

14 – SPECIAL PROGRAMS

HOUSE KEY VETERANS DPA



PROGRAM DESCRIPTION

House Key Veterans is a downpayment assistance program offered in appreciation of Veterans who have served our country. This down payment program must be used in conjunction with a House Key first mortgage.

PROGRAM ELIGIBILITY

1. First Mortgage must be a VA, MyCommunityMortgage, Freddie Mac Home Possible, Rural Housing Service (RHS) 502 Guaranty, or FHA House Key Loan.
2. Income levels must meet House Key Veterans Program requirements (see limits in this Section); and
3. Eligible borrowers are Washington state residents who are veterans, as defined by RCW 41.04.007.
4. The borrower must provide a copy of their Washington state driver's license and honorable discharge (DD214). For unmarried surviving spouses, the borrower must provide a copy of their Washington state driver's license and current Certificate of Eligibility verifying eligibility as an unmarried surviving spouse.
5. The Borrowers must demonstrate a need for assistance.

MAXIMUM INCOME LIMIT & LOAN AMOUNT

To be eligible for House Key Veterans, an applicant's Annualized Gross Household Income must not exceed the following limits:

Clark/Skamania/Thurston	\$70,000
Island	\$77,900
King/Snohomish	\$84,300
Kitsap	\$70,900
All Other Counties	\$69,300

Eligible households may qualify for a maximum loan amount of up to \$10,000.

MORTGAGE DETAILS

Interest Rate - 3.00% Late Charge - 4%
Loan Term - 10 years
Assumptions - House Key Veterans loans are NOT assumable.

COMBINED LOAN TO VALUE (CLTV) AND TOTAL LOAN TO VALUE (TLTV)

VA- Cannot exceed 100% of the lesser of sales price or Notice of Value, plus eligible closing costs.

FHA – Cannot exceed 100% of FHA’s acquisition cost. FHA’s Acquisition Cost does not include 2nd mortgage fees.

MyCommunityMortgage – CLTV of 103%.

Freddie Mac Home Possible – TLTV of 103%.

ELIGIBLE BORROWERS

Eligible individuals are defined as:

1. Washington state residents who are veterans, as defined by RCW 13 41.04.007, as follows:

A person who has received an honorable discharge or received a discharge for medical reasons with an honorable record, where applicable, and who has served in at least one of the following capacities:

(A) As a member in any branch of the armed forces of the United States, including the national guard and armed forces reserves, and has fulfilled his or her initial military service obligation;

(B) As a member of the women's air forces service pilots;

(C) As a member of the armed forces reserves, national guard, or coast guard, and has been called into federal service by a presidential select reserve call up for at least one hundred eighty cumulative days;

(D) As a civil service crewmember with service aboard a U.S. army transport service or U.S. naval transportation service vessel in oceangoing service from December 7, 1941, through December 31, 1946;

(E) As a member of the Philippine armed forces/scouts during the period of armed conflict from December 7, 1941, through August 15, 1945; or

(F) A United States documented merchant mariner with service aboard an oceangoing vessel operated by the department of defense, or its agents, from both June 25, 1950, through July 27, 1953, in Korean territorial waters and from August 5, 1964, through May 7, 1975, in Vietnam territorial waters, and who received a military commendation.

2. Members and honorable discharged former members of the Washington national guard and reserve; or
3. Never remarried spouses and dependent children of deceased veterans, as defined in paragraph #1 above.

The borrower must provide a copy of their honorable discharge (DD214) or in order to qualify. For unmarried surviving spouses, the borrower must provide a copy of their current Certificate of Eligibility verifying eligibility as an unmarried surviving spouse.

Borrowers must also document that they are currently Washington state residents by providing a copy of their driver's license.

BUYDOWNS

Buydowns are not allowed for the House Key Veterans downpayment loans. Furthermore, if the Borrower's first mortgage is a temporary buydown, the buydown cannot be paid by Borrower's assets and must be paid for by seller or lender with documentation in file. First mortgage temporary buydown funds paid by seller or lender are not included in the needs assessment.

RESERVATIONS

Reservations for House Key Veterans loans are usually made on the MITAS system at the same time as the House Key first mortgage loan reservation. Funds are reserved on a first-come, first-served basis. Loan originators may reserve the maximum allowable House Key Veterans funds for their borrower since cash to close cannot be exactly determined at loan reservation. A reservation for House Key Veterans can be made on-line at any time prior to submission of a pre-closing compliance package. Increases in the reservation amount are subject to the availability of funds.

CALCULATING HOUSE KEY VETERANS DOWNPAYMENT ASSISTANCE LOAN AMOUNT

Income Calculation

The income used for House Key Veterans is different than the income used to determine income for the House Key first mortgage which uses household "Compliance" income as shown in Section 3 of the House Key Manual. For the House Key Veterans 2nd mortgage only, income is calculated according to the investor's (FNMA, FHLMC, FHA, VA) underwriting guidelines. The lender should then refer to the Maximum Income Limit section above to determine if the borrower qualifies for the House Key Veterans down payment assistance loan.

A copy of the underwriter's signed income worksheet or loan approval reflecting final income figures must be included in the Pre-Closing Compliance Review File.

The House Key Veterans loan amount is the lesser of:

- A) Amount of need as established by the **Mortgage Subsidy Worksheet** calculated by the underwriter; or
- B) \$10,000.

-OR-

- A) Amount of need as established by the **Needs Assessment Form** calculated by the underwriter; or
- B) \$10,000

On the **Mortgage Subsidy Worksheet**, if the borrower's front-end ratio (PITI/Income) is less than 25% based on income, the underwriter will decrease amount of subsidy to bring down the front-end ratio to acceptable assistance base levels for gap financing. If the borrower fails to meet the ratio test, then the underwriter can proceed using the **Needs Assessment Form**.

The underwriter will calculate the House Key Veterans Mortgage Subsidy Worksheet or Needs Assessment Form located in the Forms section of this Program Manual at underwriting approval to determine the exact amount of funds needed. The forms should be completed using a **current** VOD or bank statements and should be adjusted as the borrower's situation changes.

If using the Needs Assessment Form, the underwriter will determine the down payment based on the maximum loan amount for loan type, closings costs, additional costs, and pre-pays as shown on Needs Assessment Form and will follow all guidelines as shown in Section 13 of House Key Program manual. In both cases, the underwriter determines the amount of cash required by the Borrower to close the transaction. Stocks, bonds, IRA's, 401(k)s, mutual funds, life insurance policies and annuities liquid assets are not included in the calculation.

The underwriter will calculate the House Key Veterans Needs Assessment Form located in the Forms section of this Program Manual at underwriting approval to determine the exact amount of funds needed. The Needs Assessment Form should be completed using a **current** VOD or bank statements and should be adjusted as the borrower's situation changes.

The Borrower(s) may keep but is not required to have \$5,000 or three month's payment for Principal, Interest, Taxes and Insurance (PITI) in reserves left after closing whichever is greater. Subtract the proposed reserve amount from the total amount of verified assets available at underwriting approval. If the amount is less than or equal to 0 enter "0" on the appropriate form.

- House Key Veterans funds are used for downpayment, closing costs, and pre-pays.
- House Key Veterans funds cannot be used to buy either the first or second loan down.
- House Key Veterans Funds cannot be used to pay off bills or liens of the borrower. If the borrower is required by underwriting to pay off these items, these items must be satisfied **prior to closing** and verification of Borrower's funds for the Needs Assessment Form should be determined after the funds have cleared the borrower's accounts.
- House Key Veterans Funds cannot be used to replenish the Borrower's bank account if they do not have reserves in the bank after closing.
- House Key Veterans Funds cannot be used to pay for repairs to property. Furthermore, if Borrower chooses to pay for repairs from their own funds, escrow holdbacks must be for an exact bid from contractor. In order to avoid cash back, escrow cannot over collect borrower funds (i.e. 1/ ½ times). Please refer to Page 2.5 (Escrow Holdbacks) and Page 4.2 (Acquisition Cost).

In order to avoid cash back issues at closing, the Mortgage Lender should re-calculate the need after receiving an estimated HUD 1 closing statement from the Escrow Company. Adjustments should be made to the loan amount if necessary **prior** to releasing loan documents. If in doubt, it is always a good idea to reduce the loan amount slightly than risk the chance of the borrower receiving cash back.

CASH BACK

In no event will House Key Veterans funds result in cash back to the Borrower. Mortgage Lender should advise Borrower upfront that if a check is presented to them at closing when using House Key Veterans 2nd mortgage funds, and the check exceeds the amount(s) that they originally paid in to the transaction via required earnest money and lender deposits, that they should refuse the check. The Borrower should also refuse the check if the amount of the total refund plus their current liquid assets in the bank will result in the greater of 3 months PITI or \$5,000 in reserves. Please see Addendum to Residential Loan Application (Form 15.6.1).

The intent of the House Key Veterans Downpayment Assistance is to provide the funds necessary to close the transaction and not to provide cash back to the borrower. House Key Veterans Downpayment Assistance funds cannot be used for the following:

- Buydown of the 1st or 2nd mortgage
- Debt or lien payoffs
- Minimum reserve requirements
- Property repairs or escrow holdbacks

In the event that there is a refund to the borrower at closing and the refund plus the Borrower's remaining liquid assets exceed 3 months PITI, the Lender may apply the refund amount towards the principal balance of the 2nd mortgage or lower the amount of assistance and redraw the loan documents. If it is then determined that cash back was given to the Borrower, the Master Servicer will not purchase the Mortgage Loan unless the House Key Veterans note is lowered accordingly and within the allotted time frames.

CLOSING AND DELIVERING THE LOAN

Program Application Fee. There is a \$40.00 program application fee for House Key Veterans loans. This amount will be subtracted from the amount reimbursed to the Mortgage Lender. This fee must be disclosed on the second mortgage Truth-in-Lending and the HUD-1 Settlement Statement.

Funding and Delivery. Participating lenders fund the second mortgage at loan closing. The funding and delivery procedures are as follows:

- 1) House Key Veterans second mortgage notes and Deeds of Trust are originated under the Commission's name;
- 2) The Master Servicer will purchase your loans with a copy of the Deed of Trust with the original recorded copies to follow.

Please indicate marital status of the Borrower(s) on the House Key Veterans Deed of Trust. Please see Appendix II (18.2) for Fannie Mae's Catastrophic Language policy for loans at 100.01% to 105% CLTV.

INSURANCE REQUIREMENTS

Hazard Insurance. Hazard insurance is required sufficient to cover both the first and second mortgages, or the maximum insurable value of the property whichever is less. The policy must contain a guaranteed replacement cost endorsement. Binder must indicate the first loan be payable to Bank of America, N.A. using the standard Mortgagee clause as written as shown on Page 2.5. Please refer to Page 2.5 for more information. Binder must indicate the second loan be payable to the Washington State Housing Finance Commission, its successors and/or assigns, c/o Bank of America, N.A., P.O. Box 961206, Fort Worth, TX 76161-0291.

Title Insurance. Title insurance coverage is required for the first mortgage only. The second mortgage appears as a lien of record in second position when the policy is issued. As title insurance is not required for House Key Veterans, the lender is not allowed to charge a title fee on the 2nd mortgage.

PAYMENT COUPON

The Borrower receives a single-payment coupon from the Master Servicer combining the first and second mortgage on one payment coupon.