



# Minnesota Housing Mortgage Loan Program MBS Training



# **Minnesota Housing Mortgage Loan Program, MBS Training**

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**December 9, 2010 – 9:00 a.m. to 11:30 a.m.**

**-Welcome-**

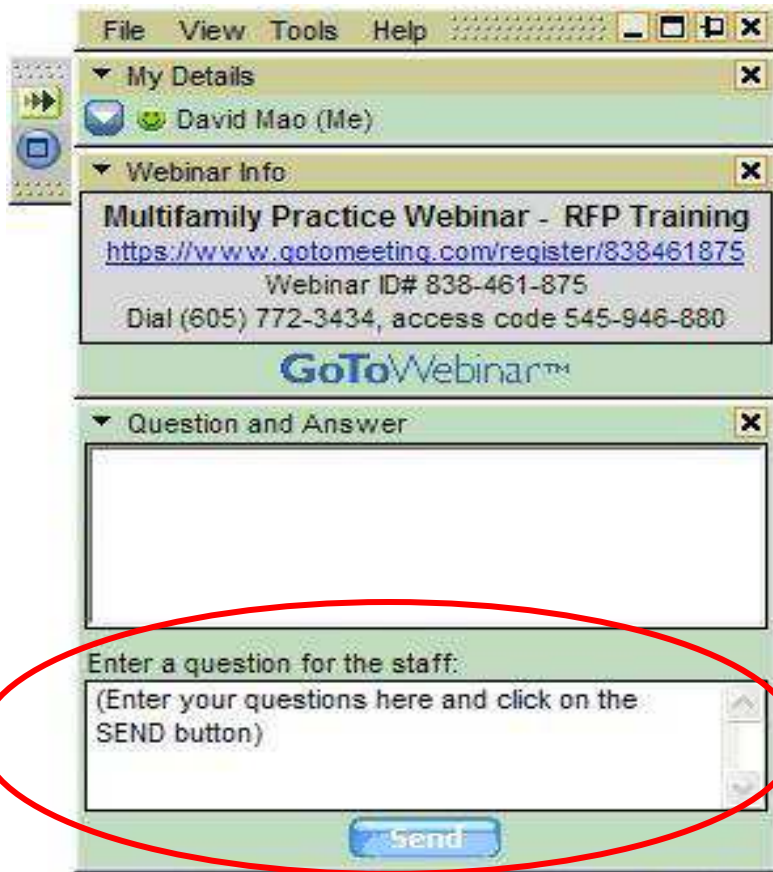
**The presentation will begin at 9:05 AM CDT to allow for registrants to log into the system. When you join the presentation, you may or may not hear background music. Please stay on the line.**

**To join the conference call:**

**Dial: 1-877-810-2623 - Access Code: 82992315#**

- **If you are having difficulty joining, please e-mail: [dana.stibbins@state.mn.us](mailto:dana.stibbins@state.mn.us)**

# Questions During Presentation



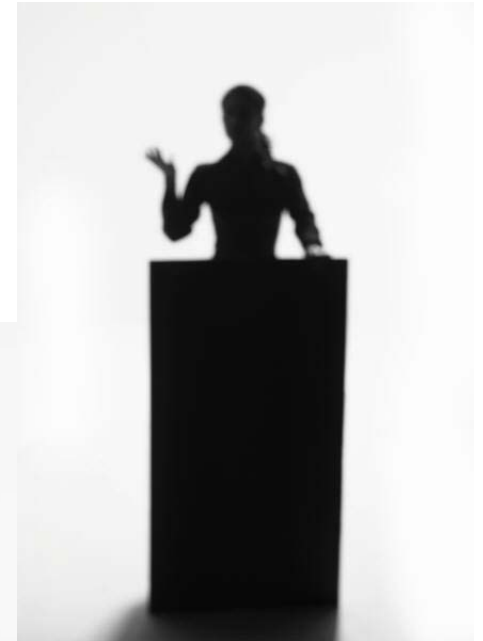
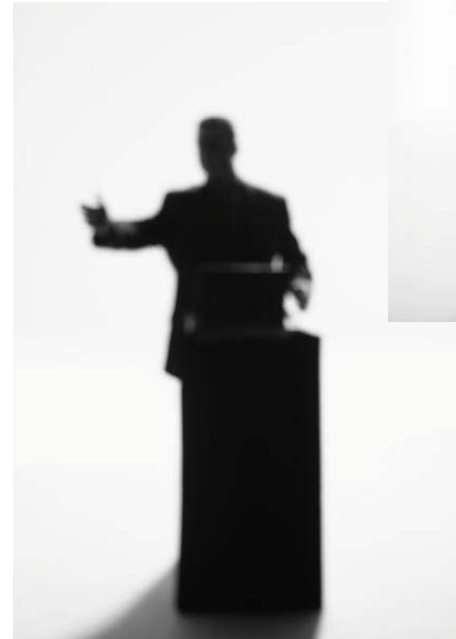
- We will batch online questions and answer them throughout the webinar
- A complete Q & A list will be posted to the Minnesota Housing website when training is completed
- All presentation materials from Minnesota Housing and US Bank MRBP are posted on our website at:

[http://www.mnhousing.gov/resources/training/sf-assistance/MHFA\\_009091.aspx](http://www.mnhousing.gov/resources/training/sf-assistance/MHFA_009091.aspx)

# Today's Speakers

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- **Minnesota Housing**
  - » **Mary Rivers**
  
- **US Bank-MRBP**
  - » **Lou Caresani (Pre-recorded)**



# Agenda


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- **Welcome & Speaker Introductions**
- **Minnesota Housing Loans**
  - » *Presented by Minnesota Housing Staff*
    - **Life of a Minnesota Housing loan in a Mortgage Backed Securities (MBS) Environment**
    - **Preliminary Eligibility**
    - **Property Guidelines**
    - **Mortgage Eligibility**
    - **Subsidy Recapture**
    - **Homeownership Assistance Fund**
    - **Minnesota Mortgage Program Features**
    - **Originating and Processing**

# Agenda (continued)

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- **Stretch break**
- **US Bank Mortgage Revenue Bond Program**
  - » *Presented by pre-recording by US Bank Staff*
    - **Delivery and Funding**
    - **Exceptions**
    - **Lenders/Correspondent Lenders**
    - **Help Desk**
    - **Customer Service**
    - **Underwriting**

A photograph of two young girls of African descent smiling in a hallway. The girl on the left is older, with her hair in braids, wearing a white t-shirt, and has her arms around the younger girl. The younger girl is wearing a red t-shirt with a small American flag graphic. They are standing in front of a white door with a metal handle and a dark handrail. The text is overlaid on the right side of the image.

Minnesota Housing finances  
and advances affordable housing  
opportunities for low and moderate  
income Minnesotans to  
enhance quality of life and foster  
strong communities.

End long-term homelessness.

Finance new affordable housing opportunities.

Increase emerging market homeownership.

Preserve affordable housing.



# Role of Minnesota Housing



## First-time homebuyer Mortgage Loan Program, MBS

- » Utilizes mortgage revenue bond (MRB) proceeds to provide affordable fixed interest rate
- » Provides access to entry cost assistance through interest-free junior liens

# Minnesota Housing Funds

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- **Funds continuously available**
- **Online commitment system**



# Role of US Bank Home Mortgage-MRBP Division

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## Master Servicer: Mortgage Loan Program, MBS

- **Purchases closed loans from lenders**
- **ALL Regs website**
  - » **Product descriptions**
  - » **Checklist**

# Access to Minnesota Housing

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## **Borrower:**

- **Applies with a lending partner that originates Minnesota Housing first mortgage program loans.**

# Access to Minnesota Housing

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## **Lending Partner:**

- **Originates, processes, underwrites, closes and funds the loan**
- **Sells the loan to the Master Servicer, US Bank Home Mortgage- MRBP Division**



# Two Lender Options

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- **Full Contract Lender**

- **Correspondent Lender**



# Life of a Loan in the Mortgage Loan Program, MBS

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- **Loan Origination**
- **Processing and Underwriting**
- **Closing**
- **Post Closing**
- **Resources**



# Loan Origination

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Origination

Processing/UW

Closing

Post-Closing



# Loan Origination

## Preliminary Eligibility Confirmation

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### Definition of a First-Time Homebuyer:

- » **Borrowers have not had an ownership interest in a principal residence for the past three (3) years**
- » **Request three (3) years tax returns**



# Eligible Borrowers

## 2010 MMP Income Limits

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Household Size	11-County Twin Cities Metro Area	Rochester MSA	Balance of State
1-4	\$84,000	\$77,600	\$73,100

**Limits for larger households and other programs on the Minnesota Housing Website at [www.mnhousing.gov](http://www.mnhousing.gov)**

- 11 County Twin Cities Metro Area: Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington and Wright Counties
- Rochester MSA : Olmsted and Dodge Counties
- These limits are based on data supplied by the US Department of Housing and Urban Development (HUD)



**Origination**

Processing/UW

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# Eligible Borrowers

## 2010 CASA Income Limits

Household Size	11-County Twin Cities Metro Area	Rochester MSA	Balance of State
1-4	\$67,200	\$62,100	\$58,500

**Limits for larger households and other programs on the Minnesota Housing Website at [www.mnhousing.gov](http://www.mnhousing.gov)**

- 11 County Twin Cities Metro Area: Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington and Wright Counties
- Rochester MSA : Olmsted and Dodge Counties
- These limits are based on data supplied by the US Department of Housing and Urban Development (HUD)



Origination

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# Loan Origination

## Acquisition Cost Limits-MMP and CASA

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<b>Area</b>	<b>New and Existing Residences</b>
<b>11-County Twin Cities Metro Area</b>	<b>\$298,125</b>
<b>Balance of State</b>	<b>\$237,031</b>

# Loan Origination

## Eligible Property Types

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- **Single family residence or duplexes**
  - » Including CLTs
- **Townhomes**
  - » must be project approved if full PUD
- **Condos**
  - » must be project approved



# Loan Origination

## Ineligible Property Types

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- **No manufactured homes with conventional financing**
  - » Government financing available with manufactured homes
- **No co-ops**
- **No investment properties**
- **No recreational homes**

# Loan Origination Occupancy Requirements

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- **Owner-occupancy within 60 days of closing**
- **No co-signers**
  - **all borrowers must occupy the property and be first-time buyers**



# Loan Origination

## Personal Property

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**Personal property may not appear anywhere on the purchase agreement or addenda**



**Definition: Anything which is not installed or attached to the property in some permanent manner and is not legally considered part of the real estate (e.g. free standing appliances)**





# Loan Origination Refinances

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- **No Refinances**
  - » **Exception: Program can replace temporary financing with an initial term of 24 months or less**



# Loan Origination

## Subsidy Recapture

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- **Lender responsible for disclosure**
- **Only applies if all three criteria are met:**
  - 1. Home is sold within first 9 years**
  - 2. Borrower household income increases substantially**
  - 3. Borrower realizes “gain on sale of property” as defined by IRS (different from exposure to capital gains tax)**

# Loan Origination

## Subsidy Recapture Examples

- **The typical Twin Cities Metro borrower earns: \$42,000**
- **Income must increase to:**
  - » **Year 1: \$84,000 - 100% increase**
  - » **Year 5: \$107,208- 155% increase**
  - » **Year 7: \$118,196- 181% increase**

- **Typical Greater MN borrower earns: \$36,000**
- **Income must increase to:**
  - » **Year 1: \$73,100- 103% increase**
  - » **Year 5: \$93,296- 159% increase**
  - » **Year 7: \$102,859- 185% increase**

Updated: 08.2009



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# Loan Origination

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## Selecting a First Mortgage Program

**Minnesota  
Mortgage  
Program  
(MMP)**



**Community  
Activity Set-  
Aside Program  
(CASA)**

# Minnesota Mortgage Program

## Program Features



Available  
Statewide



**MMP TOOLS**

**Minnesota Housing  
Interest Rate**

**Homebuyer Education  
required for Conventional  
Loan Borrowers**

**Up to \$3,000 Entry Cost  
Assistance (ECA)  
for Income Eligible  
Borrowers or Targeted Zip  
Codes/Census Tracts**

**Mortgage Insurance  
Partnerships**



**Origination**

**Processing/UW**

**Closing**

**Post-Closing**

# Minnesota Mortgage Program

## Homeownership Assistance Fund Eligibility

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- **Households at 60% of the greater of statewide or area median income, *OR***
- **Targeted Households at or below program income limits**
  - » Household purchasing in a low income census tract
  - » High need zip code
- **Visit Minnesota Housing website for low income census tract, high need zip code and median income information-[www.mnhousing.gov](http://www.mnhousing.gov)**



Origination

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Closing

Post-Closing

# Community Activity Set-Aside Program

## Program Features



CASA supports community-based partnerships that target funds to:



**Workforce Housing:**  
Including FC Remediation

**Emerging Markets**

**Single Headed Households**

**CASA TOOLS**

**Minnesota Housing Interest Rate**

**Homebuyer Education Required**

**HAF ECA Available up to \$4,500**

**Special Product Options**  
EA1, HCV, FHA 203KS

**HOME HELP ECA Available at \$8,500**

**Mortgage Insurance Partnerships**

**Origination**

Processing/UW

Closing

Post-Closing

# Loan Origination

## Homeownership Assistance Fund (HAF)

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- **Complements a Minnesota Housing first mortgage**
- **Used for downpayment or closing costs**
- **Requires a minimum credit score of 620**
- **Interest-free deferred loan**
- **Required borrower investment: \$1,000**
- **Asset Test**
  - » **Borrower liquid asset reserves after closing may not exceed the greater of 6 months PITI or \$5,000**



# Loan Origination

## HOME HELP

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- **Supports CASA initiatives that concentrate their outreach and marketing to:**
  - » **Emerging markets**
  - » **Foreclosure remediation**
- **Interest-free deferred loan for \$8,500**
- **70% forgiven after 6 years, 30% balance repaid:**
  - » **Upon maturity of the CASA loan**
  - » **Upon sale of the property**
  - » **If the property is no longer owner-occupied**

# Loan Origination

## HOME HELP

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- **See HOME HELP manual on website**
- **Used for downpayment or closing costs**
- **Required borrower investment: \$1,000**
- **Housing ratio must be greater than 25% prior to \$8,500 being applied**
- **Asset Test**
  - » **Borrower liquid asset reserves after closing may not exceed the greater of 6 months PITI or \$5,000**

# Loan Origination

## Commit the Loan

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- **Existing properties: 75 days**
- **New construction: 115 days**
- **Two 30-day extensions at .500% each  
(borrower may not pay the extension fee)**

**Rate lock runs from the date of HDS SF Web Application commitment to receipt of the purchase package by US Bank Home Mortgage- MRBP Division**

# Loan Origination

## Homebuyer Education

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- **Home Stretch Homebuyer Education Classes**
- **Statewide Availability**
- **Minnesota Home Ownership Center Website**
  - » **[www.hocmn.org](http://www.hocmn.org)**
  - » **(651) 659-9336 or (866) 462-6466**



Origination

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Closing

Post-Closing

# Q & A

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- **We will take time here to answer a few questions.**



# Processing and Underwriting MMP & CASA Loans

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Post-Closing

# Processing and Underwriting

## Credit Requirements

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- **US Bank Home Mortgage - MRBP Division purchases loans underwritten to industry standard loan products, whether manually or automated**
  - » **FHA, VA, RD**
  - » **Conventional: Uninsured and Insured**
    - **DU, LP**
    - **Must run through MyCommunityMortgage® or Home Possible® (must meet MI guidelines)**
    - **Manual underwriting for MyCommunityMortgage® loans only (MCM 660)**

# Processing and Underwriting Loan Amortization

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- **Fully amortized fixed rate loans**
- **No balloons**
- **No buydowns**
- **Allowable loan terms**
  - » **15 and 30 year**





# Processing and Underwriting

## First-Time Homebuyer Status Documentation

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- **Documentation of Federal income tax returns for the past 3 years, including:**
  - » **Copies of Federal tax returns**
    - **Must be signed by borrower**
  - » **Documentation from the I.R.S**
    - **Transcripts do not need to be signed**
  - » **Signed affidavit, if not legally required to file**
- **Tax returns must be in file per MRB requirements**



# Processing and Underwriting

## Validate Income Eligibility

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- **Gross Annual Household Income from all Sources**
  - » **Interest income (if borrowers have more than \$5,000 in liquid assets after closing)**
  - » **Non-purchasing spouse income**
  - » **“Non-stable” income excluded from underwriting but must be included in eligibility income**
  - » **Optional worksheet**

# Processing and Underwriting

## Federal “Basic Livability”

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### Properties must meet three tests:

**1. Current use provides no source of income**

- **Less than 15% area used for home business exception**
- **Income from a duplex exception (Borrower must occupy one unit of the duplex)**

**2. Local custom**

- **Appraiser certifies that lot size is common for the area**

# Processing and Underwriting

## Federal “Basic Livability”

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### Must meet three tests:

#### 3. Intended for one residence

- If more than one parcel or eligible for legal subdivision
  - Appraiser certifies size typical
  - Borrower certifies in the Borrower Affidavit that they have no intention of selling/leasing any portion of the land

# Processing and Underwriting Personal Property

- **Check the purchase agreement prior to closing the loan**
- **Complete MN Housing Personal Property Addendum - confirms no personal property included or removes personal property if included within purchase agreement**



# Processing and Underwriting Business Use Restrictions

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- **Less than 15% exclusive use for trade or business**



- **Daycare is allowed provided exclusive use is less than 15%**

# Processing and Underwriting

## Acquisition Cost Confirmation

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- **Acquisition Cost is the cost of a completed dwelling unit**
- **Purchase Price plus any additional funds paid by the borrower to acquire the property**
- **Optional worksheet available on our website**



# Processing and Underwriting Property Value Limits

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- **125% of Appraised Value Maximum**
  - » **Property cannot appraise for more than 125% of the maximum acquisition cost for the area**
  - » **Example: An existing property cannot appraise for more than \$372,656 in the Twin Cities Metro Area**





# Processing and Underwriting

## Confirm Final Loan Eligibility

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- **First-Time Homebuyer status**
- **Income eligibility**
  - » **See optional worksheet for calculation method**
- **Property requirements**
- **Acquisition Cost and Appraised Value**
  - » **See optional worksheet for calculation method**
- **New construction requirements**
- **HAF or HOME HELP eligibility**

# Closing

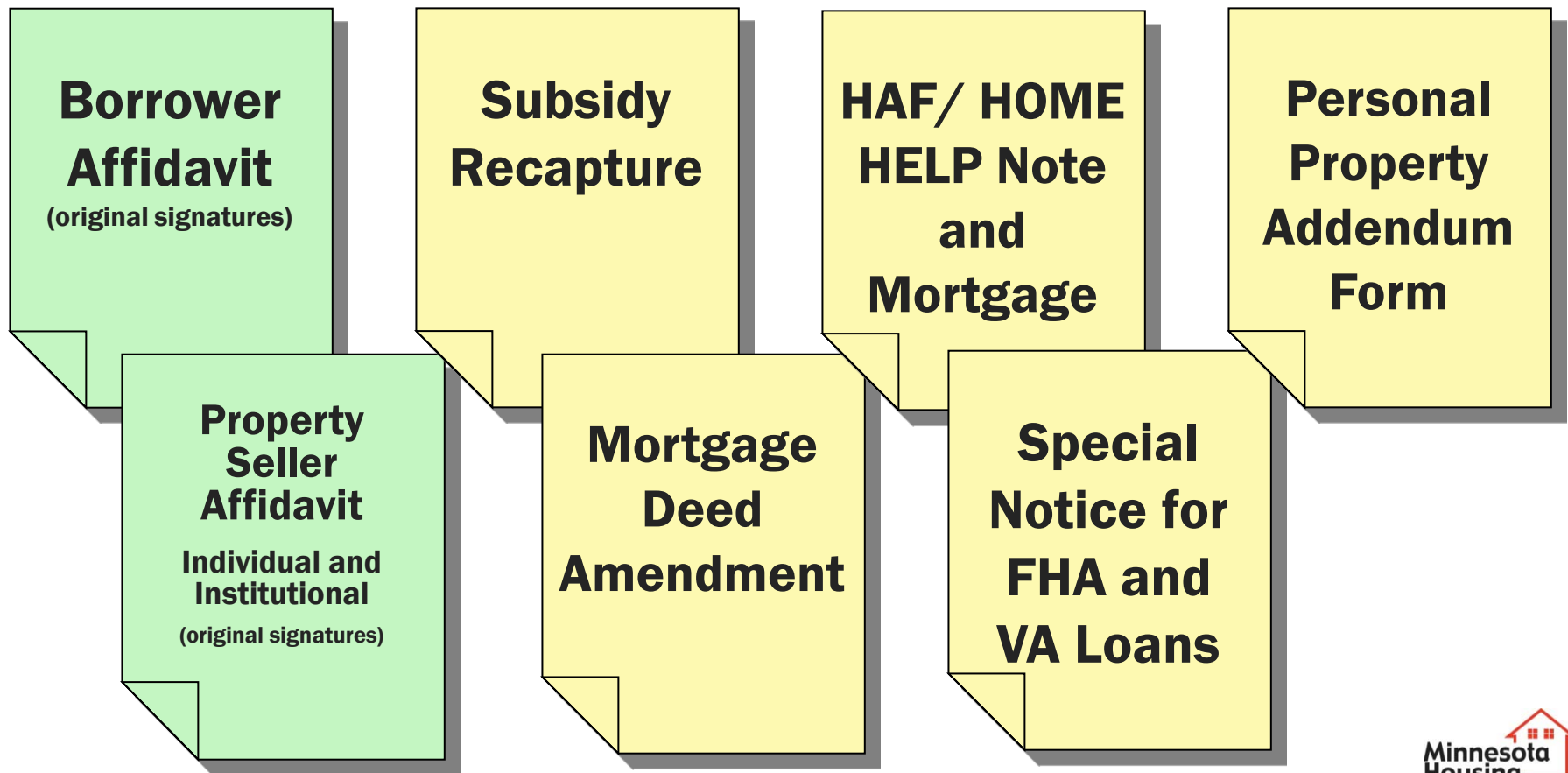
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# Loan Closing

## Forms Specific to Minnesota Housing

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# Forms Generator

## Single Family HDS Web Application

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Origination

Processing/UW

**Closing**

Post-Closing

# Forms Generator

## Single Family HDS Web Application

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- **Access through Single Family HDS Web Application**
- **Forms Generator Guide**
- **Auto-populates fields from HDS, reducing document prep time**
- **Generate multiple documents at once**
- **Review the documents online**
  - » **Make sure all fields are completed**
  - » **Fill in any missing data before printing**

# **Minnesota Housing**

## **HDS SF Web Application Assistance**

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### **Single Family Help Desk**

**1-800-710-8871**

**400 Sibley Street, Suite 300**

**St. Paul, MN 55101**

**651-296-7608 \* 800-657-3769 \* TTY 651-297-2361**

**[www.mnhousing.gov](http://www.mnhousing.gov)**

# Loan Closing

## Closing Table

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- **Confirm loan commitment terms**
- **Execute Minnesota Housing forms**
- **Fund the loans**
  - » **First Mortgage**
  - » **HAF/HOME HELP**



# Loan Closing

## Borrower Cost / Lender Compensation

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### Borrower Cost

- **Par Rate: 0 Discount and 1% Origination**
  - No special lender fees added only for Minnesota Housing loans

### Lender Compensation

- **1 % origination fee**
- **Standard fee set**
- **US Bank Home Mortgage**
  - MRBP purchases at **101%** net any extension or hold fees



# Post-Closing

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# Post-Closing Purchase Approval

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- **Purchase approve on Minnesota Housing HDS SF Web Application**
- **Send purchase package to US Bank Home Mortgage-MRBP Division**
  - » **Use US Bank's Checklist**
- **Include all Minnesota Housing Documents**

# Post Closing

## Hold Fees

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- **Minnesota Housing allows a three-week period with no fees assessed from the date of notification from the master servicer**
- **If the exception is outstanding for more than 3 weeks, the fee is .125% of the loan amount each week until the exception is cleared**



# Post-Closing

## Minnesota Housing Quality Control

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- **Minnesota Housing audits for compliance with Mortgage Revenue Bond and Agency guidelines**
  - » **First 6 loans**
  - » **10% sample**
  - » **Additional loans if trends warrant**

# Post-Closing

## Common Agency/Bond Compliance Findings

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- **Incorrect: calculation of eligibility income**
  - » Use optional worksheet
- **Missing: 3 years tax returns or affidavit in file**
  - » Obtain with application
- **Incorrect: personal property on purchase agreement, particularly new construction**
  - » Use new Personal Property form
- **Incorrect: MMP borrower not HAF eligible**
  - » Apply guidelines

# Resources

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# Minnesota Housing Manuals and Forms

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- **Manual and forms available on the Minnesota Housing Website**
- **Forms generator available on Minnesota Housing HDS SF Web Application**





# Minnesota Housing

## Emerging Market Support

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### Community Business Representatives

- **Cheryl Rice**
  - » **Cheryl.rice@state.mn.us**
  - » **651-297-3124**
- **Michael Nguyen**
  - » **Michael.nguyen@state.mn.us**
  - » **651-296-7620**
- **Chris Allen**
  - » **Chris.allen@state.mn.us**
  - » **651-296-7975**

# Minnesota Housing RHAG Representatives

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## Northwest Region

- » Cal Greening, 651.296.8843

## Northeast Region

- » Devon Pohlman, 651.296.8255

## West Central Region

- » Michael Nguyen, 651.296.7620

## Central Region

- » Suzanne Best, 651.297.3131

## Southeast Region

- » Cheryl Rice, 651.297.3124

## Southwest Region

- » Chris Allen, 651.296.7975

## Metro Region

- » Contact any rep listed above



# HOME HELP

## Program Assistance

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### **Program Manager:**

» **Mary Rivers, 651-297-3127**

### **Minnesota Housing Help Desk**

» **651-296-8215**

» **800-710-8871**

# Co-Branded Marketing

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- **Minnesota Housing tools to help you promote our programs**
  - » **Program reference guides**
  - » **Information sheets**
  - » **Deck cards**
  - » **Customizable print advertisement templates**
  - » **Radio scripts**

# Information Materials



## First-time Homebuyer Program Reference Guide

for Lenders, Real Estate Agents and Homebuyer Educators

*"Because home means everything."*



## First-time Homebuyer Loan Programs Information Sheet

*Because home means everything.*

*The mission of Minnesota Housing is to meet Minnesotans needs for decent, safe, affordable homes and stronger communities. We offer mortgage programs that provide affordable interest rate loans to eligible first-time homebuyers.*

### Why Choose Minnesota Housing?

- Low interest rates for first-time homebuyers
- Interest-free loans from \$3,000 up to \$14,999 to help with downpayment and closing costs for eligible borrowers
- No extra fees or discount points

### To qualify, you must:

- Be a first-time homebuyer (or have not owned a home in the past three years)
- Meet the requirements for income and home purchase price limits
- Have acceptable credit

### Minnesota Housing First-time Homebuyer Loan Programs

#### Minnesota Mortgage Program (MMP)

- Available statewide
- Affordable interest rate
- Maximum loan term is 30 years
- Downpayment and closing cost assistance available for targeted borrowers

#### Community Activity Set-Aside (CASA)

- Available in participating communities
- Affordable interest rate
- Maximum loan term is 30 years
- Downpayment and closing cost assistance, including a HOME HELP loan up to \$14,999

### Interested?

Contact our lending partner below to learn more about how they can help you apply for the Minnesota Housing financing you need to buy that first home!



02/09/2009



## Home Loan Programs



**Safe, affordable, fixed-rate financing to help you buy your first home.**

*Minnesota Housing is the State's trusted affordable housing bank. We offer mortgage programs that provide affordable interest rate loans to eligible first-time homebuyers.*

### Why choose Minnesota Housing?

- Affordable interest rates
- Interest-free deferred loans to help with downpayment and closing costs
- No extra fees or discount points
- 30-year loan terms available
- Statewide network of lending partners



# Print Advertisement Templates

Because home means  
*everything...*



If you're a first-time homebuyer ready to buy that perfect home, Minnesota Housing has the loan you need. As the State's premier affordable housing lender, we offer safe loans with fixed payments and affordable interest rates that can reduce your monthly payment. You may also be eligible to receive up to \$14,999 in downpayment and closing cost assistance. Contact our lending partner below to learn more and apply for a loan today—because home means *everything*.



Your Name Here  
Call 555.555.5555  
to apply today!



- Customizable
- You can send to print outlet of your choice
- New ads coming this fall

Your Name Here

Call 555.555.5555  
to apply today!







Minnesota Housing finances and advances affordable housing opportunities for low and moderate income Minnesotans to enhance quality of life and foster strong communities.



- Home Buyers
- Home Owners
- Renters
- Lending & Funding Partners
- Real Estate Professionals
- Home Buyer Educators
- Developers, Owners
- Management Agents
- Architects & Builders
- Homelessness/Housing Assistance
- Emerging Markets
- Local Governments
- Applic...
- Reso...
- Train...

### Current Interest Rates

**5.500%**  
Minnesota Mortgage Program  
Government Rate

**6.250%**  
Fix-up Fund

Minnesota Housing offers competitive interest rates on our loan programs.

[Click For More Interest Rates](#)

### Quick Links

- Rent & Income Limits
- Home Cost Limits
- Agency News
- News Room
- About Us
- Frequently Asked Questions
- Driving Directions
- eNews Signup**

## Welcome to Minnesota Housing

As the State's affordable housing bank, we offer products and services to help Minnesotans buy and fix up homes and we support the development and preservation of affordable rental housing by offering financing and on-going asset management of affordable rental housing developments.

### Special Announcements:

- [HOME Rehabilitation Loan Program RFQ Available](#)
- [American Recovery and Reinvestment Act of 2009 \(ARRA\)](#)
- [Neighborhood Stabilization Program](#)
- [2009 Action Plan and 2008 CAPER](#)
- [Foreclosure Assistance](#) - for homeowners facing foreclosure
- [Weatherization Information](#)

Let us know your thoughts on our website. [Email your comments](#) if you have suggestions for improvements.

# Sign-up for Minnesota Housing e-News at

## www.mnhousing.gov





# **Minnesota Housing Customer Service Line**

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**Single Family Division Help Desk  
7:30 am to 5:00 pm**

**651-296-8215 or 800-710-8871**

# Break

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- **Final questions for Minnesota Housing**
- **Resume training with US Bank MRBP pre-recorded presentation**

# Welcome Back

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- **Time for final questions**
- **All materials posted on the Minnesota Housing website**
  - » [www.mnhousing.gov](http://www.mnhousing.gov)
  - » [http://www.mnhousing.gov/resources/training/sf-assistance/MHFA\\_009091.aspx](http://www.mnhousing.gov/resources/training/sf-assistance/MHFA_009091.aspx)
- **Questions about MBS**
  - » **Contact Sheet on web**

# US Bank MRBP

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- **Resume training with US Bank**
  - » **Presentation** is pre-recorded

## **Updates to recorded presentation**

- » **Homebuyer Education – required for Conventional loans with MMP or All loan using CASA program**
- » **Conventional EA1 available under CASA program only**
- » **Slide 20 – Transfer Fee should be called Funding Fee (regulatory change)**



**Please be patient  
as we transition  
to the recorded  
version of US  
Bank MRBP**

**Lou Caresani**