

## **LENDER TRAINING: Lender Benefits, Fees, and Restrictions**

# **LENDER BENEFITS**

- **No forward placement risk.**
- **Program guidelines you are familiar with.**
- **Allows you to qualify more borrowers.**
- **CRA (Community Reinvestment Act)**

# LENDER BENEFITS

- **SRP Fees (Service Release Premiums)**
  - 2.0% SRP upon purchase of loan on First Place Loans.
  - 1.5% SRP upon purchase of loan on Next Step Loans.

- **Compensation:**

| <u>First Place</u>                  | <u>Next Step</u>                      |
|-------------------------------------|---------------------------------------|
| 1% Origination                      | 1% Origination                        |
| \$1,100 Fees                        | \$1,100 Fees                          |
| 2% SRP for First Place Total = 3% + | 1.5% SRP for Next Step Total = 2.5% + |
| \$1,100                             | \$1,100                               |

- **Lenders are not required to charge the 1% Origination Fee. They can charge no Origination Fee or anything up to 1% of the total loan amount.**

# WHAT LOAN PRODUCTS ARE ACCEPTABLE?

**Lenders can use familiar products such as:**

- **FHA**
- **RD (USDA)**
- **VA**
- **Conventional FNMA or FHLMC**

**Borrower selects the following:**

- **Type of loan (FHA, RD, VA, FNMA, FHLMC, etc.)**
- **Type of fund (DPA, NON DPA, or MCC)**

# **WHAT ARE THE RESTRICTIONS?**

**(FOR ALL LOAN PROGRAMS)**

- **IRS regulations limit maximum income of applicants using program.**
- **IRS regulations limit the maximum purchase price for properties using the program.**
- **Minimum credit score is 640.**
- **Max DTI Ratio is 50%-this is only allowable with certain loans and credit scores.**

# WHAT ARE THE RESTRICTIONS?

(FOR ALL LOAN PROGRAMS)

- **MHDC does not subordinate if refinancing occurs.**
- **MHDC's mission is to offer affordable homeownership options and therefore restricts the amount of fees that may be charged.**

# **LENDER FEES & CHARGES**

**(FOR ALL LOAN PROGRAMS)**

- **Up to 1% Origination Fee**
- **Up to \$1,100 Underwriting/Processing/Application Fee**
- **\$275 Loan Funding Fee**
- **\$84 Tax Service Fee**

# LENDER FEES & CHARGES

- **Limited to actual cost incurred:**
  - **Amounts paid or escrowed for Taxes, Insurance, Mortgage Insurance Premiums (MIP), Credit Reports and Verifications**
  - **Title Company Fees**



# PROHIBITED FEES

**The following may not be paid by the buyer:**

- **Document Preparation Fees (by Lender or Title)**
- **Email Doc Fee**
- **Download Fee**
- **Commitment Fees**
- **Discounts Points**
- **Technology Fees**
- **Data Security Fee**
- **Curative Fee**
- **Disbursement Fee**

# **REAL ESTATE COMMISSIONS**

- **MHDC Down Payment Assistance funds cannot pay Real Estate Sales Commissions or Administrative Fees**
- **Borrower may use funds of their own or gift funds to cover these costs.**

# CONCLUSION

- **Lender compensation includes:**
  - Service Release Premium
  - Up to 1% allowable origination free, and
  - Up to \$1,100 in combined underwriting/processing/application fees.
- **MHDC DPA cannot be used for real estate commissions or fees.**
- **Any prohibited fee must be refunded to the borrower before the loan will be approved by MHDC.**