



New Mexico Mortgage Finance Authority

"Housing New Mexico's People Since 1975"

Compliance Manual Next Home Mortgage Loan Program and Next Home Grant

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Chapter 1: Reservation, Compliance Review and Closed Loans Delivery Procedures

Reservation Request

A Participating Mortgage Lender (“Lender”) may reserve a Mortgage Loan via MFA’s On-Line Reservation System (www.housingnm.org). The On-Line Reservation System is a password protected website portal and Lenders must be approved by MFA prior to reserving a Mortgage Loan.

- 1) Lender must obtain a sign on which will be a user name and password for the On-Line Reservation System and Document Imaging System (System). Each Lender has a designated “Administrator”, who is responsible for providing their individual employees with the user name and password for the System.
 - a) All employees (i.e. Loan Officers, Processors, Closers and Shippers) that access the On-Line Reservation System/Document Imaging portal must obtain a password. If the employee does not have their own individual user name and password they will not be able to submit documentations electronically.
- 2) MFA accepts Reservation Requests on a first-come, first-served basis from **9:00 am to 5:00 pm MST Monday through Friday except holidays** via the On-Line Reservation System.
- 3) The Lender must have a completed initial loan application (FNMA Form 1003 or equivalent signed by all borrowers and the Lender) and a copy of the executed Purchase Agreement (signed by all buyers and sellers) prior to reserving funds via the On-Line Reservation System.
- 4) Loans must be reserved reflecting all household members so that the correct income limit will be reflected on the Program Reservation/Lock Commitment form.

Reservation Errors

The Lender is responsible for making corrections to any errors to the loan reservation/lock via the On-line Reservation System.

- 1) Lender must ensure that the correct program is chosen and review the Next Home Program Reservation/Lock Commitment form and Next Home DPA Grant Reservation/Lock Commitment form immediately after submitting. If the incorrect program was chosen, MFA may be able to change the program the same day provided the Lender contacts MFA.
- 2) If Lender enters a loan and determines the loan is not eligible during the process (i.e. over income); the Lender should cancel the loan either on-line or by calling MFA.

- 3) If the Lender is entering the reservation and is timed out or if the data is entered past the first screen, then the reservation is stopped; the System will show the loan reservation/lock as incomplete; Lender should retrieve the loan reservation/lock and complete the reservation same day or by noon the following business day.
- 4) All required data must be entered into the System; if the information is not complete and accurate in the system; the Lender is responsible for making the corrections to the System.
- 5) Next Home First Mortgage Loan amounts must be the total loan amount including UPFMIP for FHA loans.
- 6) The Next Home Grant (Grant) must be reserved by the Lender. The Grant amount is 3.00% of the total final loan amount including the cents. If the Next Home First Mortgage loan amount changes the Lender is responsible for making the corrections to the Grant amount in the System.

Reservations in a Targeted Area or a Section 184 Indian Housing Loan

The Lender is **required** to notify MFA when reserving a property in a Targeted Area, to obtain the lowest rate in the last 12 months from date of reservation and to receive the applicable Purchase Price and Income Limits.

The Lender **must** notify MFA when reserving a Section 184 Indian Housing Loan to receive the current program rate (0.50% below the applicable program interest rate; **on tribal land only**) and to receive the applicable Acquisition Cost and Income Limits on tribal land or fee simple.

Loan Cancellations

The Lender **must** notify MFA of its determination that funds subject to a Reservation/Lock Commitment will not be used for whatever reason. The Lender may cancel the loan reservation/lock commitment in either of the following ways:

- 1) The Lender may call/e-mail a member of the Homeownership Staff and request the cancellation and provide the reason for cancellation; OR
- 2) The Lender may cancel both the reservations (Next Home and Next Home Grant DPA) via the System and document the reason for cancellation.

A borrower whose loan Reservation/Lock Commitment is cancelled **will not be allowed to re-reserve/lock until 60 days after the cancellation date of the original loan reservation/lock.**

MFA may also deny future participation in the MFA Programs to Lenders who fail to notify MFA of cancelled loan reservations/locks in a timely manner, whose rates of loan reservation/lock cancellations are excessive or who otherwise fails to abide by the terms of the Program Policies.

Next Home Loan/Next Home Grant Reservation/Lock Commitment (Commitment)

- 1) Each completed loan reservation/lock will be provided with a Reservation/Lock Commitment form. The commitment form must be printed from the System and will be specific to each program.
- 2) The Commitment is only valid for that specific program and borrower as well as the loan terms specified in the Commitment.
- 3) The Commitment **cannot be transferred between programs.**
- 4) The Commitment includes the loan reservation/lock expiration date. The loan reservation/lock must be purchased by the Contract Service Provider or extended by the expiration date referenced on the Commitment.
- 5) Mortgage Loans that are not **purchased** by the Contract Service Provider before the loan reservation/lock expiration date will automatically be assessed a 30 day extension fee.
- 6) The Lender can request an extension for a loan reservation/lock. Only one extension will be allowed. The following extension fees will apply and will be deducted when the loan is purchased by the Contract Service Provider:
 - 15 day extension = 0.1875% of the final loan amount
 - 30 day extension = 0.375% of the final loan amount
- 7) The Lender must contact MFA for an extension. MFA will provide the Lender with an extension letter, which must be included in the Closed Loan File that is delivered to the Contract Service Provider.
- 8) Mortgage Loans **not** purchased by the Contract Service Provider within 75 (*15 day extension*) or 90 (*30 day extension*) days of the extended loan

reservation/lock are subject to **Mark-to-Market pricing**, which will be determined by MFA at the time of loan purchase.

Submission of Compliance Files and Compliance Suspense Conditions

- 1) Compliance Files are uploaded to MFA electronically through the System by using the index sheets and Compliance Submission Checklist that print from the System.
- 2) Each Compliance File is stacked in a specific order using index sheets and Compliance Submission Checklists that are printed from the document imaging section of the System.
- 3) Compliance Files may be uploaded between 9:00 am and 5:00 pm (Mountain Time), Monday through Friday, excluding holidays. A Compliance File that is uploaded “today” will be placed into the queue for review the following business day (the “clock” starts at 8:00am the following business day.) Files uploaded after 5:00pm (Mountain Time) or on a holiday will be placed into the queue for review as of 8:00am the following business day; ***therefore, the “clock” starts 8:00am on the next business day.***
- 4) The items to be included in the Compliance File are described on the applicable Compliance Review Checklist and in Chapter 2 of the Next Home/Next Home DPA Grant Compliance Manual.

Compliance Review and Approval

The Lender must obtain a Compliance Approval for every Mortgage Loan prior to the loan closing.

- 1) The Mortgage Loan **must** be approved by the Lender for credit and collateral **prior** to sending the electronic Compliance File to MFA for Compliance Approval via the System.
- 2) The Compliance File is uploaded between 9:00 am and 5:00 pm (Monday through Friday, excluding holidays) to MFA for review and determination of eligibility according to MFA’s Compliance Manual. A Compliance File that is uploaded “today” will be placed into the queue for review the following business day (***the “clock” starts at 8:00 am the following business day.***) The items to be included in the Compliance File are described on the applicable Compliance Review List and Compliance Manual.
- 3) The Compliance File will be reviewed and conditions/approval will be sent within 3 business days of receipt of the Compliance File.

- 4) Upon MFA's determination that the Mortgage Loan is eligible for the program, MFA will provide a notification of Compliance Approval/Purchase/Commitment (Approval Commitment) for each Mortgage Loan (an e-mail is sent to the Lender from the System notifying the Lender that the status has changed). The Lender will then log into the System to retrieve their Compliance Approval/Purchase Commitment and Grant Commitment Form.
- 5) The file must be as clean as possible. If there are excessive conditions (**four or more**) at Compliance Review the Lender will be asked to re-upload a cleaner file and the re-uploaded file will then be placed in the order it was received.
- 6) If a Compliance File is incomplete (less than four conditions) or if further documentation is required for an approval, MFA will provide a notification of Compliance Suspense Conditions. (An e-mail that is sent to the Lender from the System notifying the Lender that the status has changed.) The Lender will then log into the System to retrieve their Compliance Suspense Conditions detailing the reason for the Compliance Suspense.
- 7) Conditions will be cleared within 1 business day of receipt; in the order that they are received. The Conditions that are uploaded "today" will be placed into the queue for review the following business day (**the "clock" starts at 8:00am the following business day.**) Conditions uploaded after 5:00pm (Mountain Time) or on a holiday will be placed into the queue for review as of 8:00am the following business day; **therefore, the "clock" starts 8:00am on the next business day.** Conditions should be stacked in the order shown in the Document Imaging portal.
- 8) If a Mortgage Loan does not qualify for the program, MFA will provide the Lender with a Compliance Denial letter which details the reason(s) for the denial.

Loan Closing Next Home First Mortgage Loan and Next Home Grant

The Lender must ensure that the Mortgage Loan meets all applicable program guidelines and has been Compliance Approved by MFA prior to the loan closing.

The Mortgage Loan must be closed according to the terms specified in the Approval Commitment and the Closed Loan File delivered to the Contract Service Provider prior to the Final Mortgage Loan Purchase Date as specified on the Commitment. The Closed Loan Checklist outlines the documents that must be submitted by the Lender. Failure by the Lender to submit all the required documentation prior to the purchase expiration date may result in MFA's determination that the loan is not eligible for the program or MFA will charge a fee to the Lender for an extension or the loan may be purchased from the Lender on a worst case, Mark-to-Market basis. In either case, MFA will not be obligated to authorize the Contract Service Provider to purchase the loan.

The Grant is not closed on a separate document. The Grant will be documented on the Next Home First Mortgage Closing Disclosure (CD) as a MFA Gift or MFA Grant. The Grant amount must include the full 3.00% of the total loan amount including the cents.

In addition, if at the time the Closed Loan File is reviewed and if the Mortgage Loan is found to be ineligible MFA will not be obligated to authorize the purchase of the loan.

Closed Loan Submission for Next Home/Next Home Grant Mortgage Loans

The Mortgage Loan must be to delivered and purchased by the Contract Service Provider via Lender Connection prior to the Final Mortgage Loan Purchase Date as specified on the Approval Commitment. The Closed Loan Checklist outlines the documents that must be submitted by the Lender.

In addition, if at the time the Closed Loan File is reviewed and if the Mortgage Loan is found to be ineligible MFA will not be obligated to authorize the purchase of the loan.

Chapter 2: Required Documents for Compliance File Submission

The preceding chapter describes the required documents that MFA will Compliance review. It is important to provide complete, accurate and current documentation to ensure a prompt approval.

Appraisal

- 1) Full address of the property must be on all appropriate pages.
- 2) Sales price must be in all appropriate spaces and pages.
- 3) Must not be more than four (4) months old when the File is submitted for compliance and from the date of closing.
- 4) Interior and exterior pictures.
- 5) Complete, legible sketch of the home.
- 6) Signed by the appraiser.

Land Lease/Leasehold Property

- 1) Provide a copy of the Lease for the land on or off of Trust Land

Real Estate Purchase Agreement

- 1) Complete property address
- 2) Name(s) of all sellers
- 3) Name(s) of all buyer(s)
- 4) All addendums including the addendum with the Final purchase price
- 5) Must be fully executed

*****Note: Co-signers and the Non-Purchasing Spouse do not take title and must not be reflected on the Purchase Agreement. *****

Loan Reservation/Lock Commitment Form

- 1) Next Home Loan Reservation/Lock Commitment Form

- a) Borrower(s) name(s)
- b) Social Security Number(s)
- c) Property Address (must match the appraisal)
- d) County (must match the appraisal)
- e) Loan Amount
- f) Loan Type
- g) Interest rate
- h) Number in the household
- i) Income Limit
- j) Signed by the Lender

2) Next Home Grant Reservation/Lock Commitment Form

- a) Borrower(s) name(s)
- b) Social Security Number(s)
- c) Property Address (must match the appraisal)
- d) County (must match the appraisal)
- e) Grant Amount (Must include the cents)
- f) Loan type
- g) Signed by the Lender

Underwriter Approval

1) FINAL FHA Loan Underwriting and Transmittal Summary

- a) MFA's EIN # - 85-0252748
- b) Check the Government box
- c) The total amount of the Grant listed under Gift Section (Amount must include cents)

- d) Approved/Accept FINAL AUS Findings
 - i. The CHUMS ID# as ZFHA must be entered. If not using ZFHA the underwriter must sign and complete the CHUMS ID#
- 2) FINAL Conventional Loan Uniform Underwriting and Transmittal Summary (1008)
 - a) Underwriter must sign
- 3) FINAL VA Loan Analysis
 - a) Underwriter must sign
- 4) HUD Section 184
 - a) Approval is the FINAL Firm Commitment and MCAW signed by HUD, unless the Lender has a Direct Underwriter Release Letter from HUD (Copy of release letter must be provided to MFA)

Credit Report

- 1) A complete copy of the most recent credit report for borrower and co-borrower. (It is not necessary to submit the raw data credit file as well as the actual credit report)

Homebuyer Counseling

- 1) Required for all first time homebuyers (FTHB)
 - a. Must be by eHomeAmerica or another MFA approved counseling agency. **(Certificates from Mortgage Insurance Companies are not acceptable.)**
 - b. Homebuyer counseling is also required for homebuyers who have had a foreclosure
 - c. Counseling is required for all borrowers that do not have a mortgage on their credit report.
 - d. Homebuyer counseling is not required for Co-signers.

MI Certificate

- 1) Required for FNMA HFA Preferred Conventional loans.

Mortgage Loan Application (1003)

- 1) FINAL First Mortgage Loan application complete loan application for all borrowers, co-borrowers and co-signers. Do not include the 92900A Addendum.

****Note: Co-signers must not be listed on the same application (1st and 2nd) as the borrower(s). The lender must generate an individual application for the Co-Signers.**

MFA Compliance Addendum – Next Home

- 1) The MFA Compliance Addendum is MFA's source document that must be accurate, fully completed, all questions answered by the borrower(s), signed and dated by borrower(s) and Lender.
 - a) One MFA Compliance Addendum per Compliance File.
 - b) Complete the Grant ID# at the top of the Compliance Addendum.
 - c) Any changes/corrections made to the MFA Compliance Addendum after it is signed by the borrower(s) must be initialed by the applicable individual(s).
 - d) Digital signatures are not acceptable on the MFA Compliance Addendum.
 - e) The MFA Compliance Addendum must be printed off of the MFA Document Imaging System (no other versions will be accepted).
 - f) The MFA Compliance Addendum must be signed and dated by the borrower, co-borrower(s), non-purchasing spouse, and Lender representative within **60 days of compliance approval.**
 - g) If the borrower and Lender sign on different dates the signature of the borrower and/or co-borrower must be within **60 days of compliance approval.**
 - h) ***It is the lender's responsibility to provide current documents (within 30 days) prior to Compliance Approval***

Chapter 3: Program Guidelines

Borrower Definitions and Qualifications

Non-first time homebuyers along with first time homebuyers can use the Next Home Program.

1) Definition of First Time Homebuyer

- a) Borrower(s) is/are purchasing their first home
- b) Borrower(s) and/or non-purchasing spouse have not owned a home as their primary residence in the past three (3) years
- c) Within the past (3) years, Borrower(s) have not lived with a spouse (or ex-spouse) that owned a property as his/her sole and separate property prior to the marriage.

2) Definition of Non-First Time Homebuyer

- a) Borrower(s) have owned a home as their primary residence in the past three (3) years
- b) Borrower(s) currently owns a home as their primary residence
- c) Non-first time homebuyers using the HFA Preferred Program (Conventional) may have an ownership interest in another residential dwelling at the time of loan closing.
 - i. HFA Preferred Program Loans follow FNMA Guidelines allows for occupant borrower, co-borrower and non-purchasing spouse to own another residential property.

Borrower Occupancy

- 1) Borrower(s) must occupy the property as their primary residence.
- 2) Borrower(s) must occupy the property within sixty (60) days of closing.
- 3) Non-occupying *co-signer(s)* are allowed, subject to applicable investor and/or insurer guidelines.
 - a) Co-signer(s) must sign Note for first and second liens
 - b) Co-signer(s) will not take title to the property

- c) Non-occupant co-borrowers, where both borrower and non-occupant co-borrower take title to the property, are not allowed.

Household Income Limits

- 1) Borrower(s) must be within the income guidelines set for the program, as detailed in the Next Home Program Policies

Household Income

- 1) Definition

- a) The income of the person or persons liable for the mortgage debt financed through MFA's Single Family Program (i.e. the Borrower, Co-borrower and Co-signer).

Household Income Calculation Guidelines

- 1) MFA will not calculate borrower(s) income. MFA will use the Lender credit underwriting income to qualify the borrower for the program. Co-signer income will be used if the underwriter used it to qualify the borrower.

Purchase Price Limits

- 1) Properties must be within the purchase price limits set for the program, as detailed in the Next Home Program Policies

Residential Housing

MFA Single Family Program must be used for the purchase of Residential Housing. Residential Housing is defined as an owner-occupied, single family residence located in the State, which the mortgagor(s) intend(s) to occupy as their principal residence. Residential Housing does not include:

- 1) A residence intended for occupancy by more than one family;
- 2) A residence which has been used as a residence for more than one family, or which could be used as a residence for more than one family;

- 3) A residence where more than 15% of the total area of which is reasonably expected to be used primarily in a trade or business, which is used as a vacation or recreational home, or with respect to which all or any portion of the land acquired with the proceeds of the related Mortgage Loan is used in a trade or business.
- 4) A residence which has a separate entrance to a section thereof which contains a second kitchen consisting of a sink and cooking facilities in addition to the residence's main kitchen; and
- 5) shall meet such other requirements as the MFA may from time to time determine to be necessary or appropriate to properly administer the Single Family Homeownership Program.

MFA, at its' sole discretion; will make the final determination whether or not a residence being financed through the Single Family Homeownership Program is considered to be Residential Housing. MFA's determination will be made through the Compliance Review process. Alterations to the residence, such as removing cooking facilities, in order to qualify the residence as Residential Housing will not be allowed. MFA may request additional documentation/information to determine if the residence should be considered Residential Housing.

Minimum Borrower Cash Contribution

- 1) MFA requires a \$500.00 minimum borrower cash contribution.
- 2) The minimum cash contribution must be from the borrower's own funds and cannot be derived from any type of gift, grant, seller concession; MFA provided down payment assistance or prorated taxes.
- 3) MFA requires proof of minimum borrower cash contribution to be reflected on the Final First Mortgage Application in Section VII.
- 4) If the borrower contributes in excess of the required minimum cash contribution to the transaction (*i.e. Earnest Money, POC fees, etc.*), the borrower is eligible to receive the excess funds back at closing if they were not financed in the Next Home Grant.

Homebuyer Counseling

- 2) First time homebuyers must be able to demonstrate that they have successfully completed a homebuyer counseling course prior to closing the loan. Homebuyer counseling is also required for homebuyers who have had a foreclosure.
 - a) The New Mexico agency must be MFA approved providing face to face pre-purchase housing counseling in either a classroom or one-on-one setting and must provide a certificate at completion of the homeownership counseling. The Agency may or may not charge a fee. If there is a fee the cost will be paid by the borrower and can be reimbursed at closing and included with the closing costs. Refer to the MFA Website for the acceptable counseling agencies.
 - b) The eHomeAmerica on-line counseling program which is accessed through the MFA website. The cost for the eHomeAmerica course is \$45.00 and can be reimbursed at closing and included with the closing costs.
 - i. Lender should refer borrower(s) to the MFA Website Home Page to choose the eHomeAmerica course and ensure MFA is chosen as their administrator.
- 3) All Homebuyer Counseling Certificates must be dated within one (1) year of compliance approval
- 4) If borrower(s) have a mortgage in good standing on their credit report they are not required to take a homebuyer counseling course. If they have previously owned a home and it is not appearing on the credit report, proof of a recorded mortgage is required.

Sole and Separate Guidelines

- 1) A spouse is allowed to enter into a contract and purchase a home as their Sole and Separate Property; subject to applicable investor and/or insurer guidelines.

Credit Score Requirements

- 1) Minimum Credit Score of 620
 - a) If the credit report provides (3) credit scores (tri-merge), then the middle credit score must be at least 620 for each borrower; 660 for each borrower for the FNMA HFA Preferred Manual Underwrite.
 - b) If the credit report only provides two (2) credit scores, the lowest credit score must be at least 620 for each borrower; 660 for each borrower for the FNMA HFA Preferred Manual Underwrite.

- c) If the credit report only provided one (1) credit score, then that score must be at least 620 for each borrower; 660 for each borrower for the FNMA HFA Preferred Manual Underwrite.
- d) MFA's on-line reservation system requires that each borrower have a credit score entered into the system and will not allow you to move to the next screen without entering a score. A 620 credit score must be entered to get to the next page. After the reservation is complete you must call MFA so that the score can be changed and notes added to the reservation screens internally.
- e) If either borrower has no credit score, due to insufficient or stale credit, MFA will accept a manually underwritten loan. In addition, the loan must be underwritten to applicable secondary market guidelines,

Electronic/Digital Signatures

MFA will accept electronic/digital signatures on all documents **except for the following:**

- 1) MFA Compliance Addendum
- 2) Original Note
- 3) Original Mortgage
- 4) Signature Affidavit
- 5) MFA Grant Commitment

It is the lender's responsibility to ensure all applicable program guidelines, rules, regulations, processes and procedures are followed.

Chapter 4: CFPB/Dodd-Frank Regulation Policies

MFA Single Family Program CFPB/Dodd-Frank Regulation Policies

Ability to Repay (“ATR”) and Qualified Mortgage (“QM”)

Mortgage loans originated and closed by Lenders participating in a program administered by a Housing Finance Agency (MFA’s single family program) are exempt from the ATR requirement. However, HFA loans are not exempt from HOEPA requirements related to High-Cost mortgages and TILA requirements for Higher-Priced Mortgage Loans (“HPML’s”). MFA will purchase HPML’s, but not HOEPA loans. Please refer to the CFPB Small Entity guide for additional information.

High Priced Mortgage Loan (“HPML”)

Loans originated under MFA’s single family program are not subject to QM requirements of the HPML rule. MFA single family program loans are exempt from ATR requirements and therefore do not have QM status. However, loans originated within MFA single family program satisfy the QM criteria defined by FHA, VA, USDA and Fannie Mae, which makes the MFA single family program loan exempt from the HPML rule.

Regulation Z (“Reg. Z”)

- **List of Housing Counseling Agencies**-MFA Participating Lenders must provide a list of 10 HUD approved housing counseling agencies within 3 business days of a RESPA compliant application. Lenders may create their own list of Housing Counseling agencies from the CFPB website. MFA cannot be included in the list of HUD approved housing counseling agencies for the purpose of providing disclosure for Reg. Z.
- **Loan Officer Compensation**-MFA Participating Lenders are expected to adhere to all requirements related to the restrictions on loan officer compensation for loans delivered for purchase under MFA’s single family program. While MFA is not directly involved in providing compensation to individuals involved in the transaction, MFA prohibits Participating Lenders from basing compensation to loan originators based on the terms of the transaction and requires that Participating Lenders maintain sufficient records related to all compensation received and paid to loan originators in accordance with Reg. Z.
- **Loan Originator Identification (SAFE Act)**-MFA requires each first mortgage loan and second mortgage loan (if applicable) application, mortgage and note must include identification information, including the primary originators name

and National Mortgage Licensing System & Registration (“NMLSR”), and the name and NMLSR of the originators employer.

- **Escrow Requirements for HMPL-MFA** Participating Lenders are required to abide by all requirements regarding the establishment of escrow accounts on HPML.

Unfair, Deceptive, or Abusive Acts or Practices (“UDAAP”)

MFA requires Participating Lenders to adhere to all components of UDAAP as it relates to borrower communication on loans delivered to MFA’s single family program for purchase. MFA must approve all marketing/communication materials that reference MFA’s single family loan program prior to release of the marketing materials. MFA will provide copies of MFA’s logo and provide approved language for all communications developed and created by Participating Lenders for purposes of borrower communication.

Fair Lending

MFA abides by all fair housing and fair lending laws and employs no policy or practice that discriminates against members of a protected class. MFA requires Participating Lenders to abide by MFA’s fair lending policy for all loans originated within the single family program. Please refer to MFA website (www.housingnm.org) for more information and detail regarding MFA’s fair lending policy.

Regulation B (“REG.B”)/ECOA Valuations

MFA requires Participating Lenders to abide by all components of Reg. B in providing loan applicants a free copy of all valuations developed in connection with an application for a first mortgage loan within MFA’s single family program. Participating Lenders must notify all applicants in writing that copies of appraisals will be provided promptly.