



New Mexico Mortgage Finance Authority

"Housing New Mexico's People Since 1975"

Compliance Manual First Home/First Down Mortgage Loan Programs

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Chapter 1: Reservation and Compliance Review Procedures for First Home and First Down Programs

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 First Home Program Reservation/Lock Commitment form and the First Down DPA 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) First Home Mortgage Loan amounts must be the total loan amount including UPFMIP for FHA loans.
- 6) First Down Mortgage Loan amounts must be correct per the MFA guidelines (see First Down Program Policies)

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 Acquisition Cost 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 of the reservations (First Home and First Down 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.

First Home and First Down Program Mortgage Loan 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 Contracted 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 First Home/First Down DPA 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 Check 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 (for both First Home and First Down DPA) and First Down Commitment form.

- 5) The file must be as clean as possible. If a Compliance File is incomplete 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.
- 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) Clearing of Conditions on loans with 5 or more conditions will be cleared within 2 business days from receipt; loans with less than 5 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 as 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 First Mortgage Loan

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 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.

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.

Loan Closing First Down Mortgage Loan

The Mortgage Loan must close in the Lender's name on a standard FNMA Note and Mortgage. The Lender has the option of using MFA's MERS #**1013401**. If not using, the Lender may prepare an assignment.

The Note must be endorsed to New Mexico Mortgage Finance Authority it's successors and or assigns.

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 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.

Closed Loan Submission for First Home Mortgage Loans and First Down Mortgage Loan

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 insure 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

Escrow Holdback

- 1) Provide signed and dated Lender Certification stating the exact dollar amount of the Escrow Holdback if property is a REO.
 - a) This is needed because the Escrow Holdback sometimes varies from what is in the Purchase Agreement and MFA needs the exact dollar amount to calculate the Acquisition Cost.

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 a non-purchasing spouse do not take title and must not be reflected on the Purchase Agreement. *****

Loan Reservation/Lock Commitment Form

1) First 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) First Down 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) Signed by the Lender

Underwriter Approval

- 1) FINAL FHA Loan Underwriting and Transmittal Summary
 - a) If combined with First Down Program
 - i. MFA's EIN # - 85-0252748
 - ii. Check the Government box
 - iii. The total amount of the First Down Mortgage Loan listed under the Secondary Financing section
 - b) 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) If combined with First Down Mortgage Loan
 - i. Enter the First Down Mortgage Loan amount on the Amount of Subordinate Financing section
 - b) 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 the release letter must be provided to MFA)

Credit Report

- 1) A complete copy of the **most recent** credit report for borrower, co-borrower and non-purchasing spouse. (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 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. Do not include the 92900A Addendum.
- 2) FINAL Second Mortgage Loan application complete loan application for all borrowers. 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 need not provide MFA an application for the co-signers.**

Rental History

- 1) Verification of rental for 1 year must be provided in the Compliance File. The rental history must be their current residence and anything prior if borrower, co-borrower and/or non-purchasing spouse have lived elsewhere during the required time period. ***Note: If there is information in the File suggesting possible non-first time homebuyer status, MFA may ask for 3 years rental history.***
 - a) After all attempts (fax, mail, e-mail, etc.) are made to obtain a Verification of Rent (VOR) when the landlord is unable to be reached or unwilling to complete the VOR then a Lender certification is acceptable. The certification must state the borrower's name, rental address, the rental dates provided by the borrower, and the description of attempts made to contact the landlord. The borrower must also complete a signed and dated letter stating their attempts made to assist the lender in obtaining a VOR and include the rental dates and address.

- b) A borrower, co-borrower and/or non-purchasing spouse cannot verify their own rental.
- c) If changes are made to a signed VOR the landlord must initial the changes.

MFA Compliance Addendum

- 1) The MFA Compliance Addendum is MFA's source document that must state all income information for all borrowers and, if applicable, non-purchasing spouse(NPS); "All income" is defined in Chapter 3, Paragraph 1 of the Compliance Manual. The MFA Compliance Addendum must also be fully completed accurately, all questions answered by all borrowers and NPS, signed and dated by all borrowers, NPS and Lender.
 - a) One MFA Compliance Addendum per Compliance File.
 - b) Complete the MFA Second Mortgage DPA loan # on the top of the Compliance Addendum (if applicable).
 - c) If borrower(s) are employed by a business or are self-employed the name of the employer/business must show in the Employment/Income section. All other types of income must be clearly described.
 - d) Any changes/corrections made to the MFA Compliance Addendum after it is signed by the borrower(s) and/or the non-purchasing spouse must be initialed by the applicable individual(s).
 - e) Electronic/Digital signatures are not acceptable on the MFA Compliance Addendum.
 - f) The MFA Compliance Addendum must be printed off of the MFA Document Imaging System (no other versions will be accepted).
 - g) 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**.
 - h) If the borrower and Lender sign on different dates the signature of the borrower, co-borrower, and non-purchasing spouse must be within **60 days of compliance approval**.
 - i) MFA does not calculate Co-signer income; income must not be included and they do not sign this document.

- j) All applicable documentation for proof of income, FTHB status, etc. must be submitted with the Compliance File.
- k) Only self-employed borrowers and/or a self-employed non-purchasing spouse must complete the percentage of business use of home in the employment/income section of the addendum.
- l) ***It is the lender's responsibility to provide current documents (within 60 days) prior to Compliance Approval***

Other Income Documentation that must be completed on the MFA Compliance Review Addendum

- 1) Any other documentation that pertains to other household income
 - a) Divorce Decree or child support court document, if applicable and if disclosed by the borrower(s) and/or non-purchasing spouse (if no divorce decree or if money received is different than the decree; borrower/co-borrower(s) and/or non-purchasing spouse must submit a signed and dated letter of explanation).
 - b) If borrower, co-borrower and/or non-purchasing spouse receive SSI, the SSI award letter must be within 12 months from Compliance Approval.
 - c) Pension Letters must be dated within 12 months of Compliance Approval (Need letters regardless of how minimal the amount received).
 - d) Part-Time income must be documented in the same way as the current full time employment.
 - e) If Borrower(s) and/or non-purchasing Spouse receive consistent non-taxable cash from side jobs they must provide a signed and dated letter stating the monthly average income earned. (i.e. housesitting, handyman, mechanic, etc.).

Bank Statement

- 1) One (1) month's most current bank statement for all accounts. OR
- 2) A printout from the bank will be accepted if it is ***stamped*** by the banking institution and ***signed*** by an employee of the bank.

- 3) If the borrower(s) print their statement from their online account the statement must clearly show the borrower's name, account number and the bank's name in the URL address.
- 4) A signed and dated letter of explanation may be requested for large, consistent or unusual deposits; OR an explanation may be written on the MFA Compliance Addendum.

Verification of Employment (VOE)

- 1) Written Verification of Employment for all current employment must be provided for borrower, co-borrower and/or non-purchasing spouse that is not more than 90 days old from the date of Compliance Approval. ***The exception to the 90 days will be if MFA needs to use the VOE for income calculation purposes and at that time the Compliance Specialist will ask for a more current VOE within 30 days of Compliance Approval.***
 - a) A verbal VOE will be accepted only if the written verification cannot be obtained. (Verbal verifications must be signed by the verifier)
 - b) If the VOE must be used for income calculation, the YTD through date must be within 30 days of Compliance Approval. In some cases the VOE will be used for calculating income are, but not limited to:
 - i. The paystub does not have a YTD Gross Income
 - ii. The borrower is over the income limits by calculating the YTD from the paystub then Overtime and Bonus can be averaged
 - iii. The borrower received a raise in the last few months prior to approval
- 2) A VOE will be required from previous employer(s) within the most recent calendar year of compliance review. (i.e. file is being reviewed in 2016, need VOE(s) from previous employer(s) in 2015)
- 3) If changes are made to a signed VOE the changes must be initialed by the employer.

Paystub

- 1) Current paystub for borrower, co-borrower and/or non-purchasing spouse showing the gross year-to date earnings with a pay period end date not more than 30 days old from the date of Compliance Approval.

- a) If the loan does not close prior to the 30 day expiration date of Compliance Approval the Lender must provide current paystub(s) for review and issuance of a Revised Compliance Approval.
- b) ***It is the lender's responsibility to provide current documents (within 30 days) prior to Compliance Approval***

Tax Returns

- 1) Three (3) years of Federal Tax Returns are **not** required if borrower(s) and/or non-purchasing spouse have at least one creditor with a three year credit history on their credit report. ***Collections and Authorized User trade lines do not meet MFA's credit requirement.***
- 2) Two (2) years of Federal Tax Returns are required for all Self-Employed borrower(s), and/or non-purchasing spouse only, unless they do not have a three year credit history, then three (3) years of Federal Tax Returns are required.
- 3) If the borrower(s) and/or a non-purchasing spouse did not file tax returns, proof of non-filing must be verified through the IRS. (i.e. no record found). ***No other form of documentation is acceptable.***

*****Note: Do not send the borrower(s) State Tax Returns to MFA the excess documentation is not needed.***

Self-Employed Borrowers

- 1) Completed Self-Employed Income Analysis Sheet must be included in the Compliance File along with the most recent two (2) years Federal Tax Returns, including all schedules. (Must have actual returns, no tax transcripts).

Current signed and dated YTD Profit and Loss Statement with exact begin and end dates (month/day/year).

Chapter 3: Income Calculation Guidelines

Lenders should be aware that CALCULATION OF PROGRAM (COMPLIANCE) INCOME IS DIFFERENT THAN CALCULATION OF INCOME FOR CREDIT PURPOSES.

- 1) The current gross monthly income includes, but is not limited to, the following: monthly gross pay (i.e. wages, salary, tips, including cash tips not disclosed on the paystub) and any additional income from overtime, taxable and non-taxable part-time employment, bonuses, including cash bonuses not disclosed on the paystub, self-employment business income, interest and dividends, royalties, social security benefits, annuities, insurance policies, retirement funds and pensions. Veterans Administration (VA) compensation, net rental income, disability or death benefits, public assistance, sick pay, armed forces income, payments in lieu of earnings such as unemployment and disability compensation, income received from trusts, income and gains received from investments, workers compensation, severance pay, compensation for personal services, TANF, regular contributions or gifts received from individuals or organizations, unemployment, worker's compensation, maternity leave pay, Native American Tribal benefits and other income.
- 2) MFA considers child support and alimony as income if disclosed by Borrower.
- 3) Unlike income that is averaged for credit underwriting, **actual current income** is considered for Compliance Income calculation purposes. Lenders should review the YTD income on pay stubs, current Verification of Employment (VOE), current Social Security Award Letters, and child support income (if disclosed by borrower) received to determine actual current income.

Calculation of Compliance Income

- 1) Current Gross YTD income divided by number of months YTD then multiply by 12:
 - a) **Paystub** must be within 30 days of submitting Compliance File to MFA. Lenders should consider the **paid through date (not the paystub date)** in determining if a paystub is compliant with the 30 day requirement. A payroll journal or history will not be accepted in lieu of an actual paystub.
- 2) **Verification of Employment ("VOE")** must be within 90 days of submitting Compliance File to MFA. ***The exception to the 90 days will be if MFA needs to use the VOE for income calculation purposes and at that time the Compliance Specialist will ask for a more current VOE with a YTD thru date within 30 days of Compliance Approval.***

b) **Basic Income calculation example:**

Paystub Dated:	March 15, 2015
Paid Through Date:	March 10, 2015
ALL YTD Gross Income:	\$8,000.00
Number of Months YTD:	2.32
Calculation:	\$8,000.00 divided by 2.32 = \$3,448.28/month
	\$3,448.28 multiplied by 12 = \$41,379.36/year

2) Additional income calculation examples below are not intended to serve as exclusive methodology. **Please note that if a topic is not discussed below, it does NOT MEAN that it is permitted. As always if there are questions on how to calculate income please contact MFA.**

a) **Business, Self-Employment**

- i. Use past 2 most recent year's tax returns and YTD Profit and Loss statements to identify the current NET YTD income.
- ii. Divide the YTD income by the number of months during which it was earned and multiply times remaining number of months in year. Add to actual YTD. **DEPRECIATION AND/OR DEPLETION SHOULD BE INCLUDED AS INCOME**

b) **Bonus**

- i. A one-time bonus is not considered income for the Compliance Income calculation. Proof of one-time bonus must be provided through third party verification (employer VOE and letter of explanation).

c) **Interest, Dividends**

- i. Document current earnings through statements issued by the financial institution. Identify the YTD interest or dividend earnings and include those in the YTD income calculation.
- ii. If statements are not available, take the interest and dividends from the prior three years tax returns and average; then divide by 12 to come up with the monthly amount. Add the monthly amount to any other monthly income to calculate the projected YTD annual income for the borrower(s).

d) **Alimony, Child Support (If disclosed by borrower)**

- i. Use the monthly amount appearing in the divorce decree or other court document. Child Support Enforcement Division payment histories are not needed.
- ii. If the borrower receives more than the amount stipulated in the agreements, use the monthly figure that the borrower declares and can be verified.
- iii. If the borrower receives less than the amount stipulated in the agreements and there is a verifiable history of the underpayments for at least 2 years (as evidenced by Court records), then use the past 2 years' historical monthly earnings. If there is no such history that can be verified, use the amount stipulated in the divorce decree or other support documentation.
- iv. Multiply the monthly amount of alimony or child support times 12. Add the monthly amount to any other monthly income to calculate the projected YTD annual income for the borrower(s).

e) **Pensions, Temporary Payment**

- i. Use the benefits statement issued by the benefits provider (pensions, workers compensation, disability compensation, social security, AFDC, etc.) to identify the amount of the benefit, payment frequency and expected term of the benefit.
- ii. Multiply the amount of the benefit by the payment frequency for the balance of year and add to actual YTD for an annualized amount. Add the monthly amount to any other monthly income to calculate the projected YTD annual income for the borrower(s). Add the monthly amount to any other monthly income to calculate the projected YTD annual income for the borrower(s).

f) **Calculating income at the beginning of the year**

- i. If when using the standard income calculation method, MFA finds the borrower to be over income during the first three (3) months of the year, the December paystubs of the previous year including the paystub with pay period dates ending December through the beginning of January will be required. The previous year's earned income that is included in the year-to-date income of the current year will be deducted

Chapter 4: Program Guidelines

First Time Homebuyer (FTHB)

- 1) Definition
 - 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) First Time Homebuyer Waiver for Veterans
 - a) Veterans do not need to be first time homebuyers and do not need to obtain a VA loan; they can utilize any of the MFA Programs.
 - b) Lender must provide proof of Veteran Eligibility in the Compliance File.
- 3) Documenting a borrowers first time homebuyer status
 - a) A borrower(s) and/or non-purchasing spouse in-file year credit history which does not have a mortgage loan reported in the past three years is considered a first time homebuyer.
 - b) If the borrower(s) and/or non-purchasing spouse does not have a three (3) year in-file credit history, 3 years most recent tax returns must be used to verify first time homebuyer status.

Definition of "Ownership Interest" for the 3-year Requirement

- 1) For purposes of documenting the 3-year requirement, (i.e. no ownership interest in a principle residence at any time during the 3-year period prior to the date the mortgage is executed),
- 2) "Ownership Interest" is defined as including the following:
 - a) A fee simple interest;
 - b) A joint tenancy, a tenancy in common or tenancy by the entirety;
 - c) The interest of a tenant-shareholder in a cooperative;

- d) A life estate;
 - e) A land contract (i.e. a contract pursuant to which possession and the benefits/burdens of ownership are transferred, although legal title is not transferred until some later time); and
 - f) An interest held in trust for the mortgagor, whether or not it was created by the mortgagor.
- 3) Prior "Ownership Interest" by the spouse of the borrower is considered prior "Ownership Interest" of the borrower, regardless of when the borrower and spouse were married.
- 4) HFA Preferred Program Loans follow FNMA Guidelines allows for occupant borrower, co-borrower and non-purchasing spouse to own another residential property.
- a) HFA Preferred Program borrowers, co-borrowers and non-purchasing spouses are subject to the 3 year first time homebuyer requirement

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 and Co-borrower). If the Borrower is married and the spouse is not the Co-Borrower ("non-purchasing spouse"), the income of the spouse will also be considered Household Income.
 - b) Income from persons that are not liable for the mortgage debt and reside in the home is not considered household income under MFA's First Home and First Down Programs.
 - c) Co-signer income will not be calculated by MFA for the First Home and First Down Programs.

Household Income Limits

- 1) Borrower(s) and/or non-purchasing spouse must be within the income guidelines set for the program, as detailed in the First Home and First Down Program Policies.

Acquisition Cost Limits

- 1) Properties must be within the Acquisition Cost limits set for the program, as detailed in the First Home and First Down Program Policies

Borrower Occupancy

- 1) Borrower(s) must occupy the property as their primary residence
- 2) Borrowers must occupy the property within sixty (60) days of closing and must remain in the property for at least six (6) months after initial occupancy.
 - a) In the event the borrower is unable to occupy the property for at least six (6) months, the borrower may request an occupancy waiver from MFA. MFA will determine if the request for occupancy waiver is valid and will grant the occupancy waiver on a case-by-case basis.
- 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-borrower, where both borrower and non-occupant co-borrower take title to the property, is not allowed.

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(s) 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 First Down Mortgage Loan.

Homebuyer Counseling

- 1) A prospective borrower must be able to demonstrate that he or she has successfully completed a homebuyer counseling course prior to closing the loan.
 - 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 included in the First Down Mortgage Loan. Refer to the MFA Website for 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 included in the First Down Mortgage Loan.
 - i. Lender(s) should refer borrower(s) to the MFA Website Home Page to choose the eHomeAmerica course and to ensure MFA is chosen as their administrator.
- 2) First Home and First Down borrower(s) may use either a face to face counseling agency or the eHomeAmerica on-line course for their Homebuyer Counseling.
- 3) All Homebuyer Counseling Certificates must be dated within one (1) year of compliance approval.

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. However, the non-purchasing spouse's income needs to be counted toward income eligibility.
- 2) MFA does not restrict the use of Sole & Separate title vesting, however, the non-purchasing spouse is required to complete the MFA Compliance Addendum. **As long as the Compliance Addendum is accurate and complete, the Lender is not required to obtain permission from MFA to use Sole & Separate title vesting.**

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) YTD Profit and Loss for self-employed borrowers
- 3) Borrower and/or Lender Explanation Letters **
- 4) Original Note
- 5) Original Mortgage
- 6) Signature Affidavit

*****Note: E-mailed explanation letters without an actual signature from the borrower are acceptable if the borrower's e-mail address contains an unmistakable name of the borrower. (Any other type of unsigned e-mails is not acceptable)***

Third party e-mails without signatures are acceptable if the e-mail address contains an unmistakable name of the employer or landlord. (Any other type of unsigned e-mails is not acceptable)

First Down Program Guidelines

In addition to the First Home Guidelines the Lender must ensure that the following guidelines are followed:

- 1) First Down Mortgage Loans may be combined with a First Home Mortgage Loan only.

- 2) Maximum loan amount is \$8,000, which may be used to finance the ***minimum*** down payment and borrower paid closing costs pertaining to the purchase of the home.
- 3) Lender may charge an origination fee of \$100.00 which will be disclosed to the borrower at application. No other processing fees may be charged in conjunction with the First Down Program loan.

Changing of the Loan Amounts after the loans have been Compliance Approved

Loan amount(s) should be accurately calculated prior to Compliance Approval. If for some reason the loan amount(s) have to be changed a re-approval is required and the procedure is as follows:

- 1) The Lender must either call or e-mail MFA to have to loan(s) unlocked so that the Lender has access to the loan to change the loan amount(s).
- 2) MFA will unlock the loans and it is the Lender's responsibility to change the loan amount(s), print the new lock(s), sign the lock(s) and upload the revised lock(s) to the First Mortgage Compliance Suspense Conditions section.
- 3) If the loan amount(s) are **decreased** MFA will need **only** the signed revised lock(s) for the loan amount(s) changed. A current paystub and MFA Compliance Addendum must also be uploaded if they have expired.
- 4) If the loan amount(s) are **increased** MFA will need the following additional documents:
 - a. Revised Lock Commitment for 1st and/or 2nd(whichever is applicable)
 - b. Revised 1st and 2nd Mortgage 1003s
 - c. Revised Underwriter Approval(FHA Transmittal, 1008, VA Analysis, USDA – Rural Development or Section 184 Firm Commitment & MCAW)
 - d. Revised DU Findings
 - e. Current MFA Compliance Addendum, if expired (it is not within 30 days of Compliance re-approval)
 - f. Current Paystub, if expired (it is not within 30 days of Compliance re-approval)
 - g. Revised MI Certificate if Conventional
- 5) The lender must upload all documents to receive the required Compliance Re-Approval.

Allow one full day for a re-approval.

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

Chapter 5: 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.