



Mid America Mortgage's Conventional
DPA Program

POLICY & PROCEDURES MANUAL

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ADDISON, TX 75001**

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General Description

Mid America Mortgage's Conventional Down Payment Assistance Program provides first mortgage financing and down payment/closing cost assistance to low to middle income borrowers in conjunction with Freddie Mac's Home Possible product. The down payment/closing cost assistance is in the form of a second mortgage to the borrower which is forgivable after five years.

Terms and Schedule

The down payment assistance is in the form of a second mortgage forgiven if the first 60 payments on the first mortgage are made timely. Timely is considered zero 90-day late payments. If at year five the first is current, the second will be forgiven regardless of prior late payments.

The second mortgage will be a five-year loan with no interest and no payments. Initially the Rosebud second will be subordinated but cannot be resubordinate in the future.

At the close of year five the full and total principal amount is forgiven.

If the first mortgage is paid off via a purchase or refinance within the first five years, the full amount of the DPA will be required to be paid back.

Eligible Lenders

Lenders must be approved by Mid America Mortgage, Inc. to participate in the Rosebud Economic Development Corporation Down Payment Assistance Program. Interested lenders should contact their Account Executive.

Third party originations are accepted. Docs must be drawn by Mid America Mortgage, Inc. for this DPA program. TPOs will not be eligible to draw the DPA docs. The first lien docs can be drawn as agreed upon by the wholesale division and the TPO. The restriction here is regarding the second lien DPA document package.

Mid America Mortgage, Inc. lender must have previously received TPO approval and be in good standing with Mid America Mortgage. Any TPOs on a watch list or under heightened quality control review are not eligible until removed from either the list or the heightened review.

Loan Purchase

Mid America Mortgage, Inc. will close the first mortgage loan at a rate and price reflected on the lock reflected in Mortgage Machine, less any fees charged.

TPO Lenders will be required to transfer and assign the first using MERS to Mid America Mortgage, Inc. The Second will not run through MERS and, thus, will not be transferred through the MERS System. The Rosebud Sioux Tribe will own the second and Mid America Mortgage, will service it.

Allowable Features

Property Locations

Properties located in the United States except for Delaware. Please note, properties located in US territories are not eligible.

Types of Loans

Conventional Freddie Mac Home Possible purchase and no cash-out refinance loans on a primary residence. MCCs in conjunction with the Rosebud DPA program are handled differently as Mid America Mortgage is delegated. See the MCC section below for further details.

Eligible & Non-Eligible Properties

Eligible: 1-Unit to include condominiums and PUDs are permissible for purposes of eligibility for the program.

Non-Eligible: 2+ Units, Co-ops, Manufactured Homes, Log Homes, Bamboo Homes, Metal Homes, Container Homes, and Post-Frame Homes (e.g., Barndominiums) are not eligible for the program.

Occupancy Type

Owner-Occupied

If the property is later moved to an investment property in the first five years, the full amount of the DPA will be required to be paid back.

Maximum Loan Amounts

Amount of assistance is 2.0% to 6.0% of the base loan amount (determined by the lender/TPO). While Mid America Mortgage, Inc. will allow up to 6% of the total loan amount, the TPO may cap it below the maximum allowance. Mortgage Machine will round to the nearest dollar. Please, review the interested party contributions section for information on allowable contributions.

Funds Use

The funds may be used to fund up to 100% of the Borrower's cash requirement to close,

including the down payment, closing costs, pre-paid items and other related Mortgage Loan fees and expenses. No portion of the gift funds can be paid to the Borrower unless the Borrower is being reimbursed for an overage of earnest money deposit to the extent the minimum borrower contribution has been satisfied. The DPA can be used in conjunction with a rate/term refinance. The DBA *cannot* be used in conjunction with a cash-out refinance, renovation, or one-time construction products. The DPA would be used towards loan balance, and/or closing costs above the amount of the first mortgage loan.

AUS Eligibility

Loans may be underwritten through Mortgage Machine receiving Freddie Mac LPA "Accept". If the loan is underwritten outside of Mortgage Machine, it must still go through an approved AUS LPA system. Loans are not eligible for manual underwrite. Loans are not eligible with Desktop Underwriting DU/DO.

- ❖ The down payment source on the borrower page of the application should be "secondary Financing Closed End".
- ❖ The DPA amount should be entered into the 1st mortgage in Mortgage Machine in the "subordinate – new" box *and* 4b. of the Loan/Property section of the application.
- ❖ In section 4b. (1) Creditor = Rosebud (2) Loan Amount = DPA Amount (3) Funds source should = "Other/Non-Profit Instrumentality of Government" (4) Checkoff the Affordable Loan Feature and the Payment Deferred Feature. No other terms are entered for the 2nd mortgage (i.e. term or payment). This will ensure the LTV/CLTV are accurate, and the AUS reads the DPA funds accurately.
- ❖ On the additional loan fields page of MM, on the Community Lending Tab, the Loan Program = Home Possible Mortgage (FHLMC)

Allowable & Required Fees

Only the standard fees normally charged to the borrower will apply for the first mortgage; no other fees may be added as a result of the DPA program. There will be a \$500 Rosebud Economic Development Corporation (REDCO) Admin fee charged for the second mortgage which is to be included as a fee on the first mortgage. The fee will be a Section B Fee of the Loan Estimate on the first mortgage as it is a required fee in which the borrower cannot shop.

No fees are permitted on the second/DPA program. The only fee associated with the Rosebud DPA is the \$500 REDCO Fee which is to be charged on the first mortgage.

Eligibility Requirements

Borrower Eligibility

Borrower(s) does not have to be a First-Time Homebuyer. Eligibility is primarily determined by the First Mortgage Program selected. There are some overlay requirements within this section to note such as the requirement for counseling. Additionally, MAM has an overlay guide which should be referenced to determine the eligibility for the First Mortgage Program and, thus, the

DPA eligibility.

Non-occupying co-signors are permitted.

Payment Shock will be taken under consideration. For those with payment shock greater than 50% will have a review of the Bank Statements and other compensating factors to ensure they have the ability to repay and have residual income.

Credit Scores & History

All borrowers MUST have a minimum representative Credit Score of 650. If the property is later moved to an investment property in the first five years, the full amount of the DPA will be required to be paid back.

0. The DTI requirement adjusts based upon the FICO score. See the Debt Ratios and Income section for further details.

Foreclosures in the prior seven years are ineligible for this program. Bankruptcy guidelines will follow the program guidelines. Judgements must be satisfied and released. Debt repayments and IRS repayment plans must be fully paid to be eligible for this program. Current repayment plans are not eligible.

Debt Ratios and Income

DTI will primarily be determined by the First Mortgage Program but should not exceed 45%. DTI allowance is based on FICO scores.

- FICO scores between 650-679, the DTI cap is 40%.
- FICO scores greater than 680, the DTI cap is 45%.

Income is restricted to the amounts allowed by Freddie Mac's Home Possible guidelines. For Home Possible Income limits please use the following eligibility link:

<https://sf.freddiemac.com/working-with-us/affordable-lending/home-possible-eligibility-map>

Debt repayments and IRS repayment plans must be fully paid in order to be eligible for this program. Current repayment plans are not eligible.

If the borrower has a pattern of NSF's, this is considered a credit risk and will factor into the decision to deny eligibility. One-off NSF's are allowable and reasonable. A pattern or practice of monthly NSF's are not reasonable and may cause ineligibility.

Homeownership Counseling

All DPA loans under this program are required to take Homeownership Counseling from a HUD approved or Housing Finance Agencies (HFA) approved course. In the event the primary mortgage program does not require and dictate the counseling, all qualifying borrowers must

take a Homeownership Counseling class with certificate. A certificate of completion will be required from all borrowers on the note. Borrower must agree to life of loan credit counseling.

Eventually, the counseling will have to be done through the Rosebud Sioux Tribe Homebuyer Counseling. Currently, the tribe is not ready to begin offering this.

Interested Party Contributions

Caps and allowances regarding interested party contributions are dictated by the program associated with the First Mortgage Program.

Responsibilities and General Flow

Correspondent Lenders must fund the First Mortgage Loans at loan closing. All loans will be locked, approved, DPA funds requested, and post-closing documents uploaded through Mortgage Machine. The Rosebud Sioux second mortgage will be considered locked simultaneously with the first mortgage when utilizing the Rosebud product in Mortgage Machine.

MCC Only Submissions

Submissions to underwriting for the MCC only programs will require three years of tax returns to ensure the borrower(s) qualify for the MCC Tax Credit. MMC Tax Credits through state DPAs will not certify eligibility prior to closing with the Rosebud DPA; Mid America Mortgage's underwriters are required to handle this certification.

Locking and Approval of DPA

Odd amounts can be used, as long as the amount stays within 2% to 6% of the base loan amount. Overages are not to be kept by the branch, division, or TPO. The overage should be given to the borrower up to 6% of the base loan amount.

Mid America Mortgage underwriting is delegated to underwriter these loans. Submission to Rosebud prior to closing and funding is not required.

Closing and Funding the DPA

All closing documents and closing disclosures must be prepared through Mortgage Machine and electronically closed except for notes required to be papered. A request for documents on the second is not required. Closing will automatically draw the docs for the Rosebud Second.

A second loan will NOT need to be set up in Mortgage Machine. Closing will be able to draw both the first and second from the first mortgage information.

The Rosebud Sioux will wire funds to title based upon reports Rosebud pulls from Mortgage. Neither the branch, TPO, or closer will need to order the wire for the second.