

Procedures for MHDC – With DPA Product

Z - MHDC Bond – Govt - First Place / Next Step

In combination WITH

Z - MHDC Bond Second (10 Year, 0% Interest)

IMPORTANT INFORMATION ON MHDC PRIOR TO ORGINATION:

*Note, sometimes these loans may be originated, after they were originally disclosed as a regular FHA. In these cases, that original loan must be denied, and a new loan must be started.

- 1) Additional assistance (gift or secondary financing) is allowed, however MHDC must be in first and second mortgage positions.
- 2) The URLA (1003) must reference at least three years of residency due to the first-time homebuyer requirements, AND the declarations must state the borrowers have NOT had any previous homeownership.
- 3) Non-Purchasing Spouses should NOT be on the Purchase Agreement! Non-Purchasing Spouses should NOT sign any MHDC documents other than spousal income forms! They MUST sign the Deed of Trust and cannot be on title! ***NOTE – All Non-Purchasing Spouses MUST still meet the first-time homebuyer requirement!**
- 4) MHDC Funds Forgiveness Policy:
Full forgiveness occurs once the borrower owns the property for 10 years. The payoff of the second mortgage will start to diminish in year 6 and will be prorated per month starting on month 61 to 120. If the borrowers sell the property prior to the end of the first 60 months, the entire second mortgage must be repaid.
- 5) **MHDC WILL NOT SUBORDINATE ANOTHER FIRST MORTGAGE AT A LATER DATE!**
- 6) *****VERY IMPORTANT*****
MHDC does NOT purchase loans where borrower directly pays ANY Real-Estate Commission.
- 7) Please NOTE – FSB Will NOT allow this product to be used when the seller is HUD!
- 8) A Borrower POA is NOT allowed, unless the borrower is on active duty. Special guidelines apply.
- 9) Only Loan Officers residing within the state of MO are allowed to originate this product!

PRODUCTS AVAILABLE WITH MHDC:

First Place Program

This product will usually be used with First Time borrowers that have less than 100% HUD Income limits (lower than Next Step) and require DPA.

10) All household income is limited to 100% of the HUD County Limits!

Link to Limits: [2024-income-and-purchase-price-limits.pdf](#)

11) There is a 4% DPA second mortgage available on this product.

12) All Borrowers must be a first-time homebuyer.

*All Adults in the home must not have had any ownership interest in any home within the last three years! This includes those that were not on a previous mortgage but were a spouse that had ownership interest due to homestead.

*Some exceptions apply for veterans and targeted area loans.

13) Not allowed for properties in flood zone A or Z!!!!

14) No 3-4 Units are allowed!

15) Credit Scores and Ratios:

Minimum Score required on government loans with DTI > 45 and less than 50% is 680.

Minimum Score required on government loans <45% DTI is 640.

Minimum Score required on conventional loans <50% is 640.

16) Please check Interest Rates on this product offering.

Here is a link to the MHDC Rate Sheet:

[MHDC Interest Rates - MHDC Homeownership Dept](#)

Next Step Program

This product will usually be used with Non First-Time borrowers that have less than 125% HUD Income limits and require DPA.

17) All household income is limited to the Next Step Income Guidelines! These guidelines are higher than the First Step Program.

Link to Limits: [2024-income-and-purchase-price-limits.pdf](#)

18) There is a 4% DPA second mortgage available on this product.

19) There is no first-time homebuyer requirement, however, Next Step can only be used for the purchase of a primary residence. *Special guidelines apply when borrowers are retaining their current residence as a rental unit.

20) Not allowed for properties in flood zone A or Z!!!!

21) No 3-4 Units are allowed!

22) Credit Scores and Ratios:

Minimum Score required on government loans with DTI > 45 and less than 50% is 680.

Minimum Score required on government loans <45% DTI is 640.

Minimum Score required on conventional loans <50% is 640.

23) Please check the Interest Rates on this product offering.

Here is a link to the MHDC Rate Sheet:

[MHDC Interest Rates - MHDC Homeownership Dept](#)

SETTING UP EACH MHDC LOAN:

- 24) Set-up a purchase money second mortgage with a 120 Amortization (10 Year) and Zero (0%) Interest. **The amount of the second mortgage will always be 4% of the sales price.**
*The only fees allowed on each second mortgage disclosure is a \$45 Recording Fee, and a \$50 Settlement Fee.

Please click on this link to help you setup your second mortgage file in MBOT:
[c39de5_9d82032fb2ce43bda12ed092819b22ed.pdf \(myfsbretail.com\)](https://myfsbretail.com/c39de5_9d82032fb2ce43bda12ed092819b22ed.pdf)

You will always select the following product in MBOT:

Z - MHDC Bond – Second

YOU WILL NOT DISCLOSE THIS PRODUCT, OUR CORPORATE LOA TEAM WILL DISCLOSE EACH LOAN REQUEST!

- 25) Setup your first mortgage loan with a Purchase Money Second. Setup the loan like a regular FHA loan with a second mortgage. There will be no payment on the second mortgage.

Please click on this link to help you setup your loan with a second mortgage:
[c39de5_d32c7b9fb68c44eaa27c73218c948055.pdf \(myfsbretail.com\)](https://myfsbretail.com/c39de5_d32c7b9fb68c44eaa27c73218c948055.pdf)

*There is always a 1% origination fee disclosed and a \$914 Underwriting fee, a \$185 processing fee, and a \$84 Tax Service fee on this product.

Title Settlement Closing Fees are limited to \$700 (this is a maximum fee but may be split between both borrowers and sellers).

Title Courier Fee is limited to \$25, and wire fee is limited to \$20.

*The rest of the LE Should be set up like a normal loan in the LO's area.

You will always select One of the following two product codes in MBOT:

Z - MHDC First Place – Govt

Z - MHDC First Place – Conv

Z - MHDC Next Step – Govt

Z - MHDC Next Step – Conv

YOU WILL NOT DISCLOSE THIS PRODUCT, YOUR ASSIGNED APT LOAN OFFICER WILL DISCLOSE EACH LOAN REQUEST!

26) Please make sure to upload your purchase agreement and any other financial information into your MBOT file along with a BIP form or normal "Notes" for ordering.

27) Review to make sure that the services have been run on all loan first loans, but **NOT** the Second Mortgages on this product. (Credit, DV, Flood, DU).

***Regular FHA and Conventional Guidelines apply other the product guidelines mentioned above. Please pay special attention to Allowable Fico Scores and Ratios!**

28) Review loan for approvability on the MHDC website:

[MHDC](#)

29) AFTER YOUR REVIEW AND LOAN SETUP PLEASE SEND AN EMAIL TO:

Bond@flanaganstatebank.com AND ADVISE YOU HAVE An MHDC loan to disclose! Within this email, please advise if you require a First Step or Next Step MHDC loan.

***Please note that we require a 48-hour notice to prepare both "Required MHDC Forms", and MHDC Disclosures for this product!**

BOND LOAN UNIT DISCLOSURE PROCESS:

30) Please answer back within 1 hour of any disclosure request on the product to advise you are working on the submission.

31) ***Make sure to review the Purchase Agreement first to make sure there is NO fee being paid to Buyer's Real-Estate Agents. MHDC does not allow this! Please advise opshelp if the loan does not meet this guideline.***

32) The Bond team Member will locate each first and second mortgage in MBOT. ***Make sure the second mortgage was set up with a 10-year amortization AND is at 0% interest rate.***

33) Please change the loan numbers to reflect the two-digit branch ID code on both loans.

34) The Bond loan team member will upload the program guidelines to MBOT under "Bond Guidelines" with the first mortgage only. Please print all the loan guidelines. Here is the link to both MHDC Products:

[first-place-program-operations-manual.pdf](#)

[next-step-program-operations-manual.pdf](#)

14) **PLEASE EMAIL THE LOCK DESK THE LOAN NUMBER AND NAME OF THE FIRST MORTGAGE WITHIN MBOT AND ASK THEM TO "LOCK AND RESERVE" THE MHDC FIRST MORTGAGE LOAN. PLEASE ALSO REFERENCE THE PRODUCT CODE IN THE EMAIL.**

******YOU MUST WAIT FOR THE FIRST MORTGAGE LOAN TO BE CONFIRMED IN MBOT BEFORE PROCEEDING FURTHER ON THE DISCLOSURE PREPERATION.**

35) **NOTE – For this product both the first and second mortgage may be disclosed in Flanagan State Bank's name.**

36) Bond team will review the work of the Loan Officer for:

*Proper loan setup for processing (I.e. Vendor / Employment information, etc.)

*Guideline on the product is uploaded to Image Flow

*There is an AUS approval in the file. Make sure that DU AUS findings were run with a Purchase Money Second and the proper CLTV. Manual UWs are allowed on FHA loans, but please check programs ratios.

*There are no lender or other vendor fees present on the second mortgage loan other than title charges (\$50), recording fees (\$45).

37) Please send out the first mortgages in the normal process like other first mortgages.

38) *Download the MHDC Second Mortgage LE from the retail website.

Link: c39de5_aa1ee987377e49878af5d5beac4565c2f.pdf

39) Please create the second mortgage LE please enter the following fields on the adobe fillable document:

Page 1:

- Date
 - Borrowers Name
 - Property Address
 - Sales Price
 - Loan Amount (4% of the Sales Price)
 - Loan Number (Replace 1234)
 - Lock Expiration Date – This will be within MBOT or the MHDC Site.
- *The rest of Page 1 of the LE will prefill!

Page 2:

There are no fields to fill in on this page.

Page 3:

The Loan Officer Information Section (all of them)
Please mark that “we intend to transfer” the servicing

40) Please download and / create the Specific MHDC disclosures, WITHIN the MHDC site.

Note the following:

*Click this link to login to MHDC’s portal: [Lender Online >> Login Section](#) .

*Then go to the loan pipeline:

Missouri Housing Development Commission
Lender Online
For All Your Clients' Needs

NEW RESERVATION AVAILABLE FUNDS PRE-QUALIFICATIONS **LOAN STATUS** REPORTS USER ACCOUNTS

Lender: Flanagan State Bank Branch: Home Office-IL

Participating Lenders/Branches

Lender: Flanagan State Bank

*Then go to:

Loans						
Showing All Loans						
Actions				Reservation	Lender Loan No.	
				221266024419	0012086096	TEST, MHDC30 ***-**-1234

*Then Generate the documents:

MHDC Lender Online
For All Your Clients' Needs

Missouri Housing Development Commission

NEW RESERVATION AVAILABLE FUNDS PRE-QUALIFICATIONS LOAN STATUS

Lender: Flanagan State Bank Branch: Home Office-IL

Loan Status

To generate a document with the corresponding loan information, select at least one document from the list and then click on the "Generate Documents" button. If you don't wish to continue click on the "Cancel" button.

Note:
You will need **Adobe Acrobat Reader** to view and/or print the document(s). The software is free and may be downloaded from www.adobe.com.

Select Documents

Reservation/Loan No: 221266024419 - TEST, MHDC30

<input checked="" type="checkbox"/>	Document Name
<input checked="" type="checkbox"/>	Form 555 - Recapture Tax Notification (Non Targeted)
<input checked="" type="checkbox"/>	Form #515 - Application Affidavit
<input checked="" type="checkbox"/>	2024 Government Closing Documents

Generate Documents **Cancel**

All forms that apply to this loan should be generated within the site except the forms mentioned below that may apply to each loan.

* **Make sure the following documents are always in the MHDC package:**

Link to Documents: c39de5_20d5623f0bc84eab8e7aa9bad8a3f6d6.pdf

- A) Forms- Mortgage Credit Certificate Program Missouri Housing Development Commission Targeted OR Non-Targeted Properties Disclosures - 355
- B) Form- Borrower's Application Affidavit -515 (First Place) or 715 (Next Step)
- C) Form- Missouri Cash Assistance Loan – 593 (First Place) or 793 (Next Step)

Note – make sure the questions on the URLA Counseling page are answered!





*** Make sure to check the URLA to see if ANY of the following documents need to be signed. You MUST create these forms (Adobe Fillable):**

Link to Documents: c39de5_20d5623f0bc84eab8e7aa9bad8a3f6d6.pdf





- A) Form- FHA Loan Only - FHA DPA Commitment Form – 594 (First Place) or 794 (Next Step)
- B) Form – Mobile Home Certification – 585 (First place) – Only needed to prove borrowers did not own “real property” in the past for 3 year 1st Time Homebuyer requirement.

*Send out the Second Mortgage LE and other program disclosures for signature as a custom document request in Doc Magic.

*Once the LE is received back, please upload these in MBOT under:

+ Files to Upload		Clear All	Submit
	File to upload	<input type="text"/>	
	Color Handler	Black and White	▼
	Render Quality	Normal	▼
	Document Type	Bond Second LEs	▼

**Once the program disclosures are signed and back please upload these in MBOT under:

+ Files to Upload		Clear All	Submit
	File to upload	<input type="text"/>	
	Color Handler	Black and White	▼
	Render Quality	Normal	▼
	Document Type	Bond Application Disclosures	▼

YOU DO NOT HAVE TO WAIT FOR THESE DOCUMENTS TO BE SENT BACK PRIOR TO PERFORMING THE REST OF THE DISCLOSURE PROCESS. MAKE SURE TO UPLOAD WHEN YOU RECEIVE THEM.

Please download the following documents from the MHDC Site and Upload to MBOT under “Bond Underwriting Forms”. Please enter the borrower(s) names on the document before uploading to Image Flow:

Link to documents: c39de5_7d007a05bf7c4abfa075fbaf9af5e284.pdf

A) Please upload either form 590 (First Place) or 790 (Next Place)

Please download the 2nd Mortgage / Deed of Trust Document and Upload to MBOT under “Bond Closing Forms”. You do NOT have to fill these forms out if applicable before uploading to Image Flow. The assigned processor will later:

Link to documents: [Microsoft Word - Note and DT \(kjb 9.11.17\).doc](https://Microsoft Word - Note and DT (kjb 9.11.17).doc)

A) Second Deed of Trust

Please download the following documents from the MHDC Site and Upload to MBOT under “Bond Closing Forms”. You do NOT have to fill these forms out if applicable before uploading to Image Flow. The assigned processor will later:

Link to First Place Conv: Microsoft Word - 505e - Lender File Submission Guide2019.doc

Link to First Place Govt: Microsoft Word - 505e - Lender File Submission Guide2019.doc

Link to Next Step: c39de5_ca2e69c96fd648b48f2b4e3620b7ee8e.pdf

A) You will select the correct First Place Closing Package (Either Conv or Govt).

*** Make sure to check the URLA to see if ANY of the following documents need to be signed at closing too. Please upload these under “Bon Closing Forms”. You do NOT have to fill these forms out if applicable before uploading to Image Flow. The assigned processor will later:**

Link to documents: c39de5_ca2e69c96fd648b48f2b4e3620b7ee8e.pdf

- A) Form - CERTIFICATION OF ZERO INCOME FOR ADULTS – 522 (First Place) 722 (Next Step) – Only required for Non-Purchasing Spouses or CBs without Income
- B) Form - CERTIFICATION OF ZERO INCOME FOR CHILDREN – 523 (First Place) 723 (Next Step) – Only required when the borrower’s or NPS’s have children
- C) Form – Co-Signor Affidavit – Only needed if there is a Co-Signor not living in the property - 575 (First Place) 775 (Next Step)
- D) Form – Separated Borrowers Certifications - 550 (First Place) 750 (Next Step)

Please download the following documents from the MHDC Site and Upload to MBOT under “Bond Delivery Forms”:

Link to First Place Conv: [Microsoft Word - 505e - Lender File Submission Guide2019.doc](#)

Link to First Place Govt: [Microsoft Word - 505e - Lender File Submission Guide2019.doc](#)

Link to Next Step: [Microsoft Word - Form 720 - Lender Cert.doc](#)

- A) Select the correct First Place Post Closing Documents (Conv or Govt), OR
- B) Upload the Next Step Post Closing Documents.

41) After Disclosures are sent, send the following email to mortgage support:

“Please note, we have disclosed this _____ (first only) MHDC Loan. Please make sure to assign this loan to Kristen Middleton. In addition, please make sure to CC Bond@flanaganstatebank.com on the email back to the loan officer. In addition, please add a condition to state, **“Processor to Check that the second mortgage LE and MHDC Program Disclosures are signed and uploaded in MBOT. Lastly, please remember to add MHDC as the DPA for this loan in FHA Connections later during the insuring process.”**

BOND LOAN UNIT POST DISCLOSURE RECEIPT PROCESS:

This process starts once the bond loan unit receives the email from mtg support that the loan has been assigned to Kristen Middleton!!!

42) Please send an email to the assigned processor stating the following:

“The _____ MHDC Loan is ready for processing. This program DOES require a specific Deed of Trust/Mortgage on the second, and other closing documents. Those have been uploaded to “Bond Closing Forms” within MBOT. You will need to complete these adobe fillable forms at time of ICD request and upload to the “Sign at Closing” folder within MBOT. In addition, please remember to contact Opshelp at the time of ICD preparation for further support and training on the ICD process for grant loan products. Thank you.”

BOND UNIT PROCESSING

43) The loan will be processed in normal fashion for each loan officer, either “consumer” direct or “non-Consumer” direct.

44) You may elect for the loan to be reviewed PRIOR to closing. Please fill out the documents on this link and plan for an additional 5 days prior to ICD submission. Please note that Form 521 is for First Place Loans, and 721 is for Next Step Loans.

Link: [c39de5_6f6fcb69efb143079fd6ee732a47027c.pdf](#)

45) Please make sure that the title company order for coverage reflects the total amount of both the first and second mortgage loan amounts!

46) All Processors - Prior to ICD Creation, please contact opshelp@flanaganstatebank.com
Note the following for that discussion:
Please click on this link for the ICD to Prepare for the second Mortgage:

Link: [c39de5_c16fb550fcf749c78b4297b552dbe9fe.pdf](#)

On the first CD, the total closing costs associated with the second mortgage may be reflected in “Section H” (of the first CD), “Other Costs,” and identified as “Closing Costs for Secondary Financing” if those fees are not being paid by the borrower or “netted” from the second mortgage proceeds.

Either net proceeds or the principal balance from the second lien (from CBC Mortgage Agency) may be shown in the “Amount” Column; however, if net proceeds are shown, the principal balance must also be shown in parentheses in the description field.

Note: if net proceeds are shown in the “Amount” column in Section L, or under “Other Credits” on the first CD, the closing costs associated with the second mortgage CD will not be reflected in Section H of the first CD and it will be critical for the lender to confirm that the borrower has sufficient funds invested to meet the FHA minimum required investment.

47) At the time of Underwriting Cleared to Close, please remember to check that all the required Bond Closing Documents have been uploaded to the “Sign at Closing” folder within MBOT for our closers to attach to each closing package. Please reference that this loan is a Bond Loan on the closing request form under the notes section and this task has been completed!

48) The rest of the loan is processed, underwritten, and closed in normal FSB procedures.

POST CLOSING DEPARTMENT PROCESS:

TO BE DETERMINED