Missouri Housing Development Commission

First Place Loan Program

Operations Manual

TABLE OF CONTENTS

Section 1 - Certified Lender Eligibility Requirements

All financial institutions must meet the following requirements:

1. If the lender is a GSE seller/servicer it must provide lender number. It must also provide information per the TPO section of the FNMA selling guide:
   a. Resumes of principal officers and underwriting personnel
   b. Lenders quality control procedures
   c. Results of background check of principal officers
   d. Lender's hiring procedures for checking employees, including management, in the origination of mortgage loans against GSA excluded parties list, HUD LPD List and FHFA SCP list.

2. If the lender is a bank or savings and loan association, FDIC must insure the bank or savings and loan association depository accounts.

3. The Financial institution must have a three-year history of continuous operation in the State of Missouri. Lender shall provide proof of date of incorporation in the State of Missouri, or License to Operate in the State of Missouri.

4. The Financial institution must have a minimum net worth of $1,000,000. Lender shall provide most current audited Financial Statement.

5. The Financial institution must have a history of combined production of not less than one million dollars per year in FHA/HUD, VA, and Fannie Mae or USDA Rural Development loans. MHDC must be provided evidence of the sale into the Secondary Market of at least this volume of loans.

6. Any single GNMA or Fannie Mae securities-backed bond issue will identify lenders as follows: Originating Lenders - A financial institution which agrees to originate home mortgages and assigns such home mortgages and the servicing in connection therewith to a Master Servicer.

7. Lender must furnish and maintain evidence of $500,000 in Error and Omissions coverage.

8. Lender must furnish and maintain evidence of Fidelity Bond coverage.

9. Lenders must be approved as an FHA mortgage originator if originating FHA loans, as a VA mortgage originator if originating VA loans, and as a USDA Rural Development originator if originating rural development loans.

10. Lenders must originate, process, underwrite, close and fund originated loans in their own name, and using their own funds.

11. Must originate mortgages as a primary component of the company's overall business operations.

12. Must originate and close at least ten MHDC First Place Loan Program loans per year.

13. Financial institutions that have previously participated in MHDC programs must have a satisfactory production and problem resolution record.

14. Must annually meet MHDC's financial requirements.

15. Lenders must also meet all of US Bank's requirements.

16. Must attend Lender Training.

Lenders must submit documentation supporting the above requirements. MHDC reserves the right to require current participating lenders to demonstrate that they satisfy these requirements. The master servicer will charge a $175 application fee to review each application.

MHDC, at its sole discretion, may waive one or more of the requirements in order to originate loans in some rural or Federally Targeted areas.

Annually, all lenders must submit current financial information for review to ensure continued compliance with these requirements.

Constant Funding

MHDC has constant funding for the First Place Loan Program.

When a lender has been approved by MHDC to participate in the First Place Loan Program, MHDC will forward the Lender Origination Agreement, which must be executed by the lender before they can participate in the program. This document includes, but is not limited to:

1. Three signature pages of the Acceptance of Agreement

These documents must be returned to MHDC before the lender will be provided access to Lender Online.

Third Party Originations

Certified Lenders may enter into correspondent arrangements with Third Party Originators, but the following restrictions apply:

1. There can be no increase in any fees. The allowed fees to the borrower must be split between the Certified Lender and the correspondent.

2. All loans close in the name of the Certified Lender. Loans cannot close in the name of the correspondent and then be sold to the Certified Lender.

3. The Certified Lender must make all reservations in the Lender Online system. The Certified Lender cannot provide a password and access to the Lender Online system to anyone other than their own employees.

4. The Certified Lender is responsible for ensuring that all underwriting is in compliance with Secondary Market standards and guidelines for FHA, VA, USDA Rural Development or Fannie Mae loans. In the event that the correspondent incorrectly underwrites a loan, and repurchase of the loan is necessary, it will be the Certified Lender, not the correspondent that will be required to buy the loan back.

5. Correspondents are not a Certified MHDC lender, and they may not advertise or represent themselves as such. Correspondents will not be listed on the MHDC website as Certified Lenders.

   It will be the responsibility of the Certified Lender to perform any training needed by the correspondent's staff.

   Allowing access to the Lender Online system, to the correspondent, or violating any of the above stated provisions, may subject the Certified Lender to possible termination of certified status; and immediate cancellation of all outstanding reservations.

Loan Officer Certification Requirements

Loan Officer Certification is optional. Loan officers are still eligible to participate in the First Place Loan Program as long as they are employed with a Certified Lender.

All loan officers who wish to be certified must meet the following requirements:

1. Loan officer's current employer must be an approved certified lender and must meet lender eligibility requirements. (See Section 1 page 1-6.)
2. Loan officers who have less than five years' experience in the First Place Loan Program, must take the Lender/Loan Officer Certification Training and pass the test with a percentage of 70 percent or higher.
3. Loan officers who have five or more years' experience in the First Place Loan Program can opt out of taking the Lender/Loan Officer Certification Training but must pass the test with a percentage of 70 percent or higher.
4. A Loan officer certification will never expire as long as the loan officer shows active participation and/or the lender in which you are employed is a participating certified lender.
5. Loan officer may achieve four levels of excellence over their life time:

Bronze	Reach 25 approved bond loans
Silver	Reach 75 approved bond loans
Gold	Reach 125 approved bond loans
Platinum	Reach 250 approved bond loans

6. Loan officers will not be recognized by MHDC on website until they reach a level of excellence. All loans will accrue toward the next level of excellence.
7. Loan officer's level of excellence will carry to any certified lender in which employed.

Top lenders and loan officers will be recognized every year on the MHDC website. The recognition will be based solely on production of loans for that particular year. MHDC will award the top loan officer in production with "Loan Officer of the Year Award." MHDC will also award the "Lender of the Year Award." The "Lender of the Year Award" will be based not only on production but also on the quality and timeliness of the loans that are purchased.

LENDER PARTICIPATION APPLICATION

Name of
Institution____

Address____

City_________________________________State___________________Zip Code____________

Contact
Name____

Contact Email
Address____

Contact Phone/Fax
Number____

CHECKLIST

FDIC (if applicable)

Corporation Date_________________ (if applicable)

Number of years in the state of Missouri ___________

Current Audited Financial
- Assets $______________

Approval Letters FHA, VA, USDA, etc.

Fidelity Bond
- Amount $__________________
- Expiration __________________

Errors and Omission
- Amount $___________________
- Expiration ___________________

Training Attended by_
- Training Date
- Training Location Attended___________________________

Section 2 - Reservation of Funds

Requirements

1. Prior to making a reservation, the lender must have:

   a. A signed application from an applicant who has entered into a fully executed real estate sales contract with the seller of the residence (contracts must contain the acceptance signatures of both the buyer and seller, prior to requesting a reservation of funds); Real estate sales contracts **may** be written and dated prior to the sale of the "bonds" or the date reservations will be accepted.

   b. Made a preliminary determination that the applicant qualifies per the financial institution's guidelines for the mortgage loan; and

   c. Made a preliminary determination that the applicant is eligible to participate in the MHDC program, including but not limited to the first-time home buyer qualifications, maximum income limits and maximum purchase price limits in effect at that time.

   NOTE: MHDC encourages pre-qualification of potential borrowers.

   Lenders may use the pre-qualification credit report and verifications of employment provided they are dated within four months of the loan closing date.

2. To reserve funds, the lender must have access to MHDC's On-Line Reservation system, Lender Online (LOL). For a detailed explanation of this system, contact the MHDC homeownership department.

3. Funds will be reserved on an individual first-come, first-served basis.

4. There is no cost to the lender to participate in the program, nor to make reservations in Lender Online (LOL).

Reservation Procedure

1. MHDC will announce changes and activate the reservation system so that reservations may be made.

2. Once the lender receives confirmation of reservation, the loan may close.

3. Loans may not be canceled to re-reserve for a lower interest rate.

4. Funds in Federally Targeted Tracts will be the lowest-available rate offered by MHDC in the preceding 12 months.

Reservation Expiration Dates

All reservations will expire 45 days from the date of reservation approval

Prior to the expiration date, the loan must be closed and a complete compliance package must be received by MHDC for approval.

NOTE: If a lender determines that a reserved loan will be denied, the reservation must be canceled by the lender on Lender Online (LOL).

Reservation Extensions

If the lender cannot complete the closing and submission to MHDC within this period, an extension of the expiration date may be requested. This may be accomplished by an email describing the reason for the extension request and the estimated date or period of time needed. Send this, along with the original approved reservation number, to any staff member in the homeownership department at MHDC.

A valid reason for the extension request is required. MHDC reserves the right to refuse any request. **Any request for an extension must be accompanied by a statement that a commitment letter has been issued to the borrower.** Loans that have not been approved by the end of the reservation period will not be extended.

NOTES: If a reservation has expired and MHDC has not received a request for an extension, the reservation will automatically be canceled.

Reservations do not need to be extended after the package has been received at MHDC. However, all deficiencies must be corrected within 30 days from notice to prevent file rejection.

Reservation Change Requests

Lenders are required to notify MHDC immediately of any changes.

1. A written explanation describing the reason for the change must include the reservation number and borrower name.

2. Increases in loan amounts in excess of $3,000 must be approved prior to loan closing.

These changes are to be emailed to MHDC in accordance with the extension instructions.

Approved Reservations

Loans may close as soon as the lender has received a confirmed reservation.

All loans must be closed and shipped to MHDC by the expiration date specified on the reservation form.

NOTE: Reservations may not have a change in the property address. If the applicant(s) choose another property, their original approved reservation must be canceled and a new reservation made on Lender Online (LOL).

Reservations cannot be transferred to another certified lender. If the applicant chooses to apply with another lender, the original approved reservation must be canceled and a new reservation made on Lender Online (LOL).

Once reserved, a reservation may not be transferred to a new issue in order to obtain a different rate.

Section 3 - Borrower Eligibility Requirements

Definition of a First-Time Home Buyer

To qualify for a FIRST PLACE LOAN, the borrower(s) and spouses of the borrower(s) expected to reside in the home to be purchased must meet the definition of a first-time homebuyer.

A first-time homebuyer is defined as a person:

1. Who has not had a present ownership interest (see definition) in his or her principal residence within the past three years; and
2. Who has not taken a real estate tax deduction (on IRS Schedule A) for any residence within the past three years; and
3. Who has not taken a mortgage interest deduction (on IRS Schedule A) for any residence within the past three years.

EXAMPLE 1: Two single persons are living together and only one is taking title and obtaining the loan. Only the borrower must meet the first-time homebuyer requirements and the maximum income limits. The other person will not be counted in the house.

EXAMPLE 2: Two married persons are purchasing a home, but one person will not take title due to credit issues. Both must meet the first-time homebuyer requirements and the maximum income limits.

Exceptions to First-Time Homebuyer Requirements:

1. Applicants purchasing within Federally Targeted Census Tract Areas are not required to be first-time homebuyers. For more information on Federally Targeted Census Tract Areas, see Section 11-1.
2. Qualified veterans are not required to be first-time homebuyers. Qualified veterans means any veteran who:
   a. Served on active duty, and;
      Applied for financing within 25 years after the date on which the veteran left active service.
   b. Veteran's status must be documented by a DD Form 214, Certificate of Release or Discharge from Active Duty. Active duty veterans must obtain a statement of service signed by, or by direction of, the adjutant, personnel officer, or unit commander or higher headquarters showing date of entry on current active duty.

Definition of Present and Non-Present Ownership Interest

Federal regulations define present ownership interest and non-present ownership interest as follows:

Applicants who hold or have held one of the following forms of present ownership interest in his or her principal residence within the past three years would not be considered a first-time homebuyer.

Present Ownership Interest

- A fee simple interest;
- A joint tenancy, tenancy-in-common, tenancy by the entirety, or community property interest;
- The interest of a tenant-shareholder in a cooperative; however, this excludes the interest held by an applicant who lives/lived in a HUD-sponsored or regulated cooperative housing project provided that:

  1. Such project is owned by a non-profit corporation;
  2. There is no stock issued by the corporation;
  3. Such persons possess only a membership in the corporation, and;
  4. Such persons occupy a specific unit in the project by virtue of an occupancy agreement or similar agreement which creates a landlord-tenant relationship pursuant to which the landlord may pursue remedies for breach in accordance with applicable landlord-tenant law.

- A life estate;
- A land contract or contract for deed (i.e., a contract pursuant to which possession and the benefits and burdens of ownership are transferred even though legal title is not transferred until some later time), whether legally filed or not.
- An interest held in trust for the mortgagor (whether or not created by the mortgagor) that would constitute a present ownership interest if held directly by the mortgagor.

Non-Present Ownership Interest

Applicants who hold or have held one of the following forms of non-present ownership interest **may** qualify as a first-time home buyer. A remainder interest:

- A lease with or without an option to purchase;
- A mere expectancy to inherit an interest in a principal residence;
- The interest that a purchaser of a residence acquires on the execution of a purchase contract, or
- An interest held in property that was not the principal residence during the prior three years.

Existing Mortgages

A mortgagor shall not have had a mortgage (whether or not paid in full) on the subject residence at any time prior to the execution of the First Place Loan, and the proceeds of the First Place Loan will not be used to purchase or replace an existing mortgage.

For purposes of the preceding sentence, the replacement of construction period loans, bridge loans or similar temporary initial financing (i.e., financing which has a term of twenty-four months or less) will not be treated as an acquisition or replacement of an existing mortgage.

Persons Who Are Separated or Legally Separated - Waivers of Marital Rights

Any applicant who is separated is still considered a married person; however, he or she may qualify for a First Place Program loan.

The estranged, non-borrowing spouse who does not currently live with the potential borrower nor plans to live with the potential borrower, will not be required to meet the First Place Program requirements. The following will be required:

1. The estranged spouse cannot sign a legal waiver of their marital rights. He/she must sign the First Deed of Trust and the Tax Exempt Financing Rider - Form #580.
2. The applicant and their estranged spouse will be required to sign the MHDC Waiver of Marital Rights Affidavit, Forms #550-1 and #550-2 attesting they are separated and do not plan to live together in the property. The estranged spouse must note the new location where he/she currently resides.
3. The lender must verify that the separation has been for a period of at least 12 months. (This verification is not submitted to MHDC.)
4. The income of the estranged spouse will not be included.

Married Persons – Non Borrowing Spouses

An occupying spouse may be omitted from the mortgage for credit or other reasons. Lenders are required to utilize standard, customary underwriting procedures when underwriting any loan where only one spouse will act as the borrower due to poor credit, or other reasons, of the non- borrowing spouse.

If the applicant and their spouse currently reside, or plan to reside, in the subject property together after closing, use of Forms 550-1 and 550-2 affidavits are not required.

The non-borrowing spouse:

1. Will not sign the First Note.
2. The non-borrowing spouse can **NOT** take title to the property. (The Warranty Deed must mirror the Note for this program.)
3. They will sign only the Tax-Exempt Financing Rider – Form #580 and the Deed of Trust.
4. Non-borrowing spouse must still meet income and first-time homebuyer requirements. Proper income verification must be included in the file. If non-borrowing spouse does not work the spouse will have to sign form #522. Also, in order to prove first-time homebuyer status, the non-borrowing spouse will have to sign form #516 certifying that the spouse has not owned any property as their primary residence within the last 3 years.

Applicants Who Own/Owned Rental Property

Applicants who own or have owned rental property may be considered eligible as a first-time homebuyer as long as they can prove the following:

1. They did not live in any of the rental property for which they held ownership interest at any time within the past three years;
2. A mortgage interest deduction was not taken as a personal deduction on Schedule A of their federal tax returns; or
3. A real estate tax deduction was not taken as a personal deduction on Schedule A of their federal tax returns. (The person would probably have a rental schedule showing rental income on the tax return. This would be on the Schedule E, not on Schedule A.)
4. Rental income <u>must</u> be counted when calculating for income guidelines.

Applicants Whose Ex-Spouse Solely Owned Real Estate Prior to the Marriage

If an applicant/occupant was married within the past three years, but is now divorced, and their ex-spouse owned the property prior to the marriage, the applicant/occupant would not be considered a first-time homebuyer.

In the state of Missouri, anyone who is or was married to someone that owned property would be considered an owner of that property as well due to marital rights;

The applicant/occupant would only be considered a first-time homebuyer if:

A. Three years from the date they stopped occupying the property as their principal residence, and;

B. There is no mortgage interest or real estate tax deductions on any of their last three years of federal income tax returns.

Applicants Who Own or Owned a Mobile Home within Past Three Years

An applicant may be considered a first-time homebuyer in the following circumstance:

A. If the applicant owns a mobile home, and it is on leased land and still has the running gear on it (meaning it is NOT permanently fixed to a foundation), and the potential applicant has not taken a personal tax deduction for home mortgage interest or real estate taxes on their federal tax returns within the past three years.

B. If the applicant owns/owned the land on which the mobile home is/was located, the following must apply:

1. The mobile home must NOT be on a permanent foundation, and
2. The applicant must not have taken a home mortgage interest deduction on Schedule A of the federal return at any time during the past three years, and

3. If the applicant took a real estate tax deduction on IRS Schedule "A" at any time during the past three years, he or she must prove or produce the tax receipt indicating that the real estate tax deduction was for unimproved (vacant) land, and

4. The lender must certify that the mobile home is indeed mobile. (A representative from the mortgage company must verify the mobility of the mobile home. This may be accomplished by completing MHDC Form #585-Mobile Home Certification.)

5. If the mobile home is not sold, rental income <u>must</u> be calculated per income guidelines.

C. An applicant would not be considered a first-time homebuyer under the following circumstances:

   1. If the applicant owns/owned the land and the mobile home is/was permanently affixed, applicant is NOT eligible (regardless if a tax deduction was taken).

   2. If any home mortgage interest or real estate tax deduction is taken on IRS Schedule "A" for the mobile home, the applicant does not qualify as a first-time homebuyer.

Lenders are responsible for maintaining in their files all documentation regarding ownership or prior ownership of a mobile home. If you have a situation that is not addressed here, please call us or send us your letter outlining the circumstances in full detail, prior to loan closing, for approval.

Applicants Who Are Licensed Real Estate Agents

Applicants who are licensed Real Estate Agents and representing themselves on the purchase of a home using the First Place Program cannot earn any commission on the transaction.

Total Household Number

Total household number will equal the total number of persons who will be on the loan or married to the person on the loan. Also included in the household number will be any biological or adopted children of the borrower(s), or non-borrowing spouse that will occupy the property as their full-time principal residence. Generally, this includes, but may not be limited to the following:

- Biological or adopted children over the age of 18 of the borrower(s), or non-borrowing spouse, may be counted in the household number if they occupy the property as their principal residence.

- A parent (or biological relative) of the borrower(s), or of the non-borrowing spouse, may be counted if they occupy the residence as their full-time principal residence.

- Foster children are NOT counted as members of the household.

NOTE: For persons who make their living as foster care providers, an exception may be made when foster care income is included for underwriting purposes.

- An unborn child may not be included into the household number.

NOTE: For persons who make their living as foster care providers, an exception may be made when foster care income is included for underwriting purposes.

- An unborn child may not be included into the household number.

Total Family Household Income

To qualify for a First Place Loan, the combined total projected annual household income for all borrower(s), spouse of borrower(s), working adult children (those not attending school full time) and any other adult relative living in the house as their principal residence must be less than the maximum income limit ascalculated in accordance with the guidelines set forth by MHDC.

- For full-time students, who are 18 years of age or older *and* are dependents, a small amount of their earned income will be counted. Count only earned income up to a maximum of $480 per year for full-time students, age 18 or older, who are not the head of the family; spouse or co-head.*If the earned income is less than $480 annually, count all of the income. If the earned income exceeds $480 annually,* count $480 and exclude the amount that exceeds $480.

Total Projected Annual Household Income includes, but is not limited to, the following types of income:

1. Gross pay
2. Overtime
3. Bonuses
4. Part-time employment
5. Dividends
6. Interest
7. Annuities
8. Pensions
9. Veterans Administration (VA) Compensation
10. Gross rental or lease income
11. Commissions
12. Deferred income
13. Welfare payments
14. Social Security benefits
15. Disability payments
16. Alimony
17. Child Support payments
18. Public assistance
19. Sick pay
20. Unemployment compensation
21. Income received from trust or from business and investments
22. Any regularly occurring additional income from all sources (both taxable and non-taxable) including but not limited to earnings

Income exclusions include income from the following sources:

A. Foster Children: Income received for the care of foster children is not considered in determining eligibility under the Maximum Income Guidelines unless included for underwriting purposes.

B. Food Stamps: Food stamps received are not to be considered in determining eligibility under the Maximum Income Guidelines.

C. One-Time Occurrences: Life insurance settlements, sign on bonuses etc. These would not have to be counted into the household income due to them being a one-time payment or occurrence.

D. Earned income of minors: (family members under 18) is not counted.

NOTE: Any income included for underwriting purposes must be included in the household income calculations as well.

Lenders Options for Verifying Income:

1. Alternative Documentation Method
2. Work-Number-For-Everyone
3. Third Party Verification of Income

Option One - Alternative Documentation Method

These guidelines are used to verify W2-reported income only. These guidelines are similar to the Alternative Documentation requirements in place for use with FHA, VA, USDA Rural Development or Fannie Mae loans. Lenders must also comply with any alternative documentation requirements of VA, FHA, USDA Rural Development or Fannie Mae if using alternative documentation for underwriting purposes.

Documentation to be obtained and submitted:

1. Recent year's W2 for that job and,
2. Thirty days of detailed year-to-date paycheck stubs dated within 30 days of loan closing. Pay check stubs must reflect overtime, commission, rate of pay, etc. as separate entries, and be either computer generated or typed and,
3. Borrower's start date for that job.

   If the borrower started in the middle of the previous year, provide a verbal verification of employment to reflect the borrower's start date. This certification may be no more than 30 days old at time of closing. It must note the names of the borrower, employer, lender, and processor/contact; addresses; applicable business telephone numbers; show the date of contact; and state the employment dates.

If the applicant started their job the current year and a W2 is not available, Alternative Documentation may not be used.

If detailed check stubs containing year-to-date income are not available, this method may not be used.

Calculation Method for Alternative Documentation:

To utilize this method, the lender shall annualize the borrowers most recent check stub. Lender shall:

- Determine the rate of pay, and the pay period type: hourly, bi-weekly, twice-per-month; or monthly.
- This rate shall be multiplied by the number of annual units for that type: 2,080 hours (units) for hourly, 52 units for weekly, 26 units for bi-weekly, 24 units for twice-per-month; 12 for monthly, etc. This shall be the base rate. For example:

  $10 hourly = 2,080x10=$20,800 annually
  $600 weekly= 52x600=$31,200 annually
  $1400 bi-weekly= 26x1, 400=$36,400
  $1800 semi-monthly= 24x$1,800=$43,200

- When using this method to determine first place program eligibility, income shall be the greater of the previous years' W2 income or the current years' annualized income from current paycheck stubs.

Overtime, Bonuses, Commissions, etc.:

If overtime, commissions, bonuses or any type of additional pay is disclosed on the paycheck stub, the lender shall annualize this income as well.

Calculation Example:

Three Person Household. Qualifying Non-Targeted income: $68,655
Date of paycheck stubs: June 30, 2013

Applicant	**Borrower**	**Co-Borrower**
Full Time Job	**Yes**	**Yes**
Start of Employment	**6/30/2004**	**2/18/2004**
Salary	**$450 weekly**	**$15 hourly**
Date of Next Increase	**Not provided**	**Not provided**
Date of Last Increase	**Not Provided**	**Not Provided**
YTD Base	**$11,700**	**$15,600**

YTD Comm./OT	**0**	**$125**
2012 Income	**$22,750**	**$35,360**

All other forms of income (SSI, disability, child support, etc.) would be added to this figure on the Income Calculation Worksheet.

Option Two - "The Work Number for Everyone"

MHDC will accept TALX Corporation's verification providing the following is forwarded to MHDC in lieu of the verification of employment when this service is used:

1. The form must be a computer-generated or fax form indicating that it came directly from TALX, "The Work Number for Everyone" program.
2. MHDC must receive the full version, indicating salary and YTD and prior year earnings.
3. The form must carry a certification added to it by the lender, as follows:

> We hereby certify that this form was generated by the Work Number for Everyone program and is being submitted as we received it:
>
> (Name of Lender)
>
> Date: ______________________ By: ______________________________
>
> (Typed Name of Person executing form)

4.

The maximum fee charged to the buyer or seller by the lender cannot exceed $15.00, which is the maximum allowed by HUD for this service. Other verification companies may be used, but the forms submitted must contain at least the information contained on a standard Fannie Mae Verification of Employment form.

Option Three -Third Party Verification of Income

Calculating Total Gross Annual Household Income

A. SALARIED EMPLOYEES - Use the current base earnings, whether hourly, weekly, or monthly, etc. and project forward for a full 12-month period.

If an applicant receives a pay increase prior to closing, the pay increase must be included in the base earnings.

If an applicant receives a pay increase and the mortgage lender closes the loan prior to the increase taking effect, then the increase would not be counted for income eligibility.

B. IRREGULAR INCOME Such as overtime, bonuses, commissions, part-time pay and unemployment compensation will be projected using the exact amount of all such pay received in the most recent 12-month period. (This does not mean a calendar year.)

This income must be counted, even if the employer states it is not likely to continue.

If the loan closes prior to April 15, it is acceptable to use the overtime, bonuses, commissions, part-time and unemployment pay earned for the previous calendar year.

If the loan closes on or after April 15, employers must provide the most recent 12-month period.

If an applicant has not been on the job for a full twelve months, determine the amount of overtime, bonuses, commissions, part-time and unemployment income earned within the period of time indicated. Divide the earnings received by the actual period of time worked. Multiply the result by 12 months or 52 weeks, depending upon the period used in the division.

NOTE: If an applicant is far below the MHDC Maximum Income Limit and it is easily determined that under no circumstance would it be possible to exceed the MHDC Maximum Limit, an exact 12-month breakdown is notrequired. **However, the irregular income must be included in the calculation for MHDC purposes.**

CAUTION: It has been brought to the attention of MHDC that, in some cases, the employer's records do not reflect the full amount of overtime received. The employer, when paying the applicant for overtime, may report part of the overtime in the base pay.

EXAMPLE: An applicant receives base pay of $10.00 per hour and worked forty-four hours. The employer paid the employee:

Pay Type	# of Hours	Rate	Amount
Regular Hours	44.00	$10.00	$440.00
Overtime	4.00	$ 5.00	$20.00

In this example, the actual amount of overtime the applicant received is $60.00. The employer reported $20.00.

C. **SEASONAL TYPE WORKERS** - (i.e., construction workers) - Use the exact income received in the most recent 12-month period (this does not mean a calendar year), then project anticipated income.

If an applicant has not been on the job for a full 12 months, determine the amount of income earned within the period of employment. Divide the earnings received by the actual period of time worked. Multiply the result by 12 months or 52 weeks, depending upon the period used in the division.

EXAMPLE: Total earnings are $17,653 for a period of 8 months, paid monthly.

$17,653 / 8 = $2,206.62

$2,206.62 x 12 = $26,479.50

$26,479.50 is the projected annual income for qualifying purposes.

D. **SELF-EMPLOYED APPLICANTS** - Use net earnings from the most recently filed tax return. Deductions in connection with the business are allowable; however, all depreciation must be straight line depreciation. If net income is a loss, the amount of income would be -0-.

E. **A loss may not be deducted from their total household income calculations.**

NOTE: If the loan closes after April 15, the previous year's federal income tax return must be used.

Example: Loan closes April 16, 2020, the 2019 return will be required.

If an applicant has not been self-employed for a full twelve months, determine the amount of earnings within the period of self-employment. This would be done by a P&L statement from a third party accountant. Divide the earnings received by the actual period of time worked. Multiply the result by 12 months or 52 weeks, depending upon the period used in the division. Use the projected income for qualifying. Verify income per standard underwriting procedures for this situation, interim financial statements, etc.

F. BUSINESS INCOME FROM PARTNERSHIPS, S-CORPORATIONS - In addition to income received from the business, make certain to include the income being retained in the business from the most recently filed corporate tax return. If the applicant owns the business 100 percent, include 100 percent of the business profit being retained in the company. If there are four equal partners, count 25 percent of the business profit being retained in the company for this applicant's qualifying income.

NOTE: If the loan file closes after the fiscal year ends for the corporation, the new return will be required.

If an applicant has not been in business for a full twelve months, determine the amount of earnings for the appropriate number of months. Divide the earnings received by the actual period of time in business. Multiply the result by 12 months or 52 weeks, depending upon the period used in the division. Use projected income for qualifying.

G. MILITARY PERSONNEL - You must include any housing allowance, food allowance, etc. that is paid to the applicant that is not paid as a reimbursement.

H. PASTORS, MINISTERS - You must include any housing allowance, food allowance, etc. that is paid to an applicant that is not paid as a reimbursement.

I. CHILD SUPPORT - Use total amount of child support received within past 12 months. A printout from the court is sufficient to show exact amounts of support received within past 12 months. In lieu of the printout, a copy of the divorce decree is acceptable.

If it is not paid through the courts, but the divorce decree states an amount, or if the applicant receives less than the amount stated in the divorce decree, a notarized statement from the applicant stating exact earnings will be acceptable.

If an applicant has not received child support for a full 12 months, determine the amount of child support earned for the appropriate number of months. Divide the earnings received by the actual period of time child support has been received. Multiply the result by 12 months or 52 weeks, depending upon the period used in the division. Use projected income for qualifying.

If the applicant receives no support for a minor child, *The Certification of Zero Support for Children* - MHDC Form #523 must be signed and notarized, stating that the child receives no child support, SSI or SSA, disability, etc.

J. CAR ALLOWANCE - If the car allowance is a reimbursement, the amount received would not be counted for MHDC purposes. However, if an applicant/occupant receivesa car allowance without expenses to offset the allowance, it must be counted as income.

K. **UNEMPLOYMENT COMPENSATION** - If an applicant has a job where he and she is consistently laid off due to weather conditions, model changes, etc., the unemployment compensation earned within the past 12 month period must be included in the calculation of income.

If an applicant has not been on the job for a full 12 months, determine the amount of unemployment compensation earned within the period of time of employment. Divide the regular earnings received by the actual period of time on the job. Multiply the result by 12 months or 52 weeks, depending upon the period used in the division. Add unemployment compensation to regular income. Use projected income for qualifying.

L. **TEACHERS** - The contract in effect at the time of loan closing will be utilized. In addition, any supplemental contracts or extra duty pay must also be counted. Any summer employment must be counted as well.

Miscellaneous Criteria -applicable regardless of calculation method used

Layoffs Due to Illness or Injury

The period of time that an applicant was not at work due to an illness or injury may NOT be counted to achieve a 12 month history for the purpose of overtime, bonuses, commissions, part-time employment, unemployment, seasonal work, etc.

To properly calculate income in this situation, determine the actual period of time worked within the 12 month period. Divide the earnings by actual period of time worked. Multiply the result by 12 months or 52 weeks, depending upon the period used in the division. Use projected income to qualify.

Quitting a Job after Application

If an applicant quits a job after the application has been taken, the income from that job must be used for MHDC purposes. **An applicant may not quit a job for purposes of qualifying for an MHDC loan.** The exception is:

1. Applicant quits a full time position to accept a new full time position, or
2. Applicant quits one or more part-time positions to accept a full-time position.

Applicants Close to the MHDC Maximum Income Limits

When the applicant is close to the maximum income limit and the employer will not provide the exact 12 month breakdown, the lender may NOT:

1. Use an average of more than twelve months, or
2. Attempt to project the income by taking previous year(s) earnings, dividing by twelve and multiplying by the number of months needed to achieve twelve months' earnings.

The lender may count all of the income earned in a period of time (if more than twelve months) and treat it as if it was earned within the twelve month period and **if** the applicant is still below the maximum an exact twelve months would not be required. However, if the above cannot be accomplished and the employer cannot or will not break out the information, the mortgage loan will be denied.

Treatment of Assets

Any liquid asset of $5,000 or greater will need to be multiplied by 2 percent of the annual interest (which includes checking, savings, etc.) unless the funds are being applied toward the purchase of the property.

Exception: 401K, stock, etc. are excluded as long as consistent withdrawal transactions are not taking place.

Example: Checking account balance: $10,500 x 2%= $210 (this amount would be added to the borrowers annual income).

Underwriting Income vs Program Projected Household Income

If the income figure for credit underwriting is higher than the projected income for MHDC, the income used for credit underwriting must be used. Total income calculations may not exceed the current Maximum Income Limits. Limits are subject to change from time to time. Make certain you are using a current chart.

The exception is if you are using the income of a co-signor for qualification purposes. Income from non-occupying co-signors is excluded from the total household income.

Another exception would be when a borrower purchases both units of a two unit property (duplex or two story flat). In this case only, the income anticipated to come from the rental of the second unit to be purchased may be used for underwriting purposes, which may exceed the income used for MHDC qualifying purposes by the amount of such rent. In addition, income from the second unit would not be included in the determination of compliance with the Maximum Income limits.

Please note: The calculation method for purposes of determining program eligibility is a different process than income used for credit underwriting. The calculations are used for two entirely different purposes.

Prior Approvals on Calculating Total Household Income

If an applicant is close to the Maximum Income Guidelines, the lender may request a prior approval from MHDC.

To request prior approval, lenders should submit *The Request for Prior Approval* - Form #521, and the applicable documentation detailed on this form for the type of prior approval requested, including:

- Copy of applicants loan application
- The number of persons intending to occupy the residence
- The reservation address and maximum income limits for that area
- Completed Calculation Worksheet
- Qualified documentation of income from all those intending to reside in the property
- Child Support, Assets, and documentation for other non-W2 income
- If overtime, commissions or bonuses are being used, the lender must set out details of exactly what was used and a schedule of income from pay stubs or other documentation used for arriving at the figures

Please note: It can be very difficult for MHDC staff to review a few pieces of paper and understand the entire situation. Income documentation should be treated the same asif in a file submission.

MHDC will either APROVE or DISAPROVE the file based on the information submitted to MHDC.

Requests will be accepted only if Form #521 and certifications are executed by a person who the lender has authorized to sign, and such authorization has previously been sent to MHDC.

MHDC requests that all prior approvals allow at least a 48-hour review time.

MHDC will not prior approve each loan for underwriting purposes. Only those close to the maximum limits should be submitted for review.

Example of Calculation Method

Information Found on the VOE

Applicant	Mr. Davis	Mrs. Davis
Job Description	Sales & Service Rep	Medical Sec. Receptionist
Full-Time Job	Yes	Yes
Start of Employment	04/15/11	12/05/12
Salary	$660 bi-weekly	$14,560 yearly
Date of Next Increase	not provided	not provided
Date of Last Increase	not provided	not provided
Info. Verified as of	08/04/15	07/10/15
Y-T-D Base	$8,500.00	$7,400.00
Y-T-D Commission	$6,234.73	0.00 (OT)
20014 Base	$8,510.00	$780.00
2014 Commission	$10,889.21	0.00 (OT)
Additional Information	On leave from 5/13/15 to 8/4/15, received base only	None
Anticipated Closing:	10/22/15	

MHDC would calculate the income as follows:

Applicant Name	**Description and calculation method**	**Annual Amount**
Mr. Davis	Base: $660 / bi-weeklyX 26 weeks = Commissions: 2015* $6,234.73 2014 + $_________= ÷ 9 mos x 12 mos =	$17,160.00 ___________ +

Mrs. Davis	Base:	$14,560.00

TOTAL PROJECTED ANNUAL HOUSEHOLD INCOME:		$

*Earnings as of 5/13/15

MHDC would need to know the amount of commissions earned from 8/9/14 to 12/31/14.

The employer verified the information as of 8/4/15; however, Mr. Davis did not work from 5/13/15 to 8/4/15; therefore, the actual period of time worked was determined and projected for 12 months.

Example of Calculation Method

Information Found on the VOE

Applicant	Mr. X		
Job Description			
Full-Time Job	yes		
Start of Employment	10/07/01		
Salary	$18.46 hourly		
Date of Next Increase	not provided		
Date of Last Increase	not provided		
Info. Verified as of	08/14/16		
Y-T-D Base	$23,016.55		
Y-T-D Overtime	$5,511.37		
2005 Base	$30,578.26	**Anticipated Closing Date:**	
2005 Commission	$6,614.39		9/15/16
Additional Information	Provided by the Work Number for Everyone (TALZ Corp.)		

MHDC would calculate the income as follows:

Applicant Name	Description and calculation method	Annual Amount
Mr. X	Base: $18.46/hour X 40 hours X 52 weeks =	$38,396.80
	Overtime: 2006 Y-T-D	$5,511.37
	2015 (8/15/15 to 12/31/15) +_________=	______________
TOTAL PROJECTED ANNUAL HOUSEHOLD INCOME:		$_____________

NOTE: MHDC is unable to complete the projection, as the specific breakdown of overtime earned during the period of 8/15/15 to 12/31/15 was not provided.

Looking at worst case:

Applicant Name	Description and calculation method	Annual Amount
Mr. X	Base: $18.46/hour X 40 hours X 52 weeks =	$38,396.80
	Overtime: 2016 Y-T-D	$12,125.76
	TOTAL PROJECTED ANNUAL HOUSEHOLD INCOME:	$50,522.56

If the applicant is under the maximum after you count all of the overtime earned in 2015+2016 as a full 12 month period, you would not need to obtain an exact 12-month breakdown.

Example of Calculation Method

Information found on the VOE

Applicant	Mr. Klein	Mrs. Klein
Job Description	Technician	Technician
Full-Time Job	Yes	Yes
Start of Employment	05/07/02	07/21/04
Salary	$10.10 hourly plus .50¢ shift difference	
Date of Next Increase	6/17 = 3%	6/17 = 3%
Date of Last Increase	6/23/16 = 4%	6/23/16 = 4%
Info. Verified as of	07/11/16	07/11/16
Y-T-D Base	$11,706.79	11,794.67
Y-T-D Bonus	$409.20	$409.37
1996 Base	$19,635.05	$20,366.54
1996 Bonus	$838.77	$865.22
Additional Information	OT Hrs included in base	OT Hrs included in base
Anticipated Closing	10/5/16	

Additional information provided to MHDC: (Note that both applicants work for same employer.)

B. Letter from employer stating that there is a vacation shutdown in summer coinciding with a major auto maker's production schedule.

MHDC requested additional information verified by the employer in writing: ***(Answers)***

1. During the period 7/1/15 to 6/30/16:

What has Mrs. Klein earned in overtime pay? **$1,318.20**
What has Mrs. Klein earned in bonus pay? **$1,026.00**
What has Mr. Klein earned in overtime pay? **$1,084.92**
What has Mr. Klein earned in bonus pay? **$1,002.60**
What amount has Mrs. Klein earned in unemployment compensation? **$39.00**
What amount has Mr. Klein earned in unemployment compensation? **$78.00**
How many weeks/days was Mrs. Klein laid off? **8 days**
How many weeks/days was Mr. Klein laid off? **8 days**

Continued on next page.

Continuation of Mr. & Mrs. Klein's projected income example.

With the information on the previous page, MHDC projected Mr. & Mrs. Klein's total household income as follows:

Applicant Name	***Description and calculation method***	***Annual Amount***
Mr. Klein	Base: $10.10 + .50 = $10.60 x 40 x 52 =	$22,048.00
	Overtime: (12 month earnings)	$1,084.9
	Bonus: (12 month earnings)	$1,002.6
	Unemployment Comp. (12 month earnings)	$78.00
Mrs. Klein	Base: $10.10 + .50 = $10.60 x 40 x 52 =	$22,048.0
	Overtime: (12 month earnings)	$1,318.2
	Bonus: (12 month earnings)	$1,026.0
	Unemployment compensation	$39.00
		$48,644.72

MHDC counted both applicants as working a full 40 hours per week, 52 weeks per year, in their base. In addition, MHDC also counted unemployment compensation against these applicants. The employer verified within the past 12 months that these applicants were laid off a total of 8 days. Therefore, MHDC deducted 8 days of pay for both applicants:

$10.60 hourly X 8 hours X 8 days =
$678.40 X two applicants = <1,356.80>

TOTAL PROJECTED ANNUAL HOUSEHOLD INCOME: $47,287.92

Example of Calculation Method

General information from the applicants' VOEs for a projected closing date of July 18, 2016.

Mr. Smith

Full Time Job

Start of Employment:	5/15/06
Salary:	$34,800 annually
Date of Last Increase:	8/18/05= $1,800
Date of Next Increase:	8/15/16= undetermined
Date signed by employer:	6/7/16
Y-T-D earnings as of 5/21/16	$12,046.23
2015 earnings:	$21,183.61
Bonus received within last 12 months:	$225.00
Part-Time Job - Start Date:	2015 as needed
Salary:	None noted
Date signed by employer:	6/6/16
Total earnings within last 12 mos:	$1,077.50

Mrs. Smith

Substitute Teacher obtained VOE's from all schools	
Part-Time summer job	
Start Date (Not employed after 9/30/16)	6/12/16
Earnings as of 7/13/16	$700

MHDC would calculate the income as follows:

Applicant Name	Description and calculation method	Annual Amount
Mr. Smith	Full Time Job - Regular wages	$34,800.00
	Bonus (from most recent 12-mos)	$225.00
	Part-time Job - Total earnings (from most recent 12-mos)	$1,077.50
Mrs. Smith	Substitute Teacher - Total earnings (from most recent 12-mos)	$4,236.33
	Part-time Summer Job	$2,450.00
	$700 ÷ 1 month x 3.5 months work time (to project the income)	
	TOTAL PROJECTED ANNUAL HOUSEHOLD INCOME	$42,788.83

Owner-Occupancy Requirements

Mortgagors must occupy the residence within 60 days of loan closing, and continue to occupy, as long as the bond loan exists, as his or her principal residence.

Mortgagors may not rent or transfer the residence as long as the bond loan exists on the property. Any assumption must be to an income qualified buyer and be approved by MHDC.

The following properties are not allowed with the First Place Loan Program:

1. A residence that has more than 15 percent (with the exception of child day care) of the total area reasonably expected or otherwise primarily intended to be used in a trade or business. (i.e., Qualifying deduction as an expense for business use of the home under the Code);

   NOTE: When there is a business in the home, a deduction for any cost of the home may not be taken as a business expense. (i.e., prorating the mortgage payment, taxes, insurance) and

2. A residence utilized as an investment property; or

3. A residence utilized as a recreational home.

Non-U.S. Citizens

Each applicant and their spouse must be a U.S. citizen or a lawful permanent resident alien to be eligible for MHDC financing. In addition, the subject property must be the borrower's principal residence and located within the state of Missouri. The borrower and their spouse must also have their own valid Social Security number.

MHDC will also provide financing to non-permanent resident aliens, provided:

1. Borrower occupies the property as the principal residence, and
2. Borrower has a valid Social Security number, and
3. Borrower is eligible to work in the United States.

Section 4 - Residence Eligibility Requirements

To qualify for the First Place Program, the residence to be purchased must meet the following definitions:

Location/Program Area – The property must be located within the state of Missouri.

Occupancy Requirements - The borrower must occupy the property within 60 days of closing. The property must be their full time principle residence.

Residence Type – any existing or new real property and improvements thereon including:

1. A single-family detached building
2. Manufactured house (see definition below)
2. Row House
3. Townhouse
4. One-half Duplex
5. Two-Unit Duplex*
6. Condominium

Duplexes and Income -

Effective 2004 both sides of an existing duplex or, both floors of a pair of flats may be purchased using the First Place Program as long as the unit is five years or older.

Rental income is not included in household income for the purposes of First Place Loan Program qualification. Two-Family underwriting guidelines must be followed at all times. The borrower must occupy one side of the unit.

Mobile and Manufactured Homes -

To qualify, the residence cannot be a mobile home, which is defined as follows:

- A home that is transportable in one or more sections built on a permanent chassis.

The exception is a double-wide mobile home that meets ALL of the following criteria:

- Must be placed on a permanent, poured foundation (i.e., a crawl space or basement) A "Skirted" unit will not be considered to be on a permanent foundation.
- Must be taxed as a single family residential home under the real estate tax rules and,
- Must be insured as a regular single family dwelling under sections of the act by HUD/FHA, USDA Rural Development, VA or, if the loan is

conventional, Fannie Mae eligible.

- Must meet all of the master servicer's requirements.

Non-Eligible Properties:

1. Single wide trailers.
2. Double wide trailers and manufactured housing with "skirting" also do not qualify for the program.
3. Residences that are located within a 100-year flood plain (see below for definition).

Flood Plains

The residence cannot be located within a 100-year flood plain.

(Effective 5/20/94). *This means **no portion** of the property being purchased can be located within the 100-year flood plain, not just that the dwelling may not be in the flood plain. An elevation certificate will not affect eligibility.*

Flood plain zones:

Zone	Definition
A	An area inundated by 100-year flooding for which no base flood elevations have been established.
AE	An area inundated by 100-year flooding for which base flood elevations have been established.
AO	Areas of 100-year shallow flooding where depths are between one and three feet; average depths of inundation are shown, but no flood hazard factors are determined.
AR	An area inundated by flooding, for which basic flood elevations or average depths have been determined.
AH	Areas of 100-year shallow flooding where depths are between one and three feet; base flood elevations are shown, but no flood hazard factors are determined.
ANI	An area that is located within a community or county that is not mapped on any published firm.
A99	**An area inundated by 100-year flooding for which no base flood elevations have been established. Areas of 100-year flood to be protected by flood protection system under construction**

B	Areas between limits of the 100-year flood and 600 year flood; or certain areas subject to 100-year flooding with average depths less than one foot or where the contributing drainage is less than one square mile; or areas protected by levees from the base flood.
C	Areas of minimal flooding; outside the limits of the 100-year and 500-year flood.
D	Areas of undetermined, but possible flood hazards.
X	Areas of 600-year flood; areas of 100-year flood with average depths of less than one foot or with drainage areas less than one square mile; and areas protected by levees from 100-year flood.
X	Areas determined to be outside 500-year flood plain.

Therefore, if a property is located within Zone A, AE, AO, AR, AH or A99, the property would not be considered an eligible property. For properties in Zone D, or in areas that have not been mapped, the lender must obtain prior approval for the property from MHDC. The Lender must provide a signed letter from a local government official, on letterhead, stating he or she can verify, without hesitation, that the property did not flood in 1993 or since. This must be done before loan closing. MHDC requests at least a 48 hour review time for all prior approvals.

Note: Flood zones that include an "*" often means the house itself is not in a flood plainbut part of the property/lot is. **This would disqualify the residence for the First Place Program.**

Several of our lenders have experienced difficulty in obtaining a letter from City and County governments to satisfy our requirements on Flood Zone D. Use of the language indicated in the following letter may assist you in obtaining their cooperation.

Issuing Government Letterhead

Date

TO: Missouri Housing Development Commission

FROM: Issuing Government

RE: Subject Property Address

I, name, official title/office, am familiar with the property indicated above, I state, without hesitation, that this property did not flood in 1993 nor has it flooded since then. I understand that I am not being asked to comment on the possibility of future flooding, or on any measures that may have been taken that may affect future flooding. This statement is made based upon my personal experience, and is not provided as a function of my official office. By providing this letter, neither I nor my official office are accepting any liability should any flooding occur in the future.

This letter is provided only to comply with MHDC requirements for areas that do not participate in the Federal Flood Zone Mapping program.

Flood Certification

All First Place Loans require a valid Flood Certification to be included with the loan package submitted to the master servicer.

HUD-Owned Properties

HUD-owned properties are acceptable; however, an appraisal is also required. In lieu of the appraisal, a HUD-performed certification of value is acceptable. If a Certification of Value is used, sales price and loan amount may not exceed certified value. Either HUD or their appointed representative must sign the Seller's Affidavit form #525.

Properties That Have Been Inherited

An applicant's interest in a residence that has been inherited will not be taken into account unless the applicant has occupied the inherited property as their principal residence within the past three years.

However, a mortgagor may not purchase a residence from the estate of a deceased relative, if such mortgagor is entitled under state law to inherit any interest in such residence upon final disposition of the estate, the program may not be utilized to "buy out the interest" of other owners of an inherited property.

Acquisition Cost Limitations

Acquisition Cost is the total cost of acquiring a residence from the seller as a completed residential unit.

- The acquisition cost or total principal amount of the First Place Loan cannot exceed the maximum sales price limits. (If the sales price is higher than the maximum, the difference between the sales price and maximum cannot be paid by anyone.)

- Generally, the acquisition cost or total principal amount of the First Place loan should not exceed the appraised value.

- MHDC may consider a total acquisition cost or total principal amount of the First Place Loan of no more than 4% over appraised value on a case-by-case basis. Any sales where the total acquisition cost or total principal amount of the First Place Loan exceeds the appraised value must be submitted to MHDC for review and approval.

USDA Rural Development and VA funding fees are allowed to exceed the appraised value.

The acquisition cost includes:

- All amounts paid, either in cash or in kind, by the mortgagor (or a related party or for the benefit of the mortgagor) to the seller (or a related party or for the benefit of the seller) as consideration for the residence (including the amount of any lien or assessment to which the residence is subject);

- If the residence is incomplete, the reasonable cost of completing the residence whether or not the cost of completing construction is to be financed with the First Place Loan; and
- If the residence is purchased subject to ground rent, the capitalized value of the ground rent calculated using a discount rate equal to the yield on the bonds as specified in the Commission Notice and assuming semi-annual compounding.

The acquisition cost does not include:

- The usual and reasonable settlement or financing costs, including title and transfer costs, title insurance, survey fees or other similar costs, credit reference fees, legal fees, appraisal expenses, points which are paid by the mortgagor (but not the seller, even though borne by the mortgagor through a higher purchase price) or other costs of financing the residence, but only in each case to the extent that the amount does not exceed the usual and reasonable cost that would be paid by the Mortgagor where financing is not provided through the use of tax exempt bonds;
- The value of services performed by the Mortgagor or members of the mortgagor's family, including only the mortgagor's brothers and sisters (whether by the whole or half-blood), spouse, ancestors and lineal descendants in completing the residence, e.g., sweat equity; and
- The cost of the land that has been owned by the mortgagor for at least two years prior to the date on which construction of the residence begins.

	To Determine Total Acquisition Cost:		
	Real Estate Sales Price		
OR	Actual Cost to Construct	$	________
	Plus the cost of the land, unless owned by purchaser for at least two (2) years prior to the date of which construction began;	+	________
	Plus the value of any services performed by someone other than a related party to the applicant, for which said services have been bartered for;	+	________
	Plus Amount of Rehabilitation;	+	________
	Less Sweat Equity (Labor ONLY) performed by purchaser or members of purchasers family, if included above;	-	________
			________
			________

Less Personal Property included in the Real Estate
Sales Contract; -

TOTAL ACQUISITION COST OF RESIDENCE: $

The total acquisition cost cannot exceed the Maximum Purchase Price Limit.

Non-Realty Items

All non-realty items included on the real estate sales contract, that are included in the contract purchase price, must be reflected on the Mortgagor's and Seller's Affidavits, as follows:

Example: The contract lists refrigerator, stove, microwave, and dishwasher as included in the sale. The following would then be inserted in the appropriate place on the affidavits:

> *List each item of unattached*
>
> personal property and the purchase price therefore:
>
> *Refrigerator, stove, microwave, and dishwasher included in sales price.*

HOWEVER, if a side agreement exists or the borrower agrees (within the sales contract) to pay a price for non-realty items over and above the price of the property, the items must then be listed along with the total price being paid for the non-realty items.

Example: The sales contract states that the borrower agrees to pay the seller $75 for a washer & dryer and $100 for patio furniture. The following would then be inserted in the appropriate place on the Seller's and Mortgagor's affidavits:

> *List each item of unattached*
>
> *personal property and the purchase price therefore:*
>
> Washer & Dryer = $75.00
>
> Patio Furniture = $100.00

CAUTION: When many items, or items not considered appliances, are included with the sale or in a side agreement, please use caution in ascertaining that items are not being sold to offset any MHDC Maximum Purchase Price Limits or that items sold in a separate agreement are sold at fair market value.

Sweat Equity

Sweat equity should be applied to the mortgage following the applicable insurer guidelines (HUD/FHA, VA, USDA Rural Development or Fannie Mae).

For purposes of determining the total acquisition cost of a residence, any labor performed by the applicant or immediate family (sweat equity) must be deducted.

An applicant may not receive any part of the sweat equity back at closing.

Buyers Paying for Repairs

Buyers may not pay more for the property than the appraised value.

Therefore, if the contract sales price and the appraised value are the same, the buyer may not pay for any repairs that are required on the appraisal. This includes repairs which were required as a result of an inspection required by the appraiser.

The exception is if the buyer is paying less than the appraised value and the repairs plus the sales price does not exceed the appraised value.

NOTE: If you are using a title company or escrow closing company, this should be a standard item on your instructions to the closer. Often this is not known until closing (i.e., amendment to contract produced at closing). The paying off of special assessments by the buyer can also be a problem if the special assessment payoff plus the contract price exceeds the appraised value.

Lenders should always give specific instructions to the title company if the title company is doing the loan closing. Such instructions should include (but not be limited to) the fact that you are sending a copy of the real estate sales contract. No further amendments to the sales contract may be used unless approved by the lender. Also remember to spell out allowable charges.

Excess Land Included in the Sale of Property

The federal regulations define land as follows:

LAND: Land appurtenant to a residence shall be considered as part of the residence only if such land reasonably maintains the basic livability of the residence and does not provide, other than incidentally, a source of income to the mortgagor.

In all cases, buyers shall stipulate that the land they are purchasing will not be used for agricultural production or for other income producing activities. This statement is included in the Mortgagors' Affidavit, MHDC Form #535.

- Any rural property exceeding **ten acres** is not eligible for First Place Program. There will be no exceptions.
- All urban properties should include only the amount of land consistent with other homes in the neighborhood. (Example: All lots in a subdivision are typically 100 feet wide; a double size lot (two lots) would not be consistent or typical for the neighborhood and would require prior approval.)

Section 5 - Mortgage Loan Requirements

FICO Score

The following guideline change is effective on April 15, 2013 for all new mortgage reservations:

- Minimum Credit Score - MHDC loan recipients (CAL and NON CAL) must have a minimum credit score of 640 or 680 for manufactured homes and,

- Maximum Debt to Income Ratio (DTI) must be 45 percent or less. DTI can go to 50% for FHA and conventional Loans but the minimum credit score will be 680.

All loans must originate and underwrite in compliance with FHA, VA, RD, FHLMC, and FNMA guidelines, which may have a minimum credit score requirement greater than 640.

Lenders reserve the right to be more restrictive.

CAL Funds

CAL stands for cash assistance loan. This means if the borrower qualifies for the program they can receive 4% of the loan amount in the form of cash to help with down payment and closing cost.

The CAL funds are in the form of a ten year forgivable 2nd mortgage and will start to diminish after year five and be completely forgiven after year 10. The lender must front this money at the closing table and then will be reimbursed at the time the loan is purchased by the master servicer with MHDC funds.

Lenders' Fees and Charges

Allowable fees and points which the lender may collect are the following *(effective January 1, 2020)*:

1. **Origination Fee** – Originating Lenders may charge 1%

2. **Tax Service Fee** - An $84 Tax Service Fee must be collected on each mortgage. The fee will be collected by MHDC's master servicer upon purchase of the mortgage. (For FHA, VA and RD loans, this fee can be shown on the Seller's side)

3. **Application, Processing or Underwriting Fee** - Originating lenders may charge up to $1,100 on each first mortgage.

   NOTE: If included in the Origination Fee, a breakout must be included in the file specifically noting the amount of the "Application, Processing or Underwriting" fee or a combination of all three not to exceed $1,100 total.

4. **Servicing Release Premium (SRP)** - The lender will be compensated with a 2% SRP for all loans at the time of loan purchase.

5. **Loan Funding Fee** – The maximum amount for this fee is $200. This amount will be netted from the lender purchase from the master servicer and may be charged to the buyer or seller.

6. The actual amounts paid or escrowed for Taxes, Insurance, Mortgage Insurance Premiums (MIP), Credit reports and verifications including:

- Home inspection fee, maximum amount **$400**
- Pests inspections or treatments
- Flood letter
- Survey
- Mortgage insurance premium
- Attorneys' fees
- Appraisers' fees
- Third party verification of employment (Work Number for Everyone)
- Desktop Underwriter fee
- Title Company Fees that can be charged are as follows:
    - Title examination and opinion
    - Title insurance
    - Any required title policy endorsements
    - Filing and recording fees including Efile fee
    - Settlement/Closing Fees may not exceed $350 for the Borrower or Seller on the CD. The Seller may opt to pay the Borrower's fees which cannot exceed $700 total. If the title company is going to charge a closing fee on the second mortgage, the maximum fee allowed is $50
    - Overnight or Courier Fee maximum amount $25
    - Wire Fee maximum amount $20

No other fees, charges or other remuneration will be received directly or indirectly by the Lender in making any mortgage loan unless specifically authorized in writing by Missouri Housing Development Commission.

Such costs, fees and charges will be reviewed by MHDC and will be disapproved if MHDC determines that they exceed the usual and reasonable costs.

The following fees may not be charged:

Document Preparation Fees	By lender or title company
Email Doc Fee	
Download Fee	
Commitment Fees	

Settlement/closing fees	These fees, when paid to a third party, are acceptable. However, the maximum allowable loan closing fee paid by the borrower or the seller or any amount paid on behalf of the borrower is $350.00. For the second mortgage the max is $50.
Discounts points	Not allowable except as set out in the Commission Notice.
Notary Fees	$15 maximum on FHA and conventional loans.
Real Estate Sales Commissions or Real Estate Administrative Fees	These fees may never be paid by the buyer.
Federal Express/overnight charges	To the buyer(s) are prohibited without prior written consent of the buyer and may be charged to the buyer only under certain circumstances. All charges in connection with loan papers being sent to FHA, VA, USDA Rural Development or MHDC (or in some cases to the Master Servicer for purchase) must be borne by the originating lender.

Loan Closing Requirements

A. All lenders will be responsible for closing loans they originate. This means that all lenders will be responsible for all buyers and sellers First Place Loan Program documents for home loans originated by them. However, a closing agent such as a title company or escrow closing company may be used.

B. The First Place Loan must be:

- Held in a fee simple title;
- Secured by a mortgage creating a first lien on a residence which is located within the program area;
- Fully documented and underwritten in accordance with prudent industry standards in GNMA, FHLMC, or FNMA form and FHA, USDA Rural Development or VA acceptable form;
- Made for the purpose of purchasing the residence and not for the purpose of replacing any existing loan on any such property (other than a construction loan or similar temporary financing);
- A term of 30 years and bear a specific interest rate, as defined on the approved reservation form obtained from Lender On Line;
- Payments come due on the first day of each month.

C. The First Place Loan must not:

- Be subject to a "buy down" agreement (except for a "buy down" approved by the Commission in writing),
- Be made to any of the officers, directors or principal shareholders of the Lender,

or to any of the officers or directors of the Trustee, or to Commissioners or executive officers of the Commission.

D. Each lender will submit a Lender's Certificate (Form #520) with the MHDC Submission Package with supporting documents for each mortgage loan originated by them to MHDC within 15 days of closing.

E. MHDC will issue an approval to the originating lender once the loan package is determined to be in compliance with the program. The approval letter (Form #195) will be sent via email to the contact person listed by the lender on Form #520. Copy of approvals may also be obtained through the Lender On Line system.

Timely Delivery

MHDC may, at its sole discretion, remove a lender from the First Place Loan Program if delivery of files is consistently late and/or the files contain numerous deficiencies.

Eligible Loan Programs

FHA Loans: Must be originated and underwritten in compliance with FHA loan guidelines. The following FHA Insured loan programs are eligible: 203 (B), 234 (C), and other acceptable FHA insurance programs. If automated underwriting is used, only those loans rated "Accept" will be eligible for purchasing.

VA Loans: Must be originated and insured in accordance with VA guidelines under 1810 and 181A. If automated underwriting is used, only those loans rated "Accept" will be eligible for purchasing.

USDA Rural Development Loans: Must be originated and insured in accordance with the Guaranteed Rural Housing Program.

FHLMC/FNMA Conventional Loans: (**Effective July 2020)** must be originated under theFHLMC HFA Advantage or FNMA HFA Preferred Mortgage loan program. If the borrower is at or below 80% ofAMI they can receive a slightly lower interest rate. The income limit will be based on by thecounty the borrower is purchasing the home. Please find a list of the income limits on ourLender Online website under the program document link.

For borrowers that are over 80% of the AMI starting 1/27/2020. The lenders will still have to use the FHLMC HFA Advantage or FNMA Preferred loan program to qualify the borrower. Because of the pricing from FHLMC/FNMA, borrowers over 80% of the AMI will result in a 50 bps increase inthe First Place loan product interest rate to the borrower.

The 80% AMI or below is based off the **qualifying** income not MHDC household income. Qualifying income will be the income the lender will be entering into LP/DU when underwriting the loan.

Loans must be originated and insured in accordance with FHLMC/FNMA guidelines. **Single Premium Mortgage Insurance is allowed.** If these options require a loan-level price adjustment, these options must be charged to the borrower.

For any concerns about eligible loan programs, please contact the Homeownership staff or the Master Servicer.

Underwriting

NOTES:

MHDC does not participate in the underwriting process. Any underwriting questions should be referred to your staff underwriter or the master servicer.

Refer to First Place Program guidelines, for the applicable bond issue, for additional underwriting eligibility requirements.

Lenders may utilize a contract underwriter. In the event a lender does not have the capacity to underwrite FHA or VA loans, these loans may be underwritten on a correspondent basis with any other participating lender. Fees for this service are an eligible expense, subject to MHDC maximums, and should be negotiated by the originating lender.

Escrowing for Repairs

- The MHDC documents recite that all funds have been disbursed.
- The IRS rules do not recite any provisions for escrowing for repairs. The lender should use discretion when agreeing to an escrow and all escrows should be weather-related.
- In addition, a minimum of two bids should be received by the lender and the lender must escrow a minimum of 1.5 times the highest bid.
- All escrows for repairs should be prior approved by MHDC.

Mortgage Loan Insurance or Guaranty

The mortgage loan must be insured or guaranteed as follows:

- Insured by FHA
- Guaranteed by VA
- Guaranteed by USDA Rural Development, formerly known as FmHA or RECD
- Insured by a private mortgage insurer acceptable to FHLMC and FNMA, if private mortgage insurance is required.

Refer to FHLMC/FNMA guidelines, to determine required levels of mortgage insurance coverage requirements.

The lender must use the appropriate note and deed of trust form as required by the mortgage loan insurer or guarantor.

FHA 203(k) Loans

FHA 203K loans are no longer accepted to use in conjunction with the First Place Loan Program.

Relocation Companies

Relocation companies may not sign the seller's affidavit (Form #525) as a power of attorney. The only time a relocation company may sign the seller's affidavit is when they take title and pass title to the MHDC borrower(s) by a warranty deed.

Borrowers to Receive a Rent Credit

If a borrower had a lease with an option to purchase and executed that right to purchase, the total amount of rent credit that can be given to that applicant is the amount paid over and above the fair market rent for that particular area, as established by the appraisal. Lenders should be certain they are requesting the type of appraisal that reflects this information if they are using a rent credit.

Sellers to Remain in Property after Closing

In the case where the seller is intending to occupy the residence after loan closing, it is acceptable for the seller to pay the buyer rent for a period up to, but not to exceed, 60 days. The amount of the rent may not be in excess of the actual payment.

However, if the rent is withheld at closing, the buyer may not receive any portion of these funds. The lender will need to place this money in an account and when the first payment is due, credit the amount toward the payment. The funds cannot be prepaid.

Federal regulations state that the buyer must occupy the residence within 60 days after closing.

Co-Signers vs Co-Borrowers

Co-Signers:

Co-Signers are acceptable if they are acceptable to FHA, VA, USDA Rural Development or FHLMC/FNMA Mae.

Co-Signers:

- Cannot live in the property
- Will not sign the Mortgagor's Affidavit Form #535
- Are not included for qualifying purposes. Do not submit their tax returns or income verification to MHDC
- Cannot take title to the property

Co-Signers will only sign the following:

- Note
- Addendum to the Note (Form #570)
- Co-Signer's Affidavit (Form #575)

  The word "co-signer" must be typed and appear on both the note and the addendum below the line where the co-signer actually executes the document.

Co-Borrowers:

Co-Borrowers must live in the property and their income must be included in the calculation of total projected household income for MHDC purposes.

Co-Borrowers:

- Must execute the Mortgagor's Affidavit Form #535
- Must include their income documentation for the purpose of meeting MHDC maximum income limitations
- Must occupy the property as their full time, principal residence
- Must be a first-time homebuyer (unless buying in a targeted area or they are a qualified veteran)

Use of Power of Attorney (POA) For the Execution of MHDC Documents:

The seller's affidavit, when executed by an attorney-in-fact, must adhere to all requirements that would apply if the seller themselves were signing.

It is the lender's responsibility to ensure that good title passes to the buyer when a Power of Attorney is used. In all cases, a Power of Attorney may only be used if the same POA was utilized to execute the real estate contract.

Use of a Power of Attorney for a buyer is not acceptable under any circumstances, except active duty military personnel stationed outside of the Continental United States. In this case, a Power of Attorney issued by the Judge Advocate Generals' office will be acceptable and must be prior approved by MHDC.

Borrowers under the Age of 18

A minor (under the age of 18) in the state of Missouri, when married to an adult, becomes an adult for the purpose of real estate laws in Missouri and can own real estate.

A minor cannot be held liable on a note or security agreement regardless of the minor's marital status.

In this case, the minor will not sign the note or addendum to the note, but will sign all other MHDC documents. The minor's name will be on the title.

Prepays

Mortgagors are not required to pay their own prepays.

Section 6 - Loan Closing Documents

All closing documents must be printed from the Lender Online website.

Lenders are not permitted to retype these documents or scan the documents to be loaded into their own document generating system. Lenders may not make any corrections or additions to the documents. Hand-printed documents will not be accepted.

Electronic Documents (EDocs)

All compliance files must be uploaded via Lender Online (LOL) to both MHDC and the Master Servicer. All MHDC files must be signed and scanned and uploaded as one file in PDF format and submitted to MHDC in the stacking order of the form #505 check sheet.

EDocs will eliminate paper files being sent to MHDC and will also eliminate the need for originals and live signatures on MHDC documents.

MHDC Required Compliance Package Documentation

Form #505 – MHDC Check Sheet/File Stacking Sheet

Bond Specific Document to be signed at the time of loan application

The following document must be signed at the time of loan application or as soon as it is determined that the applicant is applying for a *First Place Loan Program* loan:

Form #515 - Potential Borrower's Affidavit

Form #516 – Certification of Non Ownership Interest (to be signed by the spouse not on the loan but living in the home)

Bond Specific Documents to be signed at the time of loan closing:

Form #535 - Mortgagor's Affidavit

Form #525 - Seller's Affidavit

Form #560 - Notice to Mortgagors (for government loans only)

Form #570 - Addendum to Note

Form #555 – Recapture Tax Notification

Form #580 – Tax Exempt Financing Rider

Any other specialty form needed for a particular file.

Verifications of Employment

Documentation must be included to support the calculated household income. This documentation may not be older than four months on the day of loan closing.

Lender's Certificate (Form #520)

For clarification purposes, please note that page two of the Lender's Certificate, item number eight, must be completed only in the event that the lender has been unable to satisfy itself as to the truth of the statements made by the mortgagor in paragraph 16 of the Mortgagor's Affidavit, from other documentation.

Paragraph 16 of the Mortgagor's Affidavit is as follows:

> I have not been lawfully entitled to claim any deductions for federal income tax purposes for taxes or interest on indebtedness with respect to real property constituting my principal residence for any portion of the three-year period prior to the date of execution hereof.

In the event the lender doubts this statement, a qualified employee of the lender will examine the tax, assessment or deed records of the county (and the mortgagor's last county of residence, if different than above) to determine whether any property was owned by the mortgager in either of said counties during the prior three-year period.

If this is done, the name of the county for which the lender reviews the records should be placed into this blank. If this is not done, the line need not be completed.

Paragraph seven of the document states that the lender has reviewed the credit reports from all three bureaus and has verified that the borrower(s) have not incurred indebtedness to finance a principal residence during the three-year period prior to the execution of the mortgage. Certification of this statement will eliminate the need for the borrower(s) three-year tax return.

Seller's Affidavit (Form #525)

All parties involved in the sale of the subject property must sign the Seller's Affidavit. Any person executing the Warranty Deed must execute the Seller's Affidavit.

If the property is in an estate and a personal representative/executor has been named, the personal representative/executor would sign the Seller's Affidavit.

> EXAMPLE: If a husband and wife are selling the subject property, both must sign the Seller's Affidavit. If a spouse waives marital rights or signs a quit-claim deed prior to closing, for example to avoid taking a day off from work to be at the closing table, they must still sign the Seller's Affidavit.

Every person who signs the warranty deed must sign the Seller's Affidavit. This includes all spouses of individuals holding title. In the event that there is not a seller of the residence (i.e., the applicant owns the lot/land and performs the duty of a contractor), a Certification of Cost, Form #530, is used in lieu of the Seller's Affidavit.

Federal Income Tax Returns

Copies of the income tax returns are not required. The only time tax returns will be required is if the borrower(s) or spouse of the borrower(s) is self-employed. In that case only the prior year's returns will be required for income calculation.

Real Estate Sales Contracts

As noted above, in some circumstances, there may not be a sales contract (i.e., applicants own the lot/land and they are performing the duty of a contractor). In these instances, applicants must complete a Certification of Cost -Form #530.

The real estate sales contracts must have been executed by the seller and purchaser.

All pages and addendums must be included in the MHDC loan submission package.

Closing Disclosure Statement - CD

On August 1, 2015, the CFPB final lending and disclosure forms went into effect. The CD must clearly identify all costs paid by the buyer and by the seller. It must also clearly identify the cash assistance loan (CAL), if utilized.

The fees must be broken out for MHDC loans in one of three ways:

1. Break out the fees on the LE,
2. Break out the fees on the CD, or
3. Break out the fees on a separate document just for MHDC.

If the lender is going to combine all the fees together on the LE and the CD then the lender must break them out on a separate document for MHDC.

Origination Fees: If the lender combines fees together under the origination fee, it will be acceptable since this will not hurt the bonds because it is not a set point. However, MHDC must have an itemized break out of these fees amount identified for MHDC purposes.

Cash Paid To Borrower At Closing: In no case may any portion of the CAL be paid to the buyer. The borrower can only get back funds that they paid out of pocket prior to closing. The buyer may also not receive any cash back for costs paid by the seller, any other loan program utilized in conjunction with the First Place Loan Program, or from any gifts provided on behalf of the buyer.

Paying Off Debts With CAL Funds: In no case may any portion of the CAL funds be used to pay off the borrower's debt. If the borrower has to pay off debts to qualify for the mortgage then they must pay for those debts outside of closing or have enough money into the transaction to cover such payments.

Federal Recapture Tax

All loans under this bond issue and all loans that were closed on or after January 1, 1991, are subject to Federal Recapture Tax.

A. The applicant(s) should be made aware from the onset of the application process that their loan will be subject to Potential Recapture Tax. All loan officers and persons taking loan applications should familiarize themselves with the Potential Recapture Tax provisions and be able to fully explain such regulations to the applicant(s).

B. The following three items must <u>all</u> occur in order for the borrower(s) to be subject to potential recapture tax:

1. Borrower sells the home within the first nine years of the First Place Loan origination date and;

2. Borrower's adjusted gross income for the year that they sell the home exceeds the income set out on the chart for the year in which the home is sold (the chart is on page three of the Notice of Potential Recapture Tax - Form #555.); and

3. Residence is sold at a net profit (regardless of whether the gain is included in borrower's income for federal income tax purposes for that year).

Situations one, two and three must occur before the borrower is subject to recapture tax. If only one or two of the above situations occur and the others do not, the borrower would not be subject to recapture tax.

C. The maximum recapture tax which the borrower may be required to pay is the lesser of:

1. Six and a quarter percent of the highest principal amount of the mortgage loan, or

2. Fifty percent of the gain on the sale of the property

It is not possible to predict the amount of recapture tax that would apply should the house be sold. It depends on the year in which the residence is sold, the amount of gain, etc.

Recapture tax is imposed by an IRS regulation. Lenders should refer the applicant to a tax consultant, if additional information is sought. The IRS Form 8828, Instructions to Form 8828 and IRS Publication 551, Basis of Assets are available at www.irs.gov. These forms, and Form #555, are needed to calculate the amount of tax that may be owed. In many cases, IRS Publication 551 will identify maintenance or improvement items that will increase the base price of the home, limiting the amount of Recapture Tax owed.

Information for Home Buyers Regarding Recapture Tax

Your mortgage loan has been financed with the proceeds of tax-exempt qualified mortgage bonds. As a result, pursuant to Section 143(m) of the Internal Revenue Code of 1986 (the code), at the time you dispose of your residence (through sale, exchange or gift) you may be subject to a special recapture tax for federal income tax purposes. The information contained in this summary may assist you in understanding the recapture tax. However, you should consult your own tax advisor at the time you dispose of your residence to determine the amount, if any, of such recapture tax.

The **<u>recapture tax generally applies</u>** if you dispose of your residence within nine years from the date of the closing of your loan or the date you first became liable in whole or in part on the loan (i.e., the date you assumed the loan from the previous owner of the residence), whichever is earlier. The recapture tax is limited to a maximum of 6.25% of the highest principal amount of the loan for which you were liable, or one-half of the gain realized from the sale or other disposition of the residence, whichever is less.

As described below, the amount of the recapture tax may be reduced depending on how long you remain in the residence and your family income at the time you dispose of the residence.

<u>Computation of recapture tax</u> The amount of the recapture tax, which is added to your individual income tax liability for the year in which the residence is disposed of, is equal to the lesser of:

A. One-half of the gain realized from the disposition of your residence, or
B. The product of
   1. The federally subsidized amount (FSA),
   2. The holding period percentage and
   3. The income percentage

The FSA is 6.25% of the highest principal amount of the loan for which you were liable. For example, if the principal amount of your loan on the date you became liable for the loan was $50,000, the FSA is $3,125 ($50,000 x 6.25% = $3,125).

Holding period percentage is generally determined as follows:

If you dispose of your residence during a year after the date on which you first acquire your residence, which is:	The holding period percentage is:
The 1st such year	20%
The 2nd such year	40%
The 3rd such year	60%
The 4th such year	80%
The 5th such year	100%
The 6th such year	80%
The 7th such year	60%
The 8th such year	40%
The 9th such year	20%

Special rules for calculating the holding period percentage apply if your tax-exempt bond-assisted loan is fully repaid without sale or other disposition of your residence during the nine-year recapture period.

Income Percentage. The income percentage is the percentage (not in excess of 100%) by which the excess of your modified adjusted gross income for the year you dispose of your residence exceeds the adjusted qualifying income for that year. Modified adjusted gross income is adjusted gross income plus tax exempt interest income, and isdetermined by excluding any gain recognized on the disposition of the residence. For example, if your modified adjusted gross income in the year you dispose of your residenceis $45,000, and the adjusted qualifying income in that year is $42,500, the income percentage would be 50 percent (45,000-42,500 = 2,500) (2,500 ÷ 5,000 = 50%). At thetime you receive your loan, your lender will provide you with a form which will enable youto determine your adjusted qualifying income.

Limit based on amount of gain. The recapture tax can never be more than one-half of the gain realized on the disposition of your interest in the residence. For example, if you purchased your residence for $50,000 and sold it for $55,000 the recapture tax could not exceed $2,500 ($55,000 - $50,000 = $5,000 ÷ 2 = $2,500).

EXAMPLE

Husband and wife buy a house on January 15, 2001, receiving a $50,000 tax-exempt-bond financed loan. They sell the house on January 10, 2004, at a gain of $1,500.

The FSA is $3,125 (or 6.25% of $50,000). Since they sold their house in the third year after its purchase, the holding period percentage from the table set forth on the previous page is 60%. The income percentage (computed assuming the facts set forth on the above paragraph titled income percentage) is 50%. Husbands and wife's recapture amount would be $937.50, computed as follows:

FSA	x	Holding Period Percentage	x	Income Percentage		
$3,125	x	60%	x	50%	=	$937.50

However, since $937.50 is greater than one-half of the gain on the sale of the house,

($1,500 x 50% = $750), the recapture tax would be $750.

If Husband and wife had sold the house for a gain of $2,000, the recapture tax would be $937.50, since $937.50 would be less than one-half the gain on the sale of the house [$2,000 x 50% = $1,000]).

Refinancing or Prepayments. Refinancing or prepayment of a loan without a disposition of the residence will not trigger the recapture tax. However, the tax will apply in the case of disposition during the nine-year recapture period, regardless if the house has been refinanced.

Disposition in which the tax-exempt bond-assisted loan is assumed. A residence disposition accompanied by a tax-exempt bond-assisted loan mortgage assumption triggers the recapture tax. Also, the new mortgagor who assumes the loan starts a new nine-year recapture period on his liability for the recapture tax.

Events in which "recapture tax" does not apply:

1. Death of a mortgagor terminates his liability for the "recapture tax," but liability of other surviving mortgagors is unaffected.

2. If a residence is involuntarily converted as a result of a fire, storm or other casualty, and the mortgagor repairs the residence or builds a new residence on the site of the converted property within two years following the end of the year in which any part of the gain on the conversion is realized (as opposed to disposing of the house or the land), the recapture tax does not apply to the conversion. Liability for the recapture tax continues on the repaired or new house.

3. The recapture tax does not apply to a transfer of an interest in a residence to a spouse or former spouse in a transaction where no gain or loss is recognized. Generally, this occurs upon transfer between spouses during marriage or between former spouses as a result of a divorce. The person to whom the residence is transferred assumes the liability for the recapture tax, and is treated in the same manner as the transferor would have been treated had the transfer not occurred.

4. If using taxable bonds, recapture tax does not apply.

The "Notice of Potential Recapture Tax," is provided by Missouri Housing Development Commission pursuant to Section 143(m) (7) of the code. These forms will change when income limits change. Please check with MHDC to be certain that you are using the most current form.

Section 7 - Use of First Place Program with Other Programs

- First Place Programs may be used in conjunction with programs offered by other entities, such as city or county government, provided that it is acceptable to use their program with the state of Missouri. The use of the Nehemiah Program or other similar seller-funded programs is specifically prohibited.
- First Place Loan Programs using tax-exempt bonds may not be used in conjunction with Mortgage Credit Certificates.
- First Place Loan Programs may not be used with any type of interest bearing second mortgage product from a for-profit company.
- If any other program is used in conjunction with the First Place CAL Program. The MHDC CAL must be in second position.

Secondary Financing

The agreement between MHDC and the master servicer does not preclude the mortgagor, who has purchased a residence and for which a mortgage loan was originated by a lender from granting on the closing date any second deed of trust or other lien or mortgage instrument, provided, however, that the creation of any such subordinated lien shall have been approved by lender, FHA, USDA Rural Development, VA or the PMI insurer and GNMA, FHLMC, or FNMA as applicable.

- All secondary financing programs must be approved in advance by both MHDC and the master servicer.
- Purchase money second mortgage programs designed to avoid Private Mortgage Insurance (80/20, 80/10/10, etc.) are not allowed.

Section 8 - Sale of Mortgage Loans

NOTE: Lenders must utilize Mortgage Electronic Registration System with loans sold to the master servicer. This is mandatory. For more information on using MERS, please contact the master servicer.

Amounts Paid to Originating Lenders

A. For each first mortgage loan originated by a Lender, which is in compliance with all of the terms and conditions of the agreement between MHDC and the master servicer shall pay to the lender a purchase price equal to the Mortgage Loan Purchase Price (as defined in the Commission Notice).

B. On or prior to the date of purchase of the first mortgage loan, all mortgagor payments on account for taxes or insurance collected by the lender with respect to a mortgage loan prior to such purchase date will be held by the lender and will be transferred by the lender to the master servicer.

C. As a condition of the purchase of the first mortgage loan by the master servicer, the mortgage loan will:

1. Be current in payments of principal and interest, taxes and insurance, if required;
2. Bear interest at the stated rate (as defined in the Commission Notice); and
3. Be in compliance with the agreement between MHDC and the master servicer and the requirements of FHA, VA, RD, and GNMA, FHLMC, or FNMA, as applicable.

D. The CAL funds will be purchased from the originating lender at the time the first mortgage loan is purchased.

E. At the time the mortgage loan is purchased, the master servicer and MHDC will pay the lender the following for loans:

100.00%	of the unpaid principal balance
2.00%	Servicing Release Fee (amount is subject to change)
102.00%	Payment by master servicer
4.00%	CAL reimbursement by MHDC
106.00%	Total payment

Please verify amounts in the Commission Notice.

NOTE: If the mortgage loan is paid in full prior to purchase, MHDC will not reimburse the CAL. If the mortgage is not eligible for securitization, MHDC will require the repurchase of the mortgage loans.

Master Servicer

Prior to the purchase of GNMA/FHLMC/FNMA Security, master servicer is to provide the trustee and MHDC the following:

A. GNMA/FHLMC/FNMA Security Form #11706, and

B. Cover letter directing trustee and MHDC of the specific date of the intended funding.

GNMA and FHLMC/FNMAe securities must contain an issue month identical to the month ofthe funding. (A security cannot have an issue date of January, and fund in the month ofFebruary.)

All originating lenders must sell all loans to MHDC's designated master servicer. Optional mortgage life or disability insurance is not available through the master servicer.

SALE OF LOANS TO MASTER SERVICER

Note: These instructions are specific to selling loans to US Bank master servicer as of 7/01/20. Should the master servicer change, sale procedures will change. Please refer to https://www.usbank.com/corporate-and-commercial-banking/industry-expertise/correspondent-lending.html.

MHDC GEOGRAPHICAL AREAS

St. Louis Metro:	Counties:	Franklin, Lincoln, Jefferson, St. Charles, St. Louis County, Warren, Crawford (Sullivan City only) and St. Louis City
Kansas City Metro:	Counties:	Caldwell, Cass, Clay, Clinton, Lafayette, Platte, Ray and Jackson County
Columbia Metro:	Counties:	Boone County
Joplin Metro:	Counties:	Jasper and Newton
Springfield Metro:	Counties:	Greene, Christian, Webster
St. Joseph Metro:	Counties:	Buchanan, Andrew and DeKalb
Jefferson City Metro:	Counties:	Cole and Osage

OUTSTATE (RURAL):

Northeast Counties:	Adair, Audrain, Clark, Cooper, Knox, Lewis, Macon, Marion, Monroe, Montgomery, Pike, Ralls, Randolph, Schuyler, Scotland and Shelby
Northwest Counties:	Atchison, Carroll, Chariton, Daviess, Gentry, Grundy, Harrison, Holt, Johnson, Linn, Livingston, Mercer, Moniteau, Nodaway, Pettis, Putnam, Saline, Sullivan and Worth
Southeast Counties:	Butler, Bollinger, Callaway, Cape Girardeau, Carter, Crawford, Dallas, Dent, Douglas Dunklin, Gasconade, Howell, Iron, Madison, Maries, Mississippi, New Madrid, Oregon, Ozark, Pemiscot, Perry, Phelps, Polk, Reynolds, Ripley, Scott, Shannon, St. Francois, Ste. Genevieve, Stoddard, Texas, Washington, Wayne and Wright
Southwest Counties:	Barry, Barton, Bates, Benton, Camden, Cedar, Dade, Henry, Hickory, Laclede, Lawrence, McDonald, Miller, Morgan, Pulaski, Stone, St. Clair, Taney and Vernon

Section 9 - Gross Annual Household Income Limits

Effective 4/18/2022

MHDC
First Place Loan Program
State of Missouri

	NON-TARGETED AREAS		TARGETED AREAS	
	1-2 persons	3+ persons	1-2 persons	3+ persons
Kansas City MSA ***(Counties of Caldwell, Cass, Clay, Clinton, Jackson, Lafayette, Platte and Ray)***	**$96,800**	**$111,320**	**$116,160**	**$135,520**
Jefferson City MSA ***(Counties of Cole, Osage)***	**$82,700**	**$95,105**	**$99,240**	**$115,780**
Columbia MSA ***(Counties of Boone and Howard)***	**$88,000**	**$101,200**	**$105,600**	**$123,200**
St. Louis MSA ***(Counties of Franklin, Jefferson, Lincoln, St. Charles, St. Louis City, St. Louis County and Warren)***	**$94,900**	**$109,135**	**$113,880**	**$132,860**
All Other Areas	**$80,900**	**$93,035**	**$97,080**	**$113,260**

SUBJECT TO CHANGE

PLEASE MAKE CERTAIN YOU ARE ALWAYS USING THE CORRECT CHART.

MHDC Maximum Purchase Price Limits

These are subject to change from time to time in accordance with regulations.

Effective April 18, 2022 there will be a single set of purchase price limits used state-wide.

Two-family units are allowed, but must they be at least five years old.

Non-Target

1 Family: $349,525

2 Family: $447,542

Target

1 Family: $427,198

2 Family: $546,995

Section 10 - Staff Names and Telephone Numbers

Missouri Housing Development Commission
920 Main, Suite 1400, Kansas City, MO 64105
816-759-6600

Homeownership Department		**Phone**
Rick Laughrey	Homeownership Director	(816)759-6814
Christopher Hendrickson	Homeownership Manager	(816)759-6812
Rachel Davis	Homeownership Sr. Officer	(816)759-6818
Roxie Weaver	Mortgage Compliance Officer	(816)759-6830
Hailey Wilkins	Homeownership Officer	(816)759-6893

Homeownership Department Fax Number: (816) 384-1000

E-Mail Addresses:

Rick Laughrey - rick.laughrey@mhdc.com

Christopher Hendrickson - christopher.hendrickson@mhdc.com

Rachel Davis – rdavis@mhdc.com

Roxie Weaver – Roxie.weaver@mhdc.com

Hailey Wilkins - hailey.wilkins@mhdc.com

Information on MHDC programs, including the First Place Loan Program, can be found on our website: http://www.mhdc.com

EQUAL HOUSING OPPORTUNITY

Section 11 - Federally Targeted Census Tract Areas

Targeted Area means an area in which 70 percent or more of the families have an income that is 80 percent or less of the statewide median income or an area of chronic economic distress in such an area has been designated by the commission and approved by the secretaries of the Treasury and Housing and Urban Development; provided that, in either case, only those areas meeting the foregoing criteria and designated by the commission as Targeted Areas shall be deemed to constitute Targeted Areas.

NOTE: Borrowers purchasing within a Targeted Area do not have to meet the first-time homebuyer requirement, and the income limits and purchase price limits are higher for said areas.

Please use the website www.ffiec.gov **to locate census tract numbers.**

2013 Federally Targeted Census Tracts are:

COUNTY	CENSUS TRACT NUMBER
Adair	9503
Benton	4604
Boone	0005, 0009, 0021 & 0022
Buchanan	0012
Butler	9507
Cape Girardeau	8814 & 8816
Cole	0207
Dunklin	3601 & 3606
Greene	0001, 0002, 0005.01, 0005.02, 0006, 0008, 0013.02, 0017, 0018, 0031, 0032, 0036, 0055 & 0056
Iron	9504
Jackson	0003, 0006, 0010, 0018, 0019, 0020, 0021, 0034, 0037, 0038, 0052, 0054, 0055, 0056.02, 0058.01, 0060, 0061, 0063, 0075, 0079, 0089, 0095, 0096, 0097, 0102.01, 0114.05, 0134.10, 0154,0156, 0160, 0161, 0162, 0163, 0164, 0166, 0169
Jasper	0108 & 0110
Livingston	4805
Oregon	4803
Pemiscot	4702 & 4704
Pettis	4809
Pulaski	4703.90
Randolph	4903
Ripley	8701 & 8702
Scott	7812
St. Charles	3105.01
St. Louis City	1015, 1053, 1054, 1061, 1062, 1063, 1064, 1065, 1066, 1076, 1083, 1096, 1097, 1101, 1105, 1111, 1112, 1113, 1114, 1115, 1123, 1152, 1157, 1163.02, 1164, 1184, 1193, 1202, 1211, 1212, 1242, 1246, 1257, 1266, 1267, 1274 & 1275
St. Louis County	2119, 2120.02, 2121.01, 2121.02, 2136, 2139 & 2218
Vernon	9504