stockholders in the form of dividends. Stockholders are not responsible for the debts of the corporation. The following documentation is required to determine eligibility:

   (a) U.S. Corporation Income Tax Returns, form 1120 & Schedule L, (if applicable).

   (b) W-2 form.

   Corporations require income to be taken from the IRS form 1120, and Schedule L will show the current year corporate balance sheet. Income to the officers and stockholders is reported by W-2 forms and reflected on their individual form 1040.

   Dividend earnings are reported on 1099 forms and reflected on their individual returns.

C. Non-Borrowing Spouses, Partners, All Other Occupants 18 Years or Older

AHFA programs require the income to be documented for the total household. Total household income is defined as the individuals 18 years of age or older who intend to occupy the property within the next 12 calendar months, even if they are not a party to the loan.

Documentation required for submission in Step 2:

1. Signed Non-Borrower Statement

2. Either full income verification or alt doc income verification as required for all salaried or self-employed borrowers, or a signed Employment/Income Statement, if the occupant does not have ANY source of income.

3. Documentation of Social Security benefits, pensions, annuities, if applicable

4. Most recent year's IRS tax return transcripts

D. Currently Separated or Separating Spouses

All separated spouses' income documentation must also be submitted to AHFA compliance in Step 2. This is regardless of whether the separated spouse is a party to the loan, or even intends to occupy the property. The State of Alabama, for AHFA purposes, does not recognize "separated." The parties are considered either married or divorced.

Documentation required for submission in Step 2:

1. Signed Non-Borrower Statement

2. Full income documentation or alt doc documentation

3. Separation Agreement, including any Property Settlement Agreement

4. Most recent year's IRS tax return transcripts

E. Co-Signer/Non-Occupant Guarantors

Co-Signer/Non-Occupants and Guarantors are allowed, provided that the following conditions are met:

1. The Co-Signer/Non-Occupant or Guarantor is acting in such a capacity solely for the purposes of providing additional security for the mortgage loan, and will not take title to the property or be a purchaser on the sales contract.

2. The primary occupying borrower(s) must be able to meet a minimum of 40 percent of the PITI by verifiable and documented income, OR must have documented income representing full-time employment at no less than 30 hours per week.

3. The Co-Signer/Non-Occupant or Guarantor will not occupy the residence as his primary/permanent residence.

4. The Co-Signer/Non-Occupant or Guarantor is a relative of the mortgagor.

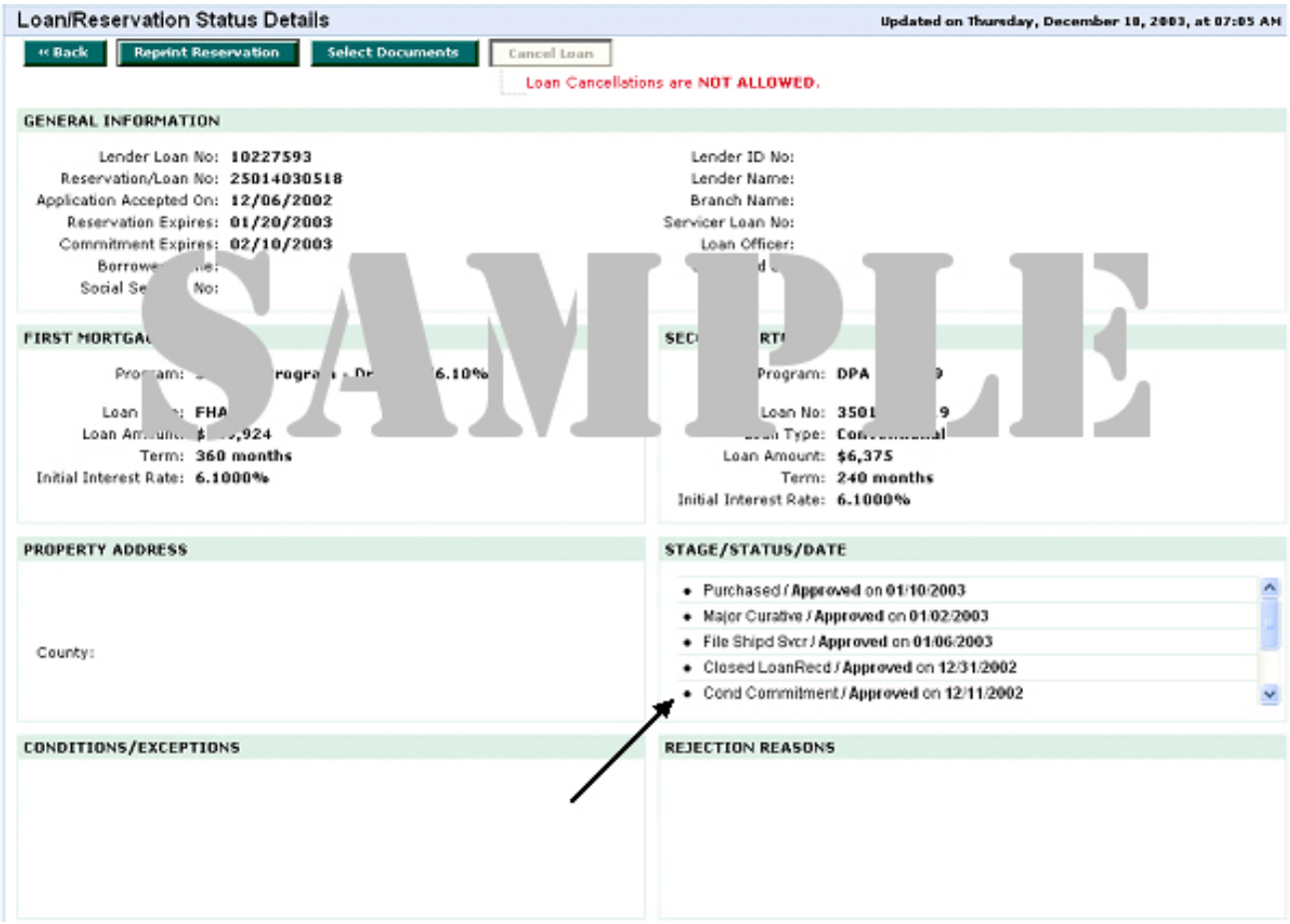
5. The Co-Signer/Non-Occupant or Guarantor is permitted by applicable FHA and Ginnie Mae guidelines.

6. The Co-Signer/Non-Occupant or Guarantor will be required to sign a statement certifying to the above conditions (see Appendix 6, Co-Signer/Non-Occupant Statement). Tax returns and income verifications are not applicable. These Co-Signer/Non-Occupants or Guarantors will be treated as non-occupant Co-Signers for qualifying purposes.

Please note: For all parties signing the Employment/Income Statement, AHFA withholds the right to require documentation from the IRS supporting the signed statement.

## SECTION VIII—ISSUANCE OF THE CONDITIONAL COMMITMENT

Please note: Lenders are responsible for monitoring the status of their loans on Lender Online, which includes checking for the posting of conditional commitments as shown below.




**Delegated Examiners only:** The Delegated Examiner must review the compliance package prior to issuing the Delegated Conditional Commitment. Once the package has been reviewed and approved, the Delegated Examiner is required to issue the Delegated Conditional Commitment and e-mail the form to the Authority at *compliance@ahfa.com* or fax the form to (334) 244-9213. Failure to comply with this process may result in removal of the Originator's Delegated authority.

Originating branches may view loan conditions on Lender Online.

## SECTION IX—CLOSED LOAN PROCEDURES

A. *Conditional Commitment.* Upon issuance of the Conditional Commitment as posted on the Loan Status screen, the lender may close the loan in accordance to the conditions stated on the Conditional Commitment. The loan is to close before the reservation expiration date stated on the Conditional Commitment. The mortgagor, address, interest rate, loan amount, and term of loan must agree with all closing documents. Changes of these items are to be approved by the Authority before closing. Failure to do so could result in rejection of the loan.

**Delegated Examiners only:** Upon issuance of the Delegated Conditional Commitment as posted on the Loan Status screen, the lender may close the loan in accordance to the conditions stated on the Delegated Conditional Commitment. The loan is to close before the reservation expiration date stated on the Delegated Conditional Commitment. The mortgagor, address, interest rate, loan amount, and term of loan must agree with all closing documents. Changes of these items are to be approved by the Authority before closing. Failure to do so could result in rejection of the loan.

B. *Verifications of Credit Documents.* All verifications should be less than three months (90 days) old at the time of closing or current information will be required. Credit documents more than 90 days old upon submission of the closed loan package could result in rejection of the loan.

C. *Settlement Statement Fees.* In connection with each mortgage loan, a lender may charge and collect from an Eligible Mortgagor or seller at closing, reasonable and customary charges. All lenders must charge a 1% origination fee. Other charges may not exceed the usual and reasonable "settlement and financing cost" that are customary as follows:

1. "Settlement Costs" include title and transfer costs, title insurance, survey fees and other similar costs; and

2. "Financing costs" include credit report fees, legal fees, appraisal expenses, points which are paid by the borrowers, or other costs of financing the Residence.

## SECTION X—LOAN PURCHASES AND TRANSFER OF SERVICING RIGHTS

A. *Review of the Mortgage Loan.* The closed mortgage loan package is to be received by Alabama Housing Finance Authority (AHFA), within 10 days of loan closing.

1. Lenders must check the closed loan package to confirm all items listed on the Funding Checklist are included in the package Loans will not be funded if any of the items on the checklist are missing or incorrect.

2. All loans purchased by AHFA will require mandatory registration with MERS. No assignments will be accepted for first or second mortgages. Lenders must transfer all applicable rights in MERS to AHFA immediately after purchase.

Upon completion of the closed loan file compliance review, the mortgage loan(s) will be funded if the file is complete and is in compliance with all requirements. Closed loan packages will not be funded until all required fundable documentation has been received and all compliance issues cleared.

B. *Penalties Withheld From Funding.* Lenders have 10 days from closing to deliver the complete closed loan package to AHFA. A loan is considered to be in a fundable condition when a complete closed loan package is delivered without errors or missing documents. Also, loans with delinquent payments will not be purchased. Lenders will have 40 days from the date of closing to clear the loan exception with no penalty. If the loan is not cleared until 41 days from the date of closing, the lender will be charged a late delivery fee of 50 basis points (0.50%) of the principal purchased. If the file is not cleared by the 71st day from the date of closing, original Notes will be returned to the lender and the loan(s) will not be purchased. This section does not override any applicable lock expiration period. Extension fees may be required by AHFA if the loan is not funded by the applicable expiration date. The amounts of all fees and penalties are subject to change. Please refer to the current schedule of penalties and fees located in the Bulletin Board Section of the Lender Online portal at *https://lenders.ahfa.com/Bin/Display.exe/ShowSection* for the most current information.

C. *Funding of the Mortgage Loan.* AHFA will issue an ACH or wire on single and multiple fundings each Wednesday and Friday for each lender. A breakdown of the multiple lender's fundings will be included with the ACH or wire. Any discrepancies should be directed to the Funding and Delivery Department. Only one set of ACH/wiring instructions will be accepted from each lender. Lenders are allowed one change to the wiring instructions per calendar year. Subsequent changes to ACH/wiring instructions will result in a $500 fee per transaction.

Lenders are responsible for servicing the loan until purchased by AHFA to include the payment of all required escrow disbursements for each loan during the period from closing to purchase.

In general, fundable closed mortgage loan packages received by the close of the business day on Monday of each week will be funded on Friday and those received by the close of business on Thursday will be funded on Wednesday of the next week once approved by AHFA.

The funding amount for both first and second mortgages will consist of:

1. Scheduled unpaid principal balance
2. Servicing Release Premium per the Program Guidelines (first mortgages only)
3. Interest from the closing date through the purchase date or interest from the last paid installment date to purchase date at the loan's per diem rate

Amounts to be deducted from funding of both first and second mortgages will consist of:

1. Penalties or fees assessed in Section X, B or C
2. Flood notification transfer fee of $10 (not required for flood certification from CoreLogic).
3. Prepaid interest (Loans purchased by the 10th of the month prior to the first payment due date only).
4. Prepaid escrow (unless after first payment) or current amortized escrow balance on the loan less and disbursements
5. Tax service fee of $65
6. Loan Level Price Adjustments (Fannie Mae Standard loans only).
7. Wire fee of $20 (per transaction (if applicable)

D. *Final Documentation.* The lender is to submit the final mortgage loan documentation consisting of the following original documents to AHFA within 120 days of closing:

- Recorded First Mortgage
- Title Policy
- Mortgage Insurance documentation (FHA Mortgage Insurance Certificate, PMI Certificate of Coverage, Loan Guaranty Certificate)
- Recorded Second Mortgage (if applicable)

E. *Transfer of Loan Servicing Rights and Benefits.* The originating lender retains the loan servicing rights and benefits until AHFA purchases the loan. The originating lender will perform all servicing duties until that time. Servicing and benefits rights transfer to AHFA at the time of loan purchase. Lender will be sent a reminder along with the purchase payment advice to send out their goodbye letter to the borrower. AHFA will send the borrower a Notice of Sale, Assignment or Transfer and two temporary payment coupons at the time of loan purchase. (The first payment due to AHFA will be determined based upon when the Notice of Sale, Assignment or Transfer is sent.) If the loan is purchased (purchase date) on or before the 10th of the month, the first payment due to AHFA will be the next scheduled monthly payment due date. After the 10th, the effective date will roll to the following scheduled monthly payment due date. The lender must transfer the loan to AHFA through the MERS system immediately after purchase.

Examples:

- A loan that closed on 06/02/16 is received in our office 06/8/16 and is being funded on 06/10/16. This loan will be purchased at the original note amount with no late delivery penalty.
- A loan that closed on 06/24/16 is not received in our office until 7/28/16 and is ready to be funded on 08/11/16. The initial payment on this loan is due on 08/01/16. Since this loan is being purchased after the 10th of the month, the loan will be purchased effective with the payment scheduled for 10/01/16. The lender would be charged a late delivery fee of 50 basis points (0.50%) of the principal purchased.

## SECTION XI—MODIFICATIONS

It is the lender's responsibility to notify the Authority of any modifications. Expiration dates, penalties and extensions are addressed in Section VI.

1. *Mortgage Decrease.* Mortgage amount decreases will require approval by the Authority.
2. *Mortgage Increase.* Mortgage amount increases will require approval by the Authority and will be subject to the availability of funds.
3. *Property Address.* Property address changes require approval of the Authority.
4. *Marriage.* If the mortgagor marries prior to loan closing, the spouse's income will be included in the total annual family income. The lender must obtain this information prior to closing and submit these documents to the Authority. The annual family income may not exceed the income limitation. The spouse will also have to meet all Step Up requirements as established in Section II, III and IV of this manual.

## SECTION XII—ASSUMPTIONS

Assumption loans require the same qualifying process as the current Step Up Program Guidelines (refer to Section II, III and IV of the Step Up manual). Income guidelines are the most current income guidelines provided by the Authority. Investor guidelines must be followed.

**The down payment assistance second mortgage is not assumable.**

## SECTION XIII—DOWN PAYMENT ASSISTANCE

The purpose of this program is to provide down payment and entry cost assistance to homebuyers with low to moderate incomes and minimal liquid assets. Down payment assistance is used in conjunction with the Step Up Program only as a second mortgage. Only borrowers whose primary wage earner has a middle credit score of at least 620 will be eligible for Down Payment Assistance.

A. *Reservations.* If needed, reservations for Down Payment Assistance will be made through the Authority's reservation web site, *https://lenders.ahfa.com*, and is tied to the first mortgage reservation.

B. *Eligibility.* All homebuyers must meet the qualifications stated on the Down Payment Assistance Application, Appendix 11. The maximum income is stated on the Down Payment Assistance Application and is calculated as stated in Section II of this Step Up Procedural Manual.

C. *Types of Loans.* This program will be available in conjunction with homes financed under the FHA 203(b) mortgage product or the HFA Preferred conventional loan program. This program cannot be used in conjunction with any other down payment assistance program or grant program without prior approval from the Authority. All FHA guidelines must also be met.

D. *Calculation of Assistance Amount.* The maximum down payment assistance available to a homebuyer is the lesser of $7,500 or 3% of the sales price.

E. *Required Documentation.* The lender must provide:

1. The executed, completed Down Payment Assistance Application;

2. A copy of the primary wage earner's credit report (occupying borrower);

3. A copy of the HUD 92900-LT worksheet of the Fannie Mae 1008, reflecting the DPA as secondary financing; and

The Authority will issue a legally binding obligation letter for the second mortgage DPA on all FHA first mortgage loans using the Authority's DPA program. The lender must be in possession of the legally binding obligation letter before they close the loans.

The Down Payment Assistance Note and Mortgage are to be executed at closing. The lender will overnight the original executed second note, endorsed to the Authority, along with the first mortgage note.

**If the lender's first mortgage loan is using FHA financing with the DPA second, the lender must transfer the loans in MERS to the Authority PRIOR to submitting for MIC. The lender should include a copy of the legally binding obligation letter and executed second note and mortgage in the case binder file.**

F. *Term and Repayment.* A second mortgage will be recorded against the property being purchased. The term of the second mortgage will run for 10 years. The second mortgage will bear interest at the first mortgage note rate. The second mortgage will amortize in 120 equal monthly payments of principal and interest. Repayment will be required upon sale of the property, refinance of the first mortgage, and/or payoff of the first mortgage, as well as the assumption of the first mortgage.

G. *Commitment Periods.* The Commitment periods of this program will run concurrent with the Step Up Program as defined in the Program Guidelines.

H. *Issuance of Funds.* The Authority will purchase the Down Payment Assistance second mortgage with the purchase of the Step Up first mortgage for conventional loans.

I. *Fees in Origination.* A lender may not charge any additional fees in conjunction with this program. The recording costs of the second mortgage loan are to be borne by the borrower or seller.

J. *Purchase and Servicing.* Lenders will sell the second mortgage loans which it originates , according to conventional guidelines, to the Authority. The price to be paid by the Authority will be the amount equal to 100% of the principal amount of the second mortgage, plus per diem interest in accordance with Section IX, Loan Delivery.

K. *Assumptions.* The Down Payment Assistance second mortgage loan is not assumable.

## *SECTION XIV—DELEGATED EXAMINER OPTION*

Delegated Examiners have the opportunity to accelerate the Step Up loan approval process by performing the compliance review functions in house. AHFA would only review loan files at the time of purchase. To qualify:

A. Lenders are required to be an Approved Participating Lender for a minimum of one (1) year.

B. AHFA can at its own discretion rescind the privilege of Delegated Examiners for any reason (late delivery of closed files, QC issues, or any other issues regarding lender performance).

C. Lenders must be in good standing with AHFA's Funding and Delivery Department and AHFA's Quality Control Department

D. Lenders must be approved for the program as an Originator I, Originator II, or an Originator who has credit underwriters on staff.

E. Lenders are required to submit a minimum of ten quality files within a 12-month period:

F. Each person nominated by the lender as a Delegated Examiner is required to met the ten quality file minimum.

G. Test files with major compliance conditions will not be considered in the ten quality file count. (Major conditions include but are not limited to income issues, contract issues…)

H. Income calculations on test files may not exceed the income calculations of AHFA examiners by more than $500.

I. All test files must close within reservation expiration dates.

The Authority reserves the right to make revisions as it deems necessary to provide for a successful program.

# REQUIRED FORMS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ALABAMA HOUSING FINANCE AUTHORITY

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# STEP UP TRANSMITTAL CHECKLIST

Lender: AHFA Commitment #:

Processor's Name _____

Email Address: _____

Phone # _____ Fax # _____

Mortgagor(s):

**STEP 1 — Reservation Package (Submit to AHFA within 72 hours of reservation)**

☐ Reservation Acceptance Printout

☐ Copy of Rate Commitment Form signed by borrower

☐ Copy of Rate Calculation Single Premium Quote (applies to AHBI loans only)

☐ 30-Day Reservation **Nonrefundable** Commitment Fee (certified funds, lender's check, or cashier's check)
[0.75% of the total loan amount for FHA & conventional loans]

**OR**

☐ 15-Day Reservation **Nonrefundable** Commitment Fee (certified funds, lender's check, or cashier's check)
[0.5% of the total loan amount for FHA & conventional loans]

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# STEP UP TRANSMITTAL CHECKLIST

## For Proposed Construction Only (Alabama Home Buyer Initiative)

Lender: AHFA Commitment #:

Processor's Name _____

Email Address: _____

Phone # _____ Fax # _____

Mortgagor(s):

**STEP 1A — Reservation Package (Submit to AHFA within 72 hours of reservation)**

- ☐ Reservation Acceptance Printout
- ☐ Reservation of Funds Commitment Form
- ☐ Copy of Rate Calculation Single Premium Quote
- ☐ Executed 1003
- ☐ Executed Sales Contract

ALABAMA HOUSING FINANCE AUTHORITY

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# STEP UP TRANSMITTAL CHECKLIST

Lender: AHFA Commitment #:

Processor's Name _____

Email Address: _____

Phone # _____ Fax # _____

Mortgagor(s):

**STEP 2 — Request for Step Up Conditional Commitment (Submit to AHFA)**

- ☐ Step Up Transmittal Checklist
- ☐ Copy of the executed loan application
- ☐ Copy of the executed sales contract
- ☐ Step Up Income Calculation Worksheet
- ☐ Copy of written Verification of Employment AND one current pay stub (both dated within 30 days of submission)
- ☐ Copy of Verbal Verification of Employment, if using **ALT DOC**
- ☐ Copy of pay stubs covering current 30 days AND W-2 for current two years, if using **ALT DOC**
- ☐ All other applicable income documents (e.g., SSI awards letter, final divorce decree, child support docs, etc.)
- ☐ Non-Borrower Statement, if applicable
- ☐ Copy of most recent year's IRS tax transcript (including any occupants 18 years old and older)
- ☐ Copy of DPAP Application (if applicable)
- ☐ Copy of FHA Loan Underwriting and Transmittal Summary (92900-LT for FHA; 1008 for conventional)
- ☐ Automated Underwriting Findings (DU/FHA Total Scorecard for FHA; DU only for conventional)
- ☐ Copy of Rate Calculation Single Premium Quote, if quote has changed since Step 1 submission (AHBI only)
- ☐ Copy of credit report for all occupying borrowers
- ☐ Copy of Homebuyers' Education Certificate
- ☐ Copy of driver's license for all occupants 18 years of age and older (Note: AHFA will be reviewing for signature consistency throughout the file.)

ALABAMA HOUSING FINANCE AUTHORITY

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# REQUEST FOR FUNDING CHECKLIST

AHFA Commitment #: _____

Lending Institution: _____

Shipping Contact Person: _____

Phone Number: _____

Email Address: _____

**Reminders:**

**** PROVIDE THE COMPLETE PROCESSING, ORIGINATION AND CLOSING PACKAGE ****

**1003, Notes and Deeds of Trust must include Loan Originator's NMLS ID Number.**

**Package to be uploaded within 10 days of closing to AHFA's Online Reservation System**

## DOCUMENTS FOR LOAN PURCHASE REVIEW:

- ☐ Request for Funding Checklist
- ☐ Payment History (if applicable)
- ☐ One copy of the Note and Addendum to Note endorsed to ServiSolutions, a department of Alabama Housing Finance Authority, without recourse (Allonges are not acceptable)
- ☐ Copy of Deed of Trust/Mortgage with all applicable riders
- ☐ One copy of Down Payment Assistance Note endorsed to AHFA without recourse (if applicable)
- ☐ Copy of Deed of Trust/Mortgage for Down Payment Assistance loan
- ☐ Copy of Power of Attorney (if applicable)
- ☐ Copy of MIN Summary from MERS
- ☐ Copy of final, stamped Closing Disclosure with addendums
- ☐ Copy of final, stamped Closing Disclosure with addendums for Down Payment Assistance loan
- ☐ Title Binder/Title Policy (if applicable)
- ☐ Copy of Survey or signed Survey Waiver with Letter of Intent to obtain a short-form title policy
- ☐ Appraisal with color photos—include all exhibits. Must be completely legible with and include a copy of the appraiser's license
- ☐ Verification loan ran through Fannie Mae Early Check (conventional loans only) -- *effective 01/01/17*
- ☐ Copy of Fannie Mae Appraisal Findings Detail/SSR Report with Collateral Underwriter Risk Score showing (conventional loans only)
- ☐ Copy of Collateral Underwriting Analysis for appraised property
- ☐ Condo Project Approval, Fannie Mae Form 1076 or 1077 (condo projects only)
- ☐ Final Inspection and evidence of clearance of all appraisal conditions (if required by appraisal)
- ☐ Conditional Commitment of Appraisal value (HUD Form 92800-5B copy), signed by underwriter
- ☐ All required new construction documents, if applicable
- ☐ Termite Letter (if applicable)
- ☐ PMI Certificate (conventional loans only)
- ☐ PMI Disclosure (conventional loans only)
- ☐ Hazard Insurance Policy w/ policy number and paid receipt for 1st year's premium (Mortgagee: ServiSolutions, its Successors and/or Assigns ATIMA)
- ☐ Flood Insurance or Wind Policy (if applicable)
- ☐ Life of Loan Flood Certification

- ☐ Property Tax Certification/Assessment
- ☐ Copy of final Good Faith Estimates and TIL for 1st and 2nd mortgages
- ☐ Quality Control Authorization and Certification; signed by borrowers at closing
- ☐ Copy of Notice of Sale, Assignment or Transfer of Servicing Rights (RESPA Good-bye Letter, lender copy)
- ☐ Payment Breakdown/ServiSolutions Temporary Coupons
- ☐ Escrow Closing Instructions
- ☐ Initial Escrow Account Statement
- ☐ 4506-Ts initial and final executed by all Borrowers
- ☐ Transmittal Summary (1008) or HUD 92900-LT, signed by underwriter
- ☐ Initial and Final Signed Loan Application 1003, for 1st and 2nd mortgage (if applicable), executed by all parties
- ☐ Automated Underwriter Findings indicating "approved/eligible"
- ☐ Letter of explanation signed by loan officer, for AU submissions in excess of 15 or RED FLAGGED by AU stating excessive submissions
- ☐ Credit Report used for AU results and copies of credit explanation letters (as requested by AU findings)
- ☐ Copy of all documents for the purpose of verifying credit related to borrowers
- ☐ Final authorization to verify SSA signed by the borrower, if applicable
- ☐ All asset documentation as required by DU (including VOD, cancelled earnest money check, funds source, 2 months bank statements etc.)
- ☐ Gift letter with evidence of transfer and receipt of funds - entire paper trail (if applicable)
- ☐ All income documentation as required by DU (VOE, paystubs, W-2's, tax returns, etc.)
- ☐ Loan Estimate for 1st mortgage
- ☐ Loan Estimate for 2nd mortgage
- ☐ Copy of Leasehold (if applicable)
- ☐ Copy of Uniform Community Land Trust Ground Lease Rider (if applicable)
- ☐ Copy of Memorandum of Lease (Opal only)
- ☐ Purchase Agreement/Sales Contract and all addendums
- ☐ W-9 for all borrowers
- ☐ LDP/GSA findings for all parties involved for all loan programs
- ☐ Copy of all initial and final regulatory disclosure documentation, signed by all parties, including but not limited to (FHA,VA, USDA, Fannie Mae, RESPA, TIL, FCRA, ECOA, TRID etc.)
- ☐ Patriot Act disclosure along with the borrower's identification (photo id, green card and visa)
- ☐ Appraiser Certification printed out from the website ASC.Gov
- ☐ Tax Transcripts and W-2's for all Borrowers, as required by Automated Underwriting Findings
- ☐ Copy of Homebuyer Education Certificate
- ☐ Early Default Notification
- ☐ Written List of Settlement Service Providers

**FHA ITEMS:**

- ☐ Firm Commitment
- ☐ Important Notice to Homebuyers HUD #92900B
- ☐ Important Notice to Homeowner—Assumption of HUD/FHA Insured Mortgages
- ☐ FHA Case Number Assignment
- ☐ MIP Statement or Transmittal Form
- ☐ Copy of FHA Borrower Award letter
- ☐ Copy of FHA Lender Commitment letter
- ☐ DPA Obligation letter for 2nd mortgage, if applicable
- ☐ FHA Connection Insurance Application
- ☐ MIP statement or MIP check and transmittal Form (Evidence of UFMIP has been paid timely)

## USDA ITEMS:

- ☐ Income Eligibility Calculation Worksheet
- ☐ Form RD 3555-16 - Agreement for Participation in Single Housing Guaranteed/Insured Loan Programs
- ☐ Form RD 3555-11 - Guaranteed Rural Housing Lender Record Change
- ☐ Form RD 3555-21 - Request for Single Family Housing Loan Guarantee
- ☐ Form RD 3555-18 - Conditional Commitment

## VA ITEMS:

- ☐ Certificate of Eligibility
- ☐ VA - 1880 - Request for Determination of Eligibility (must be completed) and a legible copy of the DD214
- ☐ VA 26-1805 - Appraisal Certificate of Reasonable Value
- ☐ VA 26-8937 - Verification of VA Benefits (must be completed and signed)
- ☐ VA Funding Fee Transmittal & copy of check
- ☐ VA 26-8998 - Acknowledgement Receipt of VA Funding Fee
- ☐ VA 26-6393 - Loan Analysis
- ☐ VA 26-0286 - VA Loan Summary
- ☐ VA 26-1820 - Report and Certification
- ☐ Evidence of compliance with MCRV or NOV ( final inspection, termite certification and/or warranty documentation)
- ☐ VA 26-0592 - Counseling Checklist for Military Homebuyers
- ☐ VA 26-1802a - Initial and Final HUD/VA Addendum to URLA, executed by all parties
- ☐ VA 26-1866 - Lender Certificate of Commitment (signed by VA)

## BOND & MCC ITEMS:

*Use the above checklist for AHFA MRB and add the following:*

- ☐ Recapture Settlement Disclosure
- ☐ Mortgagee's Certification
- ☐ Seller's Affidavit
- ☐ Closing Reaffirmation
- ☐ Buydown Agreement (If applicable)

ALABAMA HOUSING FINANCE AUTHORITY

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# RESERVATION OF FUNDS/RATE COMMITMENT FORM

INSTRUCTIONS TO ORIGINATOR: When preparing for Reservation of Funds and rate commitment, the information on this form will be required in order to issue a commitment number. We must receive the reservation package within 72 hours (3 working days) of the reservation commitment. Failure to deliver the documentation within the time period specified may result in cancellation of the Reservation of Funds and rate commitment.

Commitment #: Commitment Expires: Application Expires:

## 1st Mortgage

Program:
Loan Type: Lender Loan #:
Loan Amt: Term: Interest Rate:

## 2nd Mortgage *(not applicable for MCC)*

Program: _____ Loan Type:
Term: Amount: Interest Rate:

## Borrower

SS#:
First Name: MI: Last Name:
DOB: _____ Age: Ethnicity:
Marital Status: Single Parent: Sex:

## Co-Borrower

SS#:
First Name: MI: Last Name:
Marital Status: Single Parent: Sex:

## Property

Purchase Amt: Acquisition Cost:
New/Exist/Rehab:
Year Built: No. of Units: Housing Type:

## Property Address

Address:
City: Zip:
County: Census Tract:
Targeted Area (n/a for SU)? Block Group: Community Code:
Project: Builder:

## Annual Income

Borrower Wages: Other: From Assets:
Co-Borrower Wages: Other: From Assets:
Non-Applicant: Total:

## Household

Household Size: Prior Homeowner (last three years?): _____

## Interest Rate Commitment *(not applicable for MCC)*

I have applied for a ____ 15-day or a ____ 30-day reservation for a 30-year first mortgage loan at a current rate of _____ %, a 1% origination and a non-refundable commitment fee of _____ % ($_____). I understand that once the reservation is confirmed by the lender's reservation commitment I must remit the **non-refundable fee** within 72 hours of the confirmation and that my loan must close and disburse on or before the application expiration date of _____.

_____ _____
Borrower Date

_____ _____
Co-Borrower Date

*Revised 10/12*

ALABAMA HOUSING FINANCE AUTHORITY

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# RESERVATION OF FUNDS COMMITMENT FORM

## For Proposed Construction Only (Alabama Home Buyer Initiative)

Commitment #: Commitment Expires: Application Expires:

1st Mortgage

Loan Amount: Lender Loan #:

2nd Mortgage (DPA)

Loan Amount:

Borrower

First Name: MI: Last Name:

Co-Borrower

First Name: MI: Last Name:

Subject Property

Purchase Amt.: Acquisition Cost:

Address:

City: Zip:

County:

Builder:

I understand my lender has reserved funds for the 1st and 2nd mortgage amount under the Alabama Home Buyer Initiative (AHBI) for proposed construction located at the above-referenced property address. These funds have been reserved for a 120-day period. In addition, $_____ has been reserved for the PMI premium payable through the AHBI. Furthermore, I understand the lender must lock the interest rate by the the above-referenced commitment expiration date. Failure to lock the interest rate will result in the loss of the mortgage funds and PMI premium funds.

Upon locking the interest rate, my lender will present the Reservation of Funds/ Rate Commitment Form for my execution which will confirm the interest rate and the revised commitment expiration date. A NON-REFUNDABLE commitment fee will be due at that time.

Once the lender has locked the interest rate, I understand a compliance package will then be submitted to AHFA for review to determine if the loan meets program guidelines.

_____ _____

Borrower Date

_____ _____

Co-Borrower Date

_____ _____

Builder's Signature Date

*Revised 04/14*

ALABAMA HOUSING FINANCE AUTHORITY

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# RATE LOCK REQUEST FORM

## For Proposed Construction Only (Alabama Home Buyer Initiative)

AHFA Commitment #:

Mortgagor(s):

Property Address:

The participating lender and borrower(s) are requesting that AHFA lock in the current interest rate of _____% for the above-referenced commitment number. We are requesting the following lock period:

☐ 15-day Reservation (a non-refundable commitment fee of .50% will be due within 72 hours of rate lock)
☐ 30-day Reservation (a non-refundable commitment fee of .75% will be due within 72 hours of rate lock)

It is understood the borrower will receive the current rate at the time the request is received by AHFA.

**The lender must send this form by 4:00 p.m. on the business date requested below.**

_____ _____

Authorized Participating Lender Representative Date

_____

Borrower

_____

Co-borrower

ALABAMA HOUSING FINANCE AUTHORITY

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# INCOME CALCULATION WORKSHEET

(PRIOR TO LOAN CLOSING)

AHFA COMMITMENT #:

MORTGAGOR(S) NAME:

NUMBER IN FAMILY:

MAXIMUM INCOME LIMIT: _____

Reflect the annual income based on the current income of the mortgagor(s). If the verification documents are more than three months (90 days) old at the time of closing, update the verification documents. Note: These documents must comply with the applicable program guidelines.

| MORTGAGOR'S INCOME: | (ANNUALIZED) | |
|---|---|---|
| Wages, salary, and tips | FULL-TIME | PART-TIME |
| Hourly/weekly/monthly rate | $_____ | $_____ |
| No. of hours/weeks/months | X_____ | X_____ |
| Base Salary | $_____ | $_____ |
| Overtime pay rate | $_____ | $_____ |
| Average No. of hours/months | X_____ | X_____ |
| Monthly Overtime Pay(*) | $_____* | $_____* |
| Average Bonus for 2 years (*) If consistent to last year | $_____* | $_____* |

| CO-MORTGAGOR'S INCOME: | | |
|---|---|---|
| Wages, salary, and tips | FULL-TIME | PART-TIME |
| Hourly/weekly/monthly rate | $_____ | $_____ |
| No. of hours/weeks/months | X_____ | X_____ |
| Base Salary | $_____ | $_____ |
| Overtime pay rate | $_____ | $_____ |
| Average No. of hours/months | X_____ | X_____ |
| Monthly Overtime Pay (*) | $_____* | $_____* |
| Average Bonus for 2 years (*) if consistent to last year | $_____* | $_____* |
| Interest and/or Dividend Income (averaged) | | $_____** |
| Net Rental Income | | $_____** |
| Royalties, partnerships, estates, and/or trusts | | $_____** |
| Pensions, VA, and/or Unemployment Compensation | | $_____** |

| | |
|---|---|
| Social Security Benefits | $_____** |
| Alimony and/or Child Support | $_____** |
| Business Income | $_____** |
| Other Income (List type and provide verification) | |
| _____ | $_____** |
| _____ | $_____** |
| Total Gross Monthly Income | $_____ |
| Add all the lines designated by * | $_____ |
| Add all the lines designated by ** | $_____ |
| | X 12 |
| **Total Annual Income** | $_____ |

Does the annual income exceed the maximum income limit shown on page 1? ☐Yes ☐No

NOTE: INCOME MUST BE DERIVED FROM ALL SOURCES, TAXABLE AND NON-TAXABLE. IF INCOME WILL NOT CONTINUE, EVIDENCE MUST BE PROVIDED.

_____ _____

Signature of Originating Lender Date

ALABAMA HOUSING FINANCE AUTHORITY
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# CO-SIGNER/NON-OCCUPANT STATEMENT

AHFA Commitment #:
Mortgagor(s):

Property Address:

I am acting in a capacity only to provide additional security for this Mortgage Loan. I have no intention of occupying, becoming a permanent resident, or, at this time, using the above-referenced property for investment purposes.

**Non-Occupant Co-Signer:**

_____
Name

_____
Address

_____
City, State ZIP

_____
Phone

_____
SSN

_____
Relationship to Borrower

_____
Signature

_____
Date

**Non-Occupant Co-Signer:**

_____
Name

_____
Address

_____
City, State ZIP

_____
Phone

_____
SSN

_____
Relationship to Borrower

_____
Signature

_____
Date

Mortgagor understands that it is a federal offense punishable by a maximum of $10,000 fine, two years imprisonment, or both, to knowingly make a false statement in this affidavit (title 18, United State Code, section 10140). Mortgagor has read information carefully to be sure information contained herein is true and complete before signing. Mortgagor understands that the information given by mortgagor in this affidavit is subject to verification by the Alabama Housing Finance Authority.

ALABAMA HOUSING FINANCE AUTHORITY

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# CHILD SUPPORT STATEMENT

AHFA Commitment #:

Mortgagor(s):

Property Address:

I hereby certify that I have not received child support in the last 24 months and, to my knowledge, none is forthcoming for the below-listed dependent(s):

_____ _____ ☐ I was never married to the mother/father of this child.
Child's Name (please print) Age

_____ _____ ☐ I was never married to the mother/father of this child.
Child's Name (please print) Age

_____ _____ ☐ I was never married to the mother/father of this child.
Child's Name (please print) Age

_____ _____ ☐ I was never married to the mother/father of this child.
Child's Name (please print) Age

_____ _____ ☐ I was never married to the mother/father of this child.
Child's Name (please print) Age

_____ _____
Mortgagor Co-Mortgagor/Non-Borrower

_____ _____
Date Date

Mortgagor understands that it is a federal offense punishable by a maximum of $10,000 fine, two years imprisonment, or both, to knowingly make a false statement in this affidavit (title 18, United States Code, section 10140). Mortgagor has read information carefully to be sure information contained herein is true and complete before signing. Mortgagor understands that the information give by mortgagor in this affidavit is subject to verification by the Alabama Housing Finance Authority.

ALABAMA HOUSING FINANCE AUTHORITY

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# EMPLOYMENT / INCOME STATEMENT

AHFA Commitment #:

Mortgagor(s):

Property Address:

I, _____, am presently unemployed and do not receive **income of any type***. I do not intend to pursue employment, full or part-time, or anticipate receiving any other type of income for the next twelve months.

_____

Unemployed Borrower/Non-Borrower

_____

Date

**Examples of Income: W-2, 1099, SSI, pension/annuity, child support, alimony, seasonal employment income, rental income, etc.*

| | |
|---|---|
| _____ | _____ |
| Mortgagor | Co-Mortgagor |
| _____ | _____ |
| Date | Date |

Mortgagor understands that it is a federal offense punishable by a maximum of $10,000 fine, two years imprisonment, or both, to knowingly make a false statement in this affidavit (title 18, United States Code, section 10140). Mortgagor has read information carefully to be sure information contained herein is true and complete before signing. Mortgagor understands that the information give by mortgagor in this affidavit is subject to verification by the Alabama Housing Finance Authority.

ALABAMA HOUSING FINANCE AUTHORITY

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# FULL-TIME STUDENT STATEMENT

AHFA Commitment #:

Mortgagor(s):

Property Address:

I, _____, am presently a full-time student and intend to be a full-time student for the next 12 months. My anticipated graduation date is_____. I do not work part-time or receive any type of income.

_____ _____

Student Relationship to Mortgagor/Non-Occupant

_____

Date

Mortgagor understands that it is a federal offense punishable by a maximum of $10,000 fine, two years imprisonment, or both, to knowingly make a false statement in this affidavit (title 18, United State Code, section 10140). Mortgagor has read information carefully to be sure information contained herein is true and complete before signing. Mortgagor understands that the information given by mortgagor in this affidavit is subject to verification by the Alabama Housing Finance Authority.

ALABAMA HOUSING FINANCE AUTHORITY

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# INCOME TAX STATEMENT

AHFA Commitment #:

Mortgagor(s):

Property Address:

I hereby certify that I was not required by law to file a federal income tax return for the following year(s)

_____.

| | |
|---|---|
| _____ | _____ |
| Mortgagor | Co-Mortgagor/Non-Borrower |
| _____ | _____ |
| Date | Date |

Mortgagor understands that it is a federal offense punishable by a maximum of $10,000 fine, two years imprisonment, or both, to knowingly make a false statement in this affidavit (title 18, United State Code, section 10140). Mortgagor has read information carefully to be sure information contained herein is true and complete before signing. Mortgagor understands that the information given by mortgagor in this affidavit is subject to verification by the Alabama Housing Finance Authority.

ALABAMA HOUSING FINANCE AUTHORITY

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# OCCUPANCY STATEMENT

AHFA Commitment #:

Mortgagor(s):

Property Address:

I will occupy the above referenced property as my principal and permanent place of residence and will not rent or lease the property.

| | |
|---|---|
| _____ | _____ |
| Mortgager | Co-Mortgagor |
| _____ | _____ |
| Date | Date |

Mortgagor understands that it is a federal offense punishable by a maximum of $10,000 fine, two years imprisonment, or both, to knowingly make a false statement in this affidavit (title 18, United State Code, section 10140). Mortgagor has read information carefully to be sure information contained herein is true and complete before signing. Mortgagor understands that the information given by mortgagor in this affidavit is subject to verification by the Alabama Housing Finance Authority.

ALABAMA HOUSING FINANCE AUTHORITY

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# NON-BORROWER STATEMENT

Non-Borrower Name: _____

I hereby give the lender originating an Alabama Housing Finance Authority loan product authorization to verify my income and assets and provide that verified information to Alabama Housing Finance Authority for the purposes of accessing the compliance qualification of the purchase of the property located at:

Property Address:

Mortgagor(s):

☐ I am not obligated on the note, but will be occupying the property; or

☐ I am currently separated from the purchaser and will not be occupying the property.

If not married to or separated from the borrower, are you currently married to or separated from some else? Yes ☐ No ☐

ALL QUESTIONS MUST BE ANSWERED BY NON-BORROWER:

1. Name, address and phone number of employer:_____

   _____

2. Length of time employed: _____

3. Self-employed? Yes ☐ No ☐

4. Do you currently own any real estate? Yes ☐ No ☐

   If yes, is it to be sold, rented, or occupied as your residence? _____

5. Do you currently receive any type of government assistance or retirement /pension funds?

   Yes ☐ No ☐ From: _____

6. Do you receive child support or alimony? Yes ☐ No ☐

   Ages of children: _____ Amount per month: _____

Mortgagor understands that it is a federal offense punishable by a maximum of $10,000 fine, two years imprisonment, or both, to knowingly make a false statement in this affidavit (title 18, United States Code, section 10140). Mortgagor has read information carefully to be sure information contained herein is true and complete before signing. Mortgagor understands that the information give by mortgagor in this affidavit is subject to verification by the Alabama Housing Finance Authority.

_____ _____

Signature of Non-Borrower Date

ALABAMA HOUSING FINANCE AUTHORITY

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# DOWN PAYMENT ASSISTANCE APPLICATION

Please be advised that I (we), the undersigned Mortgagor(s), want to apply for Down Payment Assistance from the Alabama Housing Finance Authority (AHFA). The conditions of the assistance are as follows:

**MAXIMUM LOAN ASSISTANCE:**

- FHA: the lesser of $7,500 or 3% of the sales price.
- Rural Development: the lesser of $7,500 or 3% of the sales price.
- Conventional Loans: the lesser of $7,500 or 3% of the sales price.

Maximum annual family income cannot exceed current program income limits. The primary wage earning borrower must have a middle credit score of at least 620.

The second mortgage will bear interest at the same rate as the first mortgage note. The second mortgage will amortize in 120 equal monthly payments of principal and interest. The second mortgage will not be assumable. Complete repayment of the second mortgage will be required upon sale of the property, refinance, assumption, and/or payoff of the first mortgage loan.

Property Address:

Purchase Price $:

☐ **FHA** (Attach FHA Loan Underwriting and Transmittal Summary)

Down Payment Assistance (not to exceed the lesser of $7,500 or 3%) **$**_____

☐ **RURAL DEVELOPMENT**

Closing Costs Paid by Borrower $_____

Prepaid Expenses $_____

Down Payment Assistance (not to exceed the lesser of $7,500 or 3%) **$**_____

☐ **CONVENTIONAL "HFA PREFERRED" MORTGAGE**

Down Payment $_____

Down Payment Assistance (not to exceed the lesser of $7,500 or 3%) **$**_____

_____ _____

Mortgagor Date

_____ _____

Co-Mortgagor Date

ALABAMA HOUSING FINANCE AUTHORITY

*Come on home, Alabama.*

# TRANSFER OF ALLOCATION FORM

To: Alabama Housing Finance Authority
Attn: Single-Family Administrator
P.O. Box 242967
Montgomery, AL 36124-2967

From: _____

_____

_____

_____

Date: _____

Commitment Number:

Rate:

Name of Participant-Transferor: _____

Name of Participant-Transferee: _____

Amount of Transfer: $ _____

Terms, conditions, and reason for the transfer:

_____ _____
Signature of Transferor Signature of Transferee

Approved:

_____ _____
Single-Family Administrator for Alabama Housing Finance Authority Date

*Revised 08/11*

ServiSOLUTIONS®

A Department of Alabama Housing Finance Authority

# FIRST PAYMENT NOTIFICATION

In order to ensure proper payment, please enclose one of these Temporary Coupons with your payment in the event you have not received your coupon book by the due date of your first payment. Please mail your payment to:

ServiSolutions
P.O. Box 242928
Montgomery, AL 36124-2928

---

## Temporary Coupon #2

Loan Number:
Borrower:

Property Address:

Breakdown of total monthly mortgage payment must be provided by the closing attorney/agent at closing.

| | |
|---|---|
| Principal & Interest | $ |
| Second Mortgage (if applicable) | $ |
| 1/12 Hazard Insurance | $ |
| 1/12 Mortgage Insurance | $ |
| 1/12 County Property Tax | $ |
| 1/12 Flood Insurance | $ |
| **Total Payment:** | **$** |

Second Payment Date:

If you wish to receive an amortization schedule or have any questions about your loan, please contact our customer service department at 1-866-339-2432.

---

## Temporary Coupon #1

Loan Number:
Borrower:

Property Address:

Breakdown of total monthly mortgage payment must be provided by the closing attorney/agent at closing.

| | |
|---|---|
| Principal & Interest | $ |
| Second Mortgage (if applicable) | $ |
| 1/12 Hazard Insurance | $ |
| 1/12 Mortgage Insurance | $ |
| 1/12 County Property Tax | $ |
| 1/12 Flood Insurance | $ |
| **Total Payment:** | **$** |

First Payment Date:

If you wish to receive an amortization schedule or have any questions about your loan, please contact our customer service department at 1-866-339-2432.

*Revised 07/14*

ServiSOLUTIONS®

A Department of Alabama Housing Finance Authority

# NOTICE OF ASSIGNMENT, SALE OR TRANSFER OF SERVICING RIGHTS

You are hereby notified* that the servicing of your mortgage loan, that is, the right to collect payments from you, is being assigned, sold or transferred from _____ to ServiSolutions®, effective _____ (first payment date).

The assignment, sale or transfer of the servicing of the mortgage loan does not affect any term or condition of the mortgage instruments, other than terms directly related to the servicing of your loan.

Except in limited circumstances, the law requires that your present servicer send you this notice at least 15 days before this effective date of transfer, or at closing. Your new servicer must also send you this notice no later than 15 days after this effective date or at closing. In this case, all necessary information is combined in this one notice.

Your present servicer is _____. If you have questions relating to the transfer of servicing from your present servicer, call Customer Service at _____ between 8:00 a.m. and 5:00 p.m. Monday through Friday.

Your new servicer will be **ServiSolutions®**. The business address of your new servicer is: 7460 Halcyon Pointe Drive, Suite 200, Montgomery, AL 36117. The toll-free phone number of your new servicer is 1-866-339-2432. If you have any questions relating to the transfer of servicing to your new servicer, call Customer Service at 1-866-339-2432 between 8:00 a.m. and 5:00 p.m. Monday through Friday.

The date that your current servicer will stop accepting payments from you is today (loan settlement). The date that your new servicer will start accepting payments from you is today (loan settlement). Please note: Since no scheduled mortgage payments are due prior to loan settlement, none of your mortgage payments should be sent to the present servicer. All mortgage payments should be sent directly to **ServiSolutions®**.

*Important Note about Insurance:* The transfer of servicing will affect the continued availability of mortgage life or disability insurance or any other type of optional insurance as we do not offer optional insurance products. However, if you wish to continue to retain optional insurance, we suggest that you contact your current optional product service provider to make payment arrangements.

*Partial Payment Policy:* **ServiSolutions®** may choose to accept partial payments and apply such payments to the consumer's loan or may hold partial payments in a separate account until the consumer pays the remainder of the payment and then apply the full periodic payment to the consumer's loan. **ServiSolutions®** may also choose to not accept any partial payments. If the loan is sold, the new servicer may have a different policy.

Under federal law, during the 60-day period following the effective date of the transfer of the loan servicing, a loan payment received by your old servicer on or before its due date may not be treated by the new loan servicer as late, and a late fee may not be imposed on you.

You will receive an introductory letter along with a monthly payment statement from **ServiSolutions®** within the next few weeks. If you do not receive this information, please call the **ServiSolutions®** Customer Service Department. In order to assure the correct posting of your payments to **ServiSolutions®**, please indicate the property address on your check or money order.

Received and acknowledged this _____ Day of _____ 20____.

_____ _____

Borrower Borrower

** This notification is a requirement of Section 6 of the Real Estate Settlement Procedures Act (RESPA) (12USC2605).*

ServiSOLUTIONS®
A Department of Alabama Housing Finance Authority

# EARLY DEFAULT NOTIFICATION

## Borrower Authorization for Counseling

HFA Commitment #:

Mortgagor(s):

Property Address:

If I fail to make any monthly mortgage payment as agreed, I understand that the servicer of my mortgage loan may refer me to a third-party counseling organization or a mortgage insurer, which will advise me about finding ways to meet my mortgage obligation. I hereby authorize the servicer to release certain information related to the servicer's own experience with me to such third-party counseling organization or mortgage insurer, and request that the counseling party contact me.

I further hereby authorize the third-party counseling organization or mortgage insurer to make a recommendation about appropriate action to take with regard to my mortgage loan, which may assist the servicer in determining whether to restructure my loan or to offer other extraordinary services that could preserve my long-term homeownership.

| | |
|---|---|
| _____ | _____ |
| Mortgagor | Co-Mortgagor |
| _____ | _____ |
| Date | Date |

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A Department of Alabama Housing Finance Authority

# QUALITY CONTROL CERTIFICATION AND AUTHORIZATION

The undersigned certify the following:

1. I/We, the undersigned borrower(s), understand that following loan closing, my/our file may be selected by _____ (the Lender), its agent or assignee, for a QUALITY CONTROL REVIEW which is intended to insure quality service to all borrowers and to verify that the mortgage loan conforms to lending regulations, as well as investor requirements.

2. I/We understand that such a review involves a reverification of the credit and employment information previously obtained and a review of the property appraisal report. Any information obtained in the granting of the loan may be reverified with third parties such as credit reporting agencies, employers, depository institutions, etc.

3. I /We hereby agree to cooperate fully with the Lender, its agent or assignee to the extent necessary to accomplish this objective and understand that the information obtained by the Lender, its agent or assignee is to be used only for purposes of the quality control review referred to above.

4. I/We fully understand that it is a Federal crime punishable by fine or imprisonment, or both to knowingly make any false statements when applying for this mortgage. (Title 18, United States Code, Section1014.)

**AUTHORIZATION TO RELEASE INFORMATION**

To Whom It May Concern:

1. As part of the application process, The Lender, its agent or assignee and the mortgage guarantee insurer may verify information contained in my/our loan application and in other documents required in connection with the loan, either before the loan is closed or as part of its quality control program.

2. I/We authorize you to provide to The Lender, its agent or assignee, to any investor to whom The Lender may sell my mortgage, and to the mortgage guaranty insurer any and all information and documentation that they request. Such information includes, but is not limited to, employment history and income; bank, money market, and similar account balance; credit history; and copies of income tax returns.

3. A copy of this authorization may be accepted as an original.

4. Mortgage guaranty Insurer (if applicable): _____

| _____ | _____ | _____ |
|---|---|---|
| Borrower | Date | Social Security Number |
| _____ | _____ | _____ |
| Co-Borrower | Date | Social Security Number |

ALABAMA HOUSING FINANCE AUTHORITY

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# INTEREST RATE BUYDOWN ADDENDUM TO MORTGAGE

This Buydown Agreement ("Agreement"), made and entered into this __day of _____, 20_____ by and among _____("Borrower"), _____ ("Seller"), and _____ ("Lender").

**RECITALS**

A. Whereas the Borrower has made application to the Lender for a mortgage loan ("Loan") to be evidenced by a note ("Note") and secured by a first mortgage ("Security Instrument"); and

B. Whereas the Lender has agreed to make the Loan to the Borrower subject to the temporary buydown interest rate reduction plan described in this Agreement, whereby funds are provided to the Alabama Housing Finance Authority ("AHFA") by the Seller to be held and disbursed in accordance with the terms of this Agreement and AHFA will be the servicer of these mortgage loans.

NOW THEREFORE, to induce the Lender to make the Loan to be evidenced by the Note and Security Instrument, the parties hereto agree as follows:

1. The Seller, will provide $_____the total amount of buydown funds ("Buydown Funds") set forth in the schedule in paragraph 2 below ("Buydown Schedule").

2. The Buydown Schedule below sets forth the financial terms of the buydown interest rate reduction plan, including the source and application of Buydown Funds. In addition to the amounts shown for principal and interest, the Borrower's total monthly payment will include an amount for taxes, hazard insurance and, if applicable, other required escrow deposits.

| Year | Monthly Payment Number | Effective Buydown Interest Rate | Monthly P & I Payment At Note Rate | | Monthly P & I Payment Made By Borrower | | Monthly Buydown Funds | | Annual Buydown Funds |
|---|---|---|---|---|---|---|---|---|---|
| (1) | 01-12 | _____ | $_____ | - | $_____ | = | $_____ | X 12 = | $_____ |
| (2) | 13-24 | _____ | $_____ | - | $_____ | = | $_____ | X 12 = | $_____ |

3. AHFA will deposit the Buydown Funds in a non-interest bearing account in a financial institution whose accounts are insured by the FDIC. The Buydown Funds may be commingled with other deposits made by or on behalf of other parties under other buydown interest rate reduction plans.

4. AHFA agrees that it will apply the Buydown Funds as shown in the Buydown Schedule in paragraph 2 above under the column "Monthly Buydown Funds" to the amount of principal and interest due for the scheduled monthly Note payment upon payment by the Borrower of the sum shown under the column "Monthly P & I Payment Made By Borrower". The benefit of the Buydown Funds will not be reflected in the Note nor shall the Note or Security Instrument be modified in any way whatsoever by this Agreement.

5. The entire monthly installment of principal and interest on the Note must be paid by the Borrower for the remainder of the term of the Loan beginning with the first monthly payment due after the Buydown Funds have been exhausted. However, if for any reason the Buydown Funds are not available, the Borrower shall remain liable for the full monthly payments of principal and interest due under the Note, unless otherwise provided by law.

6. The Borrower acknowledges that the sole purpose of the Buydown Funds is for use by AHFA to apply toward payment of the amount of principal and interest due for the scheduled monthly installments under the terms of the Note over

and above the monthly payment being made by the Borrower, as described in the Buydown Schedule in paragraph 2. The Buydown Funds cannot be used to pay any past due installment payments that are to be paid under the terms of the Note and this Agreement or to reinstate the Loan or otherwise cure any default of the Borrower on which the institution of foreclosure proceedings is based.

7. In the event the Borrower prepays the outstanding principal amount of the Loan in its entirety before the Buydown Funds have been exhausted, the unused portion of the Buydown Funds shall be applied to the outstanding balance due on the mortgage.

8. The Agreement shall be construed in accordance with the laws of the State of Alabama.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement of the date first written above.

_____
Borrower

_____
Borrower

_____
Seller

_____
Seller

Lender: _____

By: _____
Lender's Authorized Signatory

_____
Name and Title

ALABAMA HOUSING FINANCE AUTHORITY

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# DELEGATED EXAMINER NOMINATION FORM

_____ nominates and authorizes the following individuals to serve as approved Delegated Examiners for the Alabama Housing Finance Authority's Step Up program.

Upon each nominee passing eight (8) of ten (10) quality test case submissions, this designation authorizes these individual(s) to issue delegated conditional commitments on behalf of our organizations for the Alabama Housing Finance Authority's Step Up program.

We hereby warrant and represent to the Authority that these nominees will act in accordance with the Authority's program requirements.

| Nominee's Name | Title | E-mail Address | Office Location |
|---|---|---|---|
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |

_____
Name of Requesting Authority

_____
Signature

_____
Title

_____
Date

*Revised 02/15*

ALABAMA HOUSING FINANCE AUTHORITY

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# DELEGATED EXAMINER TEST CASE SUBMISSION FORM

Date: _____

Delegated Nominee: _____

Phone Number: _____

Email Address: _____

Commitment Number: _____

Borrower: _____

---

**FOR AHFA USE ONLY:**

Date Reviewed: _____

AHFA Examiner: _____

Qualified Test Case: ☐ YES ☐ NO

*Revised 08/11*

ALABAMA HOUSING FINANCE AUTHORITY

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# DELEGATED EXAMINER TEST FILE COMPLETION CERTIFICATION

Each Delegated Examiner (DE) Nominee is required to submit ten (10) quality test files for review by Alabama Housing Finance Authority and pass eight (8) of the ten submissions. After each test file submission, the nominee will be advised if the file counts towards the eight-of-ten requirement. Once eight of ten files have been approved by AHFA as passed, the nominee will be authorized to issue Step Up conditional commitments on behalf of his/her company.

---

AHFA hereby certifies that the following files meet Step Up program guidelines and count towards the ten quality files completion of the DE certification requirements.

Company: _____

DE Nominee: _____

| | Borrower | Commitment Number | Date Reviewed | AHFA Examiner |
|---|---|---|---|---|
| 1 | | | | |
| 2 | | | | |
| 3 | | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | | | | |
| 7 | | | | |
| 8 | | | | |
| 9 | | | | |
| 10 | | | | |

ALABAMA HOUSING FINANCE AUTHORITY

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# DELEGATED EXAMINERS' TRANSMITTAL CHECKLIST

Lender: _____ AHFA Commitment #: _____

Processor's Name:_____

Phone #:_____ FAX #:_____

Mortgagor(s): _____

_____

**STEP 1 - Reservation Package (Submit to AHFA within 72 hours of loan reservation)**

☐ Reservation Acceptance Printout

☐ Rate Commitment Form signed by borrower (original and one copy)

☐ Copy of Rate Calculation Single Premium Quote (applies to AHBI loans only)

☐ 30-Day Reservation **Nonrefundable** Commitment Fee (certified funds, lender's check, or cashier's check)
[0.75% of the total loan amount for FHA & conventional loans]

**OR**

☐ 15-Day Reservation **Nonrefundable** Commitment Fee (certified funds, lender's check, or cashier's check)
[0.5% of the total loan amount for FHA & conventional loans]

☐ Copy of the executed loan application

☐ Copy of the executed sales contract

ALABAMA HOUSING FINANCE AUTHORITY

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# DELEGATED EXAMINERS' TRANSMITTAL CHECKLIST

Lender: _____ AHFA Commitment #: _____

Processor's Name:_____

Phone #:_____ FAX #:_____

Mortgagor(s): _____

_____

**STEP 2 - Request for Step Up Delegated Conditional Commitment (Submit to Delegated Examiner)**

☐ Transmittal Checklist

☐ Copy of Step 1 Package

☐ Copy of FHA Loan Underwriting and Transmittal Summary (92900-LT for FHA; 1008 for conventional)

☐ Copy of Rate Calculation Single Premium Quote, if quote has changed since Step 1 submission (AHBI only)

☐ Copy of Homebuyers' Education Certificate

☐ Copy of Verification of Employment (VOE) AND one current pay stub (both dated within 30 days of submission)

☐ Verification of Employment - Self-Employed Borrowers (signed/dated YTD P&L statement & last 2 years' IRS tax return transcripts)

☐ Copy of Verbal Verification of Employment, if using ALT DOC

☐ Copy of pay stubs covering current 30 days AND W-2 for current 2 years, if using ALT DOC

☐ All other applicable income documents (e.g., SSI awards letter, final divorce decree, child support docs, etc.)

☐ Original DPAP Application (if applicable)

☐ Copy of credit report for all occupying borrowers

☐ Non-Borrower Statement (if applicable)

☐ Automated Underwriting Findings

☐ Copy of most recent year's IRS tax transcript

ALABAMA HOUSING FINANCE AUTHORITY

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# DELEGATED CONDITIONAL COMMITMENT

Reservation #:

Borrower's Name(s):

Property Address:

Sales Price: Interest Rate:

Application Expiration: Commitment Expiration:

Loan Type: ☐ FHA ☐ RD ☐ Conventional

First Mortgage approved for $ (including MIP/PMI)

Second Mortgage approved for $ (not to exceed the lesser of $7,500 or 3%)

Verified Borrower Income $

Verified Co-Borrower Income $

Does the verified household income exceed current program limit? ☐ Yes ☐ No

Step 1 Package commitment fee received by AHFA? ☐ Yes ☐ No

I, _____ (typed name of Delegated Examiner), of _____hereby certify that the loan application described above meets all the requirements of the Step Up program specified in the Origination Sales Agreement, dated January 2006, Program Guidelines and Procedural Manual.

Primary Wage Earner's Credit Score: _____

Total Debt-to-Income Ratio: _____%

Closing Conditions Required? ☐ Yes (list below) ☐ No

_____

_____

_____

_____

Delegated Conditional Commitment issued by _____

(Signature of Delegated Examiner)

_____

(Telephone # of Delegated Examiner)

Date _____

☐ E-mailed to *compliance@ahfa.com* OR ☐ Faxed to (334) 244-9213

*Revised 08/11*