# Correspondent Lending Guide

Version 12.23

# 1. | Overview

This section of the Correspondent Lending Guide is intended to provide our clients with an overview of CBC Mortgage Agency (CBCMA) or any trade name under which it may conduct business (collectively, “CBC Mortgage Agency”).

CBC Mortgage Agency is a subsection of Cedar Band Corporation, a federal corporation created by the U.S. government through the Bureau of Indian Affairs for the Cedar Band of Paiutes of the Paiute Indian Tribe of Utah. The Cedar Band of Paiutes is a constituent band of the Paiute Indian Tribe of Utah, a federally recognized Native American tribe as contemplated by 25 U.S.C. §477 and 48 Stat. 984 under the Indian Reorganization Act of 1934 (“IRA”). The Band’s council authorized CBC Mortgage Agency as an arm of the Band’s government.

CBC Mortgage Agency’s vision is to increase affordable and sustainable homeownership opportunities for creditworthy individuals who lack down payment funds. To accomplish this, CBC Mortgage Agency strives to build long-term loyalty with our business partners by dedicating ourselves to their success. CBC Mortgage Agency focuses on the development of market-leading, secondary mortgage loan products delivered with an ease of process and outstanding customer service.

# 2. | Disclaimers

## 2.1 | Loan Performance Notes

CBC Mortgage Agency (CBC Mortgage Agency) regularly monitors the performance of loans that use Chenoa Fund™. As loan performance is monitored, areas of risk that can be mitigated in the underwriting process are identified and program guidelines are then updated to ensure we are able to assist the maximum number of people while minimizing risk to the insurance fund.

## 2.2 | Website and Client Site Content and Materials

The information on the CBC Mortgage Agency website and client site is for information purposes only. It is believed to be reliable, but CBC Mortgage Agency does not warrant its completeness, timeliness, or accuracy. The information on the CBC Mortgage Agency website and the client site is not intended as an offer or solicitation for the purchase of any security or any other financial instrument.

The information and materials contained on the CBC Mortgage Agency website and client site, and the terms and conditions of the access to and use of such information and materials, are subject to change without notice. Products and services described, and associated fees, charges, interest rates, and balance requirements, may differ among geographic locations. Not all products and services are offered in all states.

The CBC Mortgage Agency website may have separate or additional terms and conditions, or both, from the terms and conditions governing access to the website and the client site. In the event of a conflict, the additional terms and conditions shall govern those relevant sections or pages. In addition, certain portions or pages of the website or client site may be subject to additional disclosures and disclaimers. In the event of a conflict between those disclosures and disclaimers in these terms and conditions, the additional disclosures and disclaimers shall govern those portions or pages.

The correspondent agrees that it will not engage in any activities related to the CBC Mortgage Agency website or client site that are contrary to applicable law, regulation, or the terms of any agreement the correspondent has with CBC Mortgage Agency or its affiliates.

The correspondent also agrees that it will establish commercially reasonable security procedures and controls where the CBC Mortgage Agency website or client site requires identification (for access or to perform transactions or processes). The correspondent agrees to limit access of correspondent passwords, or other identifying information, to authorized individuals.

CBC Mortgage Agency or its suppliers may discontinue or make changes in the information, products, or services described herein at any time without prior notice to the correspondent and without any liability to the correspondent. Any dated information is published as of its date only, and CBC Mortgage Agency is not obligated to update or amend any such information. CBC Mortgage Agency reserves the right to terminate any or all website offerings or transmissions without prior notice of any kind to the user. By offering information, products, and services via the CBC Mortgage Agency website or the client site, no distribution or solicitation of any kind is made by CBC Mortgage Agency to any person to use the website, client site, or such information, products, or services in jurisdictions where the provision of the website, client site, or such information, products, or services is prohibited by law.

## 2.3 | Limitation of Liability

Because of the possibility of human and mechanical error as well as other factors, the website (including all information and materials contained on the website) and the client site (including all information and materials contained on the client site) are provided “as is” and “as available.” CBC Mortgage Agency and third-party data providers are not providing any warranties and representations of any kind with regard to the CBC Mortgage Agency website or client site, including any implied warranties of merchantability, non-infringement of third-party rights, freedom from viruses or other harmful code, or fitness for any particular purpose. Further, CBC Mortgage Agency will not be liable for any delay, difficulty in use, inaccuracy of information, computer viruses, malicious code, or other defect in the website or the client site, or for incompatibility between the website and client site files and the user's browser or other site accessing program. Nor will CBC Mortgage Agency be liable for any other problems experienced by the user due to causes beyond the control of CBC Mortgage Agency. No license to the user is implied in these disclaimers.

Under no circumstances will CBC Mortgage Agency be liable for any lost profits, lost opportunity, or any indirect, consequential, incidental, special, punitive, or exemplary damages arising out of any use of or inability to use the CBC Mortgage Agency website or client site or any portion thereof, regardless of whether CBC Mortgage Agency has been apprised of the likelihood of such damages occurring and regardless of the form of action, whether in contract, warranty, tort (including negligence), strict liability, or otherwise.

### 2.4 | Severability, Enforceability, and Governing Law

In the event that any of the terms or provisions of these terms and conditions shall be held to be unenforceable, the remaining terms and provisions shall be unimpaired and the unenforceable terms or provisions shall be replaced by such enforceable terms or provisions that come closest to the intention underlying the unenforceable terms or provisions. These terms and conditions contained herein shall be subject to any other written agreements the correspondent has entered into with CBC Mortgage Agency. The user's access to and use of the CBC Mortgage Agency website and the client site, and terms of this disclaimer, are governed by the laws of the State of Utah.

## 3. | Doing Business with CBC Mortgage Agency on FHA Insured Loans

CBC Mortgage Agency follows applicable published FHA handbooks, mortgagee letters, and announcements with some minimal overlays as outlined in this guide.

### 3.1 | Correspondent Eligibility

To be eligible to sell FHA Mortgage Loans to CBC Mortgage Agency, the correspondent must meet the specific eligibility requirements determined by FHA.

#### 3.1.1 FHA Direct Endorsed (DE) Program Eligibility Requirements

The following requirements must be met to be eligible:

- ❑ Meet all other CBC Mortgage Agency eligibility requirements, as applicable.
- ❑ Meet HUD's minimum loan insurance requirements as defined by FHA Single Family Housing Policy Handbook HUD 4000.1, "Doing Business with FHA".

- ❑ Be issued Direct Endorsement (DE) approval through HUD and provide HUD approval documentation to CBC Mortgage Agency.
- ❑ Have a sufficient number of DE underwriters on staff for production volume; must provide CBC Mortgage Agency with resumes for DE underwriters.
- ❑ Be in good standing with HUD and other applicable agencies.
- ❑ Maintain a HUD compare ratio of less than or equal to 150% (correspondents with a compare ratio greater than 150% may be considered on an exception basis).
- ❑ Provide written QC plan, which must include a pre-closing audit process and a minimum of two months of management reporting as described in the Quality Control, Oversight and Compliance section in FHA Single Family Housing Policy Handbook 4000.1.
- ❑ Have a minimum of 2 years of experience in FHA originations.
- ❑ Meet all state license, registration, or equivalent approval requirements for the states in which they originate (if applicable).
- ❑ Meet the following net worth requirements:
  - ❑ $2.5 million net worth.
  - ❑ Audited financials in accordance with GAAP or Call Reports.
- ❑ Have a primary business location in a commercial location.

### 3.1.2 Independent Auditor's Report for FHA Originators

Correspondents approved by FHA to originate FHA Mortgage Loans must provide an independent auditor's report on their internal controls over compliance for HUD-assisted programs, regardless of whether or not the correspondent is approved to sell or actively sell FHA mortgage loans to CBC Mortgage Agency. The report must include all applicable HUD letters and the computation of a HUD Net Worth Statement showing compliance with HUD's net worth requirements.

Any government loan not insured within sixty (60) days of loan closing may be subject to repurchase by the correspondent.

## 3.2 | Maintaining Eligibility

To remain an approved correspondent in good standing, the correspondent must:

- ❑ Maintain eligibility and be in full compliance with all terms and requirements detailed in the "Eligibility" section of this guide.
- ❑ Actively participate in the programs described in this guide.

- ❑ Complete and submit, within required timeframes, all documents requested by CBC Mortgage Agency as part of the Recertification Process or Quality Control request; requested documents may not be older than ninety (90) days at the time of application.
- ❑ Remit any fee and payment due to CBC Mortgage Agency within the requested time frame.
- ❑ Maintain a Neighborhood Watch Ratio below 150%.

## 3.3 | Correspondent Renewal

To ensure approved correspondents continue to meet eligibility criteria, a renewal review will be performed periodically. The renewal review will consist of two parts:

- ❑ Updated financial and lender documentation as requested by CBC Mortgage Agency.
- ❑ Review of correspondent's performance and overall track record and history with CBC Mortgage Agency.

### 3.3.1 Renewal Process and Requirements

The renewal review occurs around the anniversary date of the correspondent's original approval or the last completion date of the correspondent's most recent renewal; however, CBC Mortgage Agency reserves the right to perform the review at any time. Correspondents will be notified via Comergence of the review. The Comergence notification will include a request for any documentation necessary to complete the renewal process. Correspondents must provide the necessary documentation within sixty (90) days of the request. Failure to provide the information within the required timeframe may result in suspension or termination.

### 3.3.2 Correspondent Performance

The correspondent's performance will be reviewed to ensure:

- ❑ Compliance with all terms of the Loan Purchase and Sale Agreement, and adherence to all applicable federal, state, and local legal and regulatory requirements.
- ❑ Adherence to CBC Mortgage Agency guidelines and loan parameters as outlined in this guide.
- ❑ Continued adherence to the most current client eligibility standards set forth by CBC Mortgage Agency.
- ❑ Acceptable pull through rates have been met.
- ❑ Acceptable payment of all fees and payments due to CBC Mortgage Agency.
- ❑ Acceptable and timely response to any inquiries by CBC Mortgage Agency.

## 3.4 | Terminated Correspondents

If a correspondent does not comply with the terms of their executed Loan Purchase and Sale Agreement, or the terms of the Guide and Loan Purchase and Sale Agreement, or when substantive issues have been discovered (e.g., fraud, unacceptable loan delivery performance, etc.), the relevant correspondent may have their status as an approved correspondent terminated. Notification of termination will be issued in writing and delivered by email service. Once terminated for cause, a correspondent may not be eligible for re-approval by CBC Mortgage Agency.

In addition, if the reason for termination was the result of misrepresentation or any other serious concern, the correspondent will be placed on the CBC Mortgage Agency exclusionary list. In addition, in cases of misrepresentation or any breaches in representation, warranty, or covenant, CBC Mortgage Agency reserves the right to pursue any and all remedies to which CBC Mortgage Agency may be entitled, in accordance with the Loan Purchase and Sale Agreement.

## 3.5 | HUD Termination

Correspondents who are terminated by HUD from participating in the FHA program (based on Credit Watch or otherwise) will not be permitted to participate in the CBC Mortgage Agency down payment assistance program (Chenoa Fund™).

## 3.6 | Audits

Correspondents must deliver to CBC Mortgage Agency, within fifteen (15) business days of receipt, copies of any adverse audit report issued by a state or federal regulator, government agency, or government-sponsored entity. If disciplinary action is taken by any such regulator, agency, or enterprise agency (including any formal enforcement action, suspension, or termination of the correspondent's selling or servicing rights), the correspondent must notify CBC Mortgage Agency within three (3) business days of such action.

## 3.7 | Pre-funding Quality Assurance by Correspondent

CBC Mortgage Agency requires correspondents to establish and maintain standards and procedures for quality control that comply with FHA Quality Control for Single Family Originations (4060.1 REV 2, Chapter 7) for mortgage loans with a case number assigned prior to September 14th, 2015. FHA mortgage loans with case numbers assigned on or after September 14th, 2015, must adhere to the quality control standards of FHA Single Family Housing Policy Handbook 4000.1.

Correspondents must provide CBC Mortgage Agency with a copy of their quality control plan, and their fair lending and AIR policy, prior to becoming an approved correspondent with CBC

Mortgage Agency. Additionally, correspondents must provide updates to policies upon request thereafter.

3.7.1 Quality Control Compliance

Quality Control compliance is a cooperative effort to mitigate fraud and risk in our lending environment and is also mandated by governing agencies, such as HUD and Fannie Mae™. Correspondent cooperation is mandatory when it comes to response and delivery of post-closing documentation.

The Mortgage Loan Purchase and Sale Agreement in Section 2(e) and (f) state the following:

- ❑ Failure of Seller to Timely Deliver Mortgage Loan Documents. The Seller shall deliver to the Purchaser, or its designee, for each Mortgage Loan in the related Mortgage Loan Package a complete Mortgage File, and the related Mortgage Loan Schedule. Seller agrees to pay a penalty of $10.00 per day per document for any document that has not been provided to Seller within 90 days from the Closing Date. Seller agrees to correct any documents within 30 days after being notified by Purchaser that any documents are unacceptable.
- ❑ Quality Control Review. Purchaser shall have the right at any time to perform a quality control review of any Mortgage Loan that it purchases under this Agreement, including, without limitation, independent credit report verifications, appraisal reports, and property inspection. If Purchaser is required by an investor to conduct or assist in a property inspection of the Mortgage Property, Seller agrees to assist the investor or Purchaser in conducting the inspection.

## 3.8 | Adherence to Fair Lending Standards

Correspondents must understand and acknowledge that CBC Mortgage Agency is fully committed to the principles of fair lending and requires each of its business partners, including correspondents, to follow similar principles. CBC Mortgage Agency additionally requests that correspondents and all of CBC Mortgage Agency’s owners, officers, partners, agents, and employees are adequately trained in fair lending policies and procedures. Correspondents must hereby acknowledge that they have received and reviewed the Fair Lending Policy adopted by CBC Mortgage Agency and that the correspondent has taken and will continue to take action to ensure that the correspondent and each of its owners, officers, partners, agents, and employees are adequately trained in and follow generally recognized fair lending policies and procedures.

3.8.1 Fair Lending Policy

CBC Mortgage Agency is committed to providing meaningful mortgage credit services to all of our customers and potential customers within each of our diverse communities on a fair and equitable basis. We will provide every customer and potential customer an equal opportunity to apply for each of our available mortgage services. We believe that our commitment to fair lending is a good and sound business practice that allows us to serve all of our customers and communities. We believe that our success at serving a wide range of consumer and business credit customers is essential to the economic vitality of CBC Mortgage Agency.

CBC Mortgage Agency will not tolerate discrimination in its lending or business practices by any of our officers, employees, or approved mortgage companies in serving our customers and potential customers. CBC Mortgage Agency will always strive to lead by example in ensuring that fair lending principles are fully integrated into all of our corporate policies and procedures, our marketing efforts, and our relationships with third parties involved in the credit process.

We believe that our commitment to fair lending is strengthened and reinforced by our equally strong commitment to the creation of a diverse workforce that will continue to reflect the values, aspirations, and spirit of our multicultural communities, and thereby allow us to better understand and respond to the legitimate multi-faceted credit needs of our communities.

In order to fulfill our commitment, we have empowered each of our officers and employees to use their best personal and professional efforts and resources to continue to make available meaningful services to all of our customers and communities on a fair and equitable basis.

## 3.9 | Equal Credit Opportunity Act

The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, or age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act.

CBC Mortgage Agency requires all correspondence to be in strict compliance with the Equal Credit Opportunity Act.

## 3.10 | Privacy of Consumer Financial Information

All capitalized terms used in this section and not otherwise defined shall have the meanings set forth in 12 C.F.R. Part 332 ("Privacy of Consumer Financial Information"), as amended from time to time (the "Privacy Regulation"), issued pursuant to Section 504 of the Gramm-Leach-Bliley Act (15 U.S.C. § 6801 et seq.).

### 3.10.1 Safeguards

Correspondent and CBC Mortgage Agency will maintain safeguards and take technical, physical, and organizational precautions to ensure consumer information against destruction, loss, alteration, unauthorized access, or disclosure to third parties while in the possession or under the control of Correspondent, Correspondent Agents, CBC Mortgage Agency, or CBC Mortgage Agency agents. The objective of each such precaution will be to:

- ❑ Ensure the security and confidentiality of consumer information.
- ❑ Protect against any anticipated threats or hazards to the security or integrity of consumer information.
- ❑ Protect against unauthorized access to or use of consumer information that could result in substantial harm or inconvenience to any customer.

3.10.2 Unauthorized Access to Consumer Information

Correspondent and CBC Mortgage Agency will maintain sufficient procedures to detect and respond to any unauthorized possession, disclosure, use, or other security breaches involving consumer information.

3.10.3 Notification of Unauthorized Access

Correspondent and CBC Mortgage Agency will, as soon as reasonably practicable, notify the other party of any unauthorized or attempted possession, disclosure, use, or knowledge of consumer information when one party becomes aware of it, including any material breach or potential material breach of security on a system, LAN, or telecommunications network which contains or processes consumer information.

3.10.4 Furnishing Details of Unauthorized Access

Correspondent and CBC Mortgage Agency will, as soon as reasonably practicable, furnish to the other party full details of the unauthorized or attempted possession, disclosure, use, or knowledge of consumer information and use reasonable efforts to assist the other party in investigating or preventing the recurrence of any unauthorized or attempted possession, use, or knowledge of consumer information.

3.10.5 Cooperation

Correspondent and CBC Mortgage Agency will cooperate to correct any unauthorized possession, disclosure, or use of consumer information, or any other security breaches, and will cooperate in any litigation and investigation deemed necessary to protect consumer information.

3.10.6 Recurrence

Correspondent and CBC Mortgage Agency will use all reasonable efforts to prevent a recurrence of any unauthorized possession, use, or knowledge of consumer information.

3.10.7 Confidentiality—Standard of Care

Each Party will protect all consumer information with the same degree of care as it uses to avoid unauthorized use, disclosure, publication, or dissemination of its own confidential information, but in no event less than a commercially reasonable degree of care.

3.10.8 Restricted Disclosure

Correspondent and CBC Mortgage Agency may disclose consumer information to its agents, accountants, attorneys, and affiliates or subsidiaries (respectively, each party's "Third Party Recipients") if reasonably necessary in performing its duties. Correspondent and CBC Mortgage Agency agree that they will not disclose, release, or otherwise make available to any third party any consumer information without the other party's prior written consent, provided, however, that Correspondent and CBC Mortgage Agency are each responsible for any violation of these confidentiality obligations by its Third-Party Recipients and will ensure that these individuals or entities are aware of these confidentiality obligations.

3.10.9 Consumer Privacy and Mortgage Loan Documents

Correspondents must fully comply with all provisions of the Gramm-Leach-Bliley Act (GLBA), including without limitation the Safeguards Rule, which requires Correspondents to ensure the security and confidentiality of customer records and personal information, and the Consumer Financial Privacy Rule, which prohibits Correspondent from disclosing Nonpublic Personal Information about a consumer unless it has satisfied various notice and opt-out requirements and the consumer has not elected to opt out.

## 3.11 | Principal/Authorized Agent Relationship

A Principal/Authorized Agent Relationship is one in which a mortgagee with unconditional DE authority permits another DE-approved mortgagee to underwrite mortgages on its behalf. A mortgagee with unconditional DE authority (acting as the "principal") can designate another DE-approved mortgagee to act as its "authorized agent" for the purposes of underwriting mortgages. A sponsored Third-Party Originator (TPO) may not act as a principal or authorized agent.

3.11.1 Required Authorities

The authorized agent must have unconditional DE authority to underwrite the type of mortgage that is being underwritten. The mortgagee must be approved as follows:

- ❑ To originate forward mortgages:
    - ❑ The principal may have unconditional DE authority for either forward mortgages or HECM.
    - ❑ The authorized agent must have unconditional DE authority for forward mortgages.

- ❑ For this process:
  - ❑ The principal must originate the mortgage and the authorized agent must underwrite the mortgage.
  - ❑ The mortgage may close in either mortgagee's name, and either may submit the mortgage for insurance endorsement.
- ❑ With required documentation:
  - ❑ The relationship must be documented in FHAC by the authorized agent.
  - ❑ Additionally, the principal's FHA Lender ID must be entered in the "Originator" field on the FHA case file and in FHAC.

### 3.12 | Exclusionary Lists—LDP/GSA

The mortgagee must not employ or contract with any individuals or entities excluded from participation in FHA programs. In addition, a mortgage is not eligible for FHA insurance if anyone participating in the mortgage transaction is listed on HUD's LDP list (Limited Denial of Participation) or in SAM (System for Award Management) as being excluded from participation in HUD transactions. A list of parties to the transaction which must be searched can be found in FHA Handbook 4000.1.

## 4. | Summary of Products

### 4.1 | Chenoa Fund™

Chenoa Fund™ down payment assistance (DPA) is offered in the form of a second mortgage. For DPA products paired with FHA first mortgages, the DPA amount is 3.5% or 5% of the lower of the purchase price or appraised value of the home. This amount is rounded up to the nearest whole dollar.

In any case, this assistance may be applied toward the borrower's minimum required investment, closing costs, or prepaid items, or any combination of the three. Following the close, our approved correspondent lenders, who offer Chenoa Fund™ products on CBC Mortgage Agency's behalf, sell the first mortgage to CBC Mortgage Agency and receive a generous YSP. Correspondent lenders also get reimbursed for the second mortgage by CBC Mortgage Agency. CBC Mortgage Agency offers one unified product that is paired with an FHA-insured first mortgage.

If you would like a visual aid to compare the differences between these three products, please refer to CBC Mortgage Agency's product matrix.

## 4.2 | FHA Offerings

Chenoa Fund™ secondary financing assists homebuyers in meeting their minimum required investment when purchasing a home using an FHA insured mortgage for a primary residence. All buyers must sign the note and deed of trust (or mortgage, in applicable states) for the secondary financing.

Chenoa Fund™ down payment assistance for FHA loans provides down payment assistance equal to 3.5% or 5% of the sales price or appraised value, whichever is less, rounded up to the nearest whole dollar. This assistance may be applied towards the borrower's minimum required investment, closing costs, or prepaid items, or any combination of the three. When secondary financing is issued, the assistance must be in second lien position.

Additional assistance (gift or secondary financing) may be combined with CBC Mortgage Agency's assistance programs as long as the underlying FHA-insured loan is sold to CBC Mortgage Agency and any CBC Mortgage Agency lien is in second position. The only fees chargeable to the borrower in conjunction with the secondary financing are prepaid interest, recording fees for the Deed of Trust, reasonable settlement fees, any governmental levied property tax stamps or recording taxes, a courier fee to return the signed documents to the Lender, and a MERS registration/transfer fee.

First mortgage loans must be a fixed rate and conform to standard FHA guidelines. High balance loans are acceptable, except for the 5% down payment assistance product when using the forgivable option. Eligible loan programs:

- ❑ FHA 203(b) 1–2 units, primary residence only.

When secondary financing is used, a second lien loan application is not required if disclosed appropriately in conjunction with the first lien. Otherwise, a second lien loan application must be completed and executed by the borrowers. In either instance, the respective loan application must identify the source of funds as CBC Mortgage Agency, including accurate loan amount and repayment terms of the secondary financing.

In all cases, first mortgage loans submitted to CBC Mortgage Agency must conform with HUD's FHA 4000.1 handbook and be of investment quality and saleable on the secondary market. Origination partners must be fully delegated by FHA. They are expected to prudently underwrite all loans and to ensure that the file contains adequate documentation to support both the information represented in the borrower's loan application and the data elements entered into automated underwriting systems. The mortgage loan and the disbursement thereof must meet, or be exempt from, applicable state and federal laws, regulations, and other requirements pertaining to usury, fees, and expenses incurred in the making of a mortgage loan.

All secondary financing is issued in strict compliance with FHA guidelines to homebuyers qualified for an FHA-insured loan, whether tribal members or not.  In addition to all FHA guidelines, this document contains requirements that apply to each loan issued. All first mortgage loans funded in conjunction with one of CBC Mortgage Agency's down payments must fully comply with FHA guidelines regarding Secondary Financing from a Government Entity, found in HUD Handbook 4000.1.

For all general underwriting requirements not referenced here or affected by CBC Mortgage Agency overlays, please refer to FHA 4000.1 (found at www.hud.gov).

There is one Chenoa Fund™ down payment assistance product for FHA loans.

4.2.1 Chenoa Fund Down Payment Assistance

This second mortgage product is paired with an FHA first mortgage. The product offers 3.5% or 5% down payment assistance. All FHA guidelines must be met, as well as Chenoa Fund overlays. This product can be repayable or forgivable. Repayable down payment second loans have a 10-year term with an interest rate matching the interest rate on the first mortgage.

The forgivable option has a 30-year term, no interest rate, and no monthly payments.

Forgiveness for both the 3.5% and 5% DPA:

- ❑ Forgiven once the borrower makes thirty-six (36) **consecutive, on-time** payments on the FHA first mortgage. (The borrower must request forgiveness once forgiveness conditions are met and provide payment for processing the lien release.) This forgiveness period resets if the borrower makes a late payment on the first mortgage.

  If this forgiveness condition is not met before the end of the 30-year term, then the loan may be forgiven at the borrower's request and upon the borrower's payment of processing the lien release. This loan permanently loses its forgivable status if, during the initial thirty-six (36) payments on the first mortgage, the borrower refinances the first mortgage and state law allows the second mortgage to subordinate without prior consent from CBC Mortgage Agency.

Please reach out to servicing@chenoafund.org to discuss subordinations. The loan must be repaid upon refinance or transfer of homeownership if forgiveness conditions are not met.

Please refer to our daily rate sheet for interest rates on FHA first mortgages.

## 4.3 | USDA Offerings

CBC Mortgage Agency is pleased to offer the Chenoa Fund USDA Rural Development (RD) 30-year program to all correspondent lenders.

The USDA loan is a zero-down mortgage program that is meant to support homeownership in rural and semi-rural areas. USDA home loans are designed to provide "low and moderate-income households" an opportunity to own a home with little to no down payment. Like its definition of "rural," what it considers moderate income is generous. A borrower can make up to

115% of the area's median income and still qualify. The higher the city's typical income, the more an individual can earn and still be eligible.

The home must be within a USDA-eligible area. (https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do?pageAction=sfp) There are no exceptions granted.

First mortgage loans submitted to CBC Mortgage Agency must conform with USDA 3555-1 Technical handbook as well as the FHA 4000.1 Handbook and be of investment quality and saleable on the secondary market. Secondary Financing with the USDA program is not allowed at this time.

## 4.4 | Product Comparisons

If you would like a visual of the Chenoa Fund product offerings, please visit our Product Matrix, which provides a summarized version of the Correspondent Lending Guide.

As already mentioned, each Chenoa Fund™ product has its own requirements and guidelines, which are detailed in the rest of this section. The following definitions will help clarify what guidelines refer to which product:

- **All FHA**—Applicable to Chenoa Fund™ for FHA products (3.5% DPA and 5% DPA; repayable and forgivable).
- **First Mortgage**—A requirement for the first mortgage that doesn't necessarily apply to the second mortgage.

### 4.4.1 | Program Notes and Disclaimers

*All FHA*: CBC Mortgage Agency adheres to all posted guidelines for FHA eligibility as found in the FHA Housing Handbook, 4000.1. All other posted program notes or guidelines are overlays of CBC Mortgage Agency and Chenoa Fund™.

### 4.4.2 High Balance Loans

A High balance loan is any loan that exceeds the FHFA loan limit (typically the standard conforming loan limit, **not** the individual county conforming loan limit). In AK and HI the FHFA limit is higher than in the continental US and is the threshold used to determine whether or not a loan is High Balance.

High balance loans are acceptable with the following Chenoa Fund™ DPA Products:

- Chenoa Fund™ for FHA (repayable assistance; 3.5% or 5% DPA).
- Chenoa Fund™ for FHA (forgivable assistance; 3.5% DPA).

High balance loans are not acceptable for Chenoa Fund™ down payment assistance for the Chenoa Fund™ DPA for FHA product with forgivable assistance in an amount of 5%.

## 4.5 | First Mortgage

*All FHA Programs*: The FHA mortgage paired with Chenoa Fund™ down payment assistance must be a 30-year fixed rate term with full amortization only. **The first mortgage must be purchased by CBC Mortgage Agency**.

The mortgage type must be FHA 203 (b) 1–2 units, primary residence only. The following property types are allowed: SFR, PUD, townhome, condo, attached, detached, modular, and manufactured- double and triple wide only (single wide not eligible). (Note that manufactured homes must meet the requirements outlined in Section 5 [Manufactured Housing] of this guide.)

### 4.5.1 DPA Funding/Reimbursement

*First Mortgage*: Lenders fund the down payment assistance at closing and will be reimbursed by CBC Mortgage Agency upon purchase of the first mortgage under the terms of the Funding Obligation Letter issued at loan registration.

### 4.5.2 Loan Purpose

*First Mortgage*: Purchase only.

## 4.6 | Borrower Income Limits

*All FHA*: No income limitations at this time.

### 4.6.1 AMI Calculation

The area median income (AMI) used to calculate program-specific income limits is valid as of the closing date of a loan. CBC Mortgage Agency will require a letter of explanation if more dependents than are on the 1003 are used to set an AMI limit.

*All FHA*: Based on loan qualifying income only (only use the income on the final loan application). Use HUD's AMI chart for the most recent year.

For more information on how to calculate AMI, please refer to CBC Mortgage Agency's Training Series under the "How to Calculate AMI" bubble. (Note that you do not need a login to access CBC Mortgage Agency training materials; we merely capture email addresses for tracking purposes. Also note that the training is a Prezi, not a video or traditional slide presentation).

## 4.7 | Occupancy and Property Type

*All FHA*: One of the borrowers must occupy the property as their primary residence. All other FHA guidelines apply. SFR, PUD, townhome, condo, attached, detached, modular, and manufactured allowed.

## 4.8 | First-time Homebuyer

*All FHA*: If the Borrower has a previous rental history and would like it to be considered in the AUS for TOTAL Scorecard Feedback Results, there are some specific requirements to be addressed but a previous rental history is not required (see 4.12 for clarification).

Per FHA Mortgagee Letter 2022-17.

## 4.9 | Minimum Credit Score

CBC Mortgage Agency follows industry standards (middle of three, lower of two) for determining which credit score to use for all Chenoa Fund™ credit score requirements.

*All FHA*: 600 credit score. Use the lowest middle credit score on the loan. CBC Mortgage Agency requires that all borrowers have at least one credit score.

## 4.10 | DTI Requirements

DTI overlays are determined by the qualifying credit scores on the loan.

*All FHA*:

- Credit Score 600+: DTI per AUS approval. If the borrower does not receive Approve/Eligible, a manual underwrite may be allowed; see section 4.24 (Manual Underwriting) for more information. **Effective October 16, 2023, Manual Underwriting is suspended.**

## 4.11 | Payment Shock Requirements

Loans with AUS Approval will not have payment shock calculations applied. Manually underwritten loans will continue to be reviewed. **Effective October 16, 2023, Manual Underwriting is suspended.**

## 4.12 | Present Housing Expense & Verification of Housing Payment

*All FHA*:

- Rental payment history may assist first time homebuyers (per FHA Mortgagee Letter 2022-17).

- ❑ Renting from Family Member: May provide a copy of the executed lease agreement and 12 months canceled checks or bank statements.
- ❑ Borrowers with "0" rental payment: Letter of Explanation may be required.

4.13.1 Loan Application Input for the Current Housing Payment

*All FHA*: All applications must contain a "present" housing payment unless the borrower is currently not making a housing payment. The amount "$0.00" should be entered into the "present" housing payment field on the loan application if the borrower is not making a housing payment. The "present" housing payment field may only be left blank if your LOS does not allow an entry of $0.00.

## 4.13 | Homeownership Education

*All FHA*: Required for borrowers with qualifying credit scores from 600–639. This course must be taken prior to closing.

Borrowers with a credit score of 600–619 are required to take a counseling course through Money Management International. This course is accessible here and is paid for by CBC Mortgage Agency (for borrowers in this credit score band). Borrowers can take the course after their loan is registered in the CBC Mortgage Agency online lender portal and they receive a CBC Mortgage Agency loan number.

Borrowers with a credit score of 620–639 may use any HUD-approved counseling course (you can access a list of HUD-approved courses here; in addition, the Framework® and Homeview® are allowed as well). CBC Mortgage Agency will pay the course fee for those borrowers who choose to take the above Money Management International course if they are in this credit score band.

All borrowers with scores less than 640 are required to take a homebuyer education course. Any borrowers on your transaction with a qualifying credit score equal to or greater than 640 are not required to take a course.

## 4.14 | Acceptable Sources of Funds for Down Payment and Closing Costs

*All FHA*: Gifts, grants, and CBC Mortgage Agency second mortgages. Any eligible loan may have more than one subordinate lien (i.e., third lien). Sweat equity is acceptable in accordance with FHA guidelines.

## 4.15 | Manufactured Homes

*All FHA*: Permitted. For more information, see Section 5 (Manufactured Housing) or our Manufactured Housing Matrix.

## 4.16 | Non-occupant Borrowers

*All FHA*: Allowed (family members or relatives only, as defined by FHA). When the loan includes a non-occupant co-borrower, the qualifying income of only the occupying borrower(s) is used to determine program qualifications under AMI limits.

## 4.17 | Loan Amounts (Minimum and Maximum)

*All FHA Programs*: Per FHA guidelines. Varies by county. CBC Mortgage Agency has no overlays for maximum or minimum loan amounts.

## 4.18 | Maximum LTV/CLTV and Subordinate Financing

*All FHA*:

- ❏ LTV to 90–96.5%

DPA financing may be 3.5% or 5% of the lower of the purchase price or appraised value. No max CLTV; per FHA guidelines, additional outside financing may be acceptable with unlimited CLTV (conditions may apply). Borrowers may increase their minimum required investment (down payment) by putting down additional funds above and beyond the assistance received through the Chenoa Fund™ program as long as the loan-to-value ratio does not go below 90%.

Borrowers may use other forms of down payment assistance in conjunction with the assistance received from Chenoa Fund™, even if the additional assistance creates additional liens on the property. In cases where secondary financing is received from Chenoa Fund™, the Chenoa Fund™ lien must be in a second lien position and the first mortgage must be sold to CBC Mortgage Agency. The CLTV is only limited by FHA guidelines.

## 4.19 | Ineligible Borrowers

CBC Mortgage Agency will rely on our correspondent partners to document lawful residency in accordance with FHA guidance. We will enforce our reps/warrants policy to the extent that FHA audits any loan and finds that a borrower does not meet these definitions of lawful residency.

*All FHA*: Any borrower that does not meet FHA's definition of a lawful, legal resident of the United States. For borrower residency or VISA classification acceptance, FHA guidelines can be found in part below.

U.S. Citizenship is not required for mortgage eligibility.

The mortgagee must determine the residency status of the borrower based on information provided on the mortgage application and other applicable documentation. In no case is a Social Security card sufficient to prove immigration or work status.

A borrower with lawful permanent resident alien status may be eligible for FHA-insured financing provided the borrower satisfies the same requirements, terms, and conditions as those for U.S. citizens.

The mortgage file must include evidence of the permanent residency and indicate that the borrower is a lawful permanent resident alien on the URLA. The U.S. Citizenship and Immigration Services (USCIS) within the Department of Homeland Security provides evidence of lawful, permanent residency status.

A borrower who is a "non-permanent resident alien" may be eligible for FHA-insured financing provided:

- ❑ the property will be the borrower's principal residence;
- ❑ the borrower has a valid SSN, except for those employed by the World Bank, a foreign embassy, or an equivalent employer identified by HUD;
- ❑ the borrower is eligible to work in the United States, as evidenced by the Employment Authorization Document (EAD) issued by the USCIS; and
- ❑ the borrower satisfies the same requirements, terms, and conditions as those for U.S. citizens.

The EAD is required to substantiate work status. If the EAD will expire within one year and a prior history of residency status renewals exists, the mortgagee may assume that continuation will be granted. If there are no prior renewals, the mortgagee must determine the likelihood of renewal based on information from the USCIS.

A borrower residing in the U.S. by virtue of refugee or asylee status granted by the USCIS is automatically eligible to work in this country. The EAD is not required, but documentation substantiating the refugee or asylee status must be obtained.

Non-U.S. citizens without lawful residency in the U.S. are not eligible for FHA-insured Mortgages.

## 4.20 | Private Mortgage Insurance (MI) Coverage

*All FHA*: Standard FHA coverage. See FHA Single Family Housing Policy Handbook Appendix 1 for further details: HUD Handbook 4000.1.

Access Mortgagee Letter 1/20/17.

4.20.1 Transferring Private Mortgage Insurance

Servicing Transfer address:

**CBC Mortgage Agency**
912 W Baxter Drive, Suite #150

South Jordan, UT 84095

Methods to Notify Radian of a Loan Sale or Transfer of Servicing:

- ❑ EDI: Initiate EDI submission
- ❑ MI Online:
  - o Access MI Online: [www.mionline.biz.](http://www.mionline.biz)
  - o Click the *Loan Servicing* tab and make the appropriate selections.
- ❑ Email: Send the appropriate forms (the *Activation Notice* or Radian's *Notice of Loan Sale and/or Request for Transfer of Servicing*) to [customercare@radian.com.](mailto:customercare@radian.com)

## 4.21 | Guidance on Fees

### 4.21.1 Fees to CBC Mortgage Agency

All Programs: $399 Admin Fee.

No lender fees allowed on secondary financing. The only fees chargeable to the borrower in conjunction with the secondary financing are prepaid interest, recording fees for the Deed CBC Mortgage Agency (09/08/2022) (32) Correspondent Lending Guide Ver. 12.9 For business and professional use only. Not for consumer distribution. This document is not an advertisement as defined in 12 CFR 226.2(a)(2). All products are subject to credit and property approval. Other restrictions and limitations may apply. NMLS #1186381, CBC Mortgage Agency. Subject to change without notice. All rights reserved. Equal Housing Opportunity. of Trust, reasonable settlement fees, a courier fee to return the signed documents to the Lender, and a MERS registration/transfer fee. The admin fee is charged to the correspondent and is reflected on the Purchase Advice as a deduction from the total loan sale proceeds. This fee is a secondary market cost to the correspondent and is not part of the primary transaction, therefore it is not appropriate to charge this fee in section B or C of the LE/CD. Any addition to the lender's fees to the borrower to offset this charge must never reflect as a charge payable to CBC Mortgage Agency and must always be listed in Section A, paid to the correspondent (for example, included in the Origination Charges or as a separate line-item charge). Any fees added to Section A must be included in the TRID points & fees test. Fees on the LE and CD should never reflect as payable to CBC Mortgage Agency, CBC Mortgage Agency, or Chenoa Fund, regardless of the section. Regarding discount points, CBC Mortgage Agency follows FHA Handbook 4000.1 and CFPB guidelines for TRID, at no time will CBC Mortgage Agency purchase a loan that exceeds 3% QM points and fees test.

### 4.21.2 Seller Credits

CBC Mortgage Agency allows seller credits as long as they meet FHA/HUD Handbook 4000.1 requirements.

Keep in mind that converting seller credits to seller-paid fees must be done prior to or at closing. Seller credits used to offset points and fees must be disclosed on the initial and final CD; they cannot be corrected after closing and must be reflected on the purchase contract prior to closing.

The Interested Parties' contribution of up to 6% of the sales price would include temporary interest rate buydowns.

4.21.3 Fees to Originator

*All Programs*: CBC Mortgage Agency will allow a maximum origination fee of 1.5%. Additionally, the lender may charge for any CBC Mortgage Agency loan level pricing adjustments (LLPAs); charges for loan level pricing adjustments may be seller-paid. Lenders will be required to refund borrowers for any origination fees (including non–bona fide discount points) exceeding 1.5% plus CBC Mortgage Agency LLPAs (if applicable). Reasonable lender underwriting, administrative, or program fees are not considered in this calculation; however, they are considered in the QM 3% points and fees test.

It is recommended that discount points are not charged; we recommend that lenders treat loan-level pricing adjustments as points and name them as points.

## 4.22 | AUS

*All FHA*: DU®, Loan Prospector, or TOTAL Scorecard.

## 4.23 | Max Units

*All FHA*: Two. Three to four units ineligible.

## 4.24 | Manual Underwriting

**Effective October 16, 2023, this section on FHA manual underwriting is SUSPENDED and not available currently.**

***All FHA*:** Loans submitted with Refer/Eligible AUS findings that have been manually underwritten according to FHA guidelines are acceptable with the exception of manufactured home properties, provided that CBC Mortgage Agency overlays are also adhered to. All Manual Underwrites will need to be screened prior to close with an exception.

Follow eligibility requirements for manually underwritten loans according to FHA, and then apply CBC Mortgage Agency overlays for complete adherence to our program requirements.

## 4.25 | Additional Properties Owned

*All FHA*: Allowed, but a Letter of Explanation is required to explain the motivation to keep current residence while purchasing new. An acceptable reason must be documented for the move, along with the intent behind retaining the current property. Occupancy reasonability must be documented and a QC review may be applied to the transaction. If the new residence puts the borrower's commute at an additional distance of thirty minutes to the borrower's place of employment, CBC Mortgage Agency expects this to be referenced in the LOE.

As a reminder, FHA guidelines regarding owner occupancy requirements must be met.

## 4.26 | Appraisal Overlays

*All FHA Programs*: CBC Mortgage Agency does not purchase loans with a Condition rating of C5.

## 4.27 | General Overlays

4.27.1 Cash Back to Borrower

*All FHA*: CBC Mortgage Agency follows FHA/HUD 4000.1 requirements for cash back to borrower.

4.27.2 Minimum Borrower Contribution

*All FHA*: $0. All funds needed to complete the transaction can come from a CBC Mortgage Agency-approved second lien.

4.27.3 HPML, High Cost, & QM Compliance

*All FHA*: HPML transactions are allowed. Requires all loans to be purchased to meet FHA 4000.1 guidelines. Additionally, we require that loans that are to be purchased by CBCMA to meet TRID and Quality Mortgage Rules (QM) and Guidelines. High Cost loans are not permitted. All first mortgages must adhere to QM/ATR compliance. Mortgage loans exceeding the 3% max points and fees test are not permitted unless cures are applied. Bona fide discount points must adhere to FHA & CFPB guidelines and any or all state regulations. Bona fide discount points do not count toward the 3% max points and fees test.

4.27.4 Rate Sheet Compliance

*All FHA*: The terminology of "discount points" has been clarified with regards to discussions surrounding the price paid by correspondents for rates charged on our rate sheets. Please see the Correspondent Lending Guide, sections 4.21.1 (Fees to CBC Mortgage Agency) and 6.8 (Important Notice Regarding CBC Mortgage Agency Investor Delivery Fee and Clarification of Rate Sheets), for a complete explanation and correct compliance interpretation.

For loans where discount points are present, correspondents may be required to include the correspondent's published rate sheet in the purchase package in order to allow CBC Mortgage Agency to determine bona fide discount points from discount points that must be counted toward the 3% max points and fees calculation (non–bona fide discount points). This rate sheet must be from the day the loan was locked.

**Bonafide and Non-bonafide fees**

Bona-fide discount points exist when your company publishes a rate sheet that has, after application of all LLPAs, a par rate or that pays a premium. If a borrower selects a lower rate than that ‘par or better’ rate, then the discount point charged to get that lower rate would be a bona-fide discount point. CBCMA allows discount points per FHA & CFPB guidelines.

Non-bonafide discount points exist when no ‘par or better’ rate exists on your company’s published rate sheet. If the highest rate available results in a fee to the borrower, this fee is a non-bona-fide discount point. CBCMA allows non-bona-fide discount points, but they must be counted towards the maximum 3% points and fees rule.

This rate sheet must be from the day the loan was locked.

<u>4.27.5 Required Documents</u>

*All FHA*: Secondary financing requires the delivery of a complete second lien file to include an application, LE, CD, and all other state- and federal-required disclosures.

Secondary financing requires an initial, signed URLA; TRID compliant disclosures; and any state-required disclosures. In addition, we prefer to receive a final, signed URLA if information in the initial URLA changes.

The first mortgage file must contain a copy of the note, the deed of trust/mortgage, and a Funding Obligation Letter dated prior to the loan closing date.

CBC Mortgage Agency does not normally allow reverse bailees. In the event that an exception is granted, the notes for both mortgages using a reverse bailee must be delivered to CBC Mortgage Agency within three (3) days after the reverse bailee is received.

<u>4.27.6 Initial & Final URLA</u>

*All FHA*: We do require both an initial and a final URLA, per agency guidelines.

We require either the initial URLA or the final URLA to contain the signature of the originating MLO. This is not a requirement of just the final. One should be signed, but both are not required.

Either the initial URLA, or the final URLA, must also be completed with the present housing expense section filled out. No exceptions.

<u>4.27.7 Seller’s CD</u>

*All FHA*: A copy of the CD provided to the seller at closing is required on all transactions.

<u>4.27.8 Ineligible Features</u>

*All FHA*:

- ❑ Building on own land.
- ❑ Construction to Perm.

- ❑ Easements and deed restrictions that affect marketability must be reviewed and approved by CBC Mortgage Agency to be eligible for purchase, unless the easement or deed restriction expires upon foreclosure (requests for review should be submitted to scenariodesk@chenoafund.org); however, deed restrictions allowed per FHA 4000.1 are permissible.
- ❑ Loans with resale deed restrictions.
- ❑ Proposed or under construction (new construction OK provided that the property is complete at the time of purchase).
- ❑ Illegal Accessory Units (please follow all HUD guidelines and all zoning laws on allowable features).

4.27.9 Escrow Holdbacks

Minimum required repairs are established by the FHA Roster Appraiser, the FHA DE Lender, or both. CBC Mortgage Agency will accept escrow holdbacks. Exception requests for escrow holdbacks will be considered for weather-related repairs only—that is, repairs that cannot be completed prior to close due to inclement weather. All Escrow Holdback Agreements must be approved prior to Closing.

*All FHA*: Escrow holdbacks are permitted and must meet the following general guidelines:

- ❑ Must be weather-related.
- ❑ Original appraisal must be completed "subject-to" the repairs required.
- ❑ Repairs must be required by the appraiser or lender in order to bring the property up to FHA minimum property standards.
- ❑ Contractor must provide an invoice with an estimate of work certifying that the work cannot be completed prior to disbursement (due to inclement weather conditions).
    - ▫ Inclement weather conditions are generally considered to be between November and March.
- ❑ All repairs should be completed within six (6) months of the Note date.
- ❑ The amount of money held in escrow for repairs must be 1.5 times the amount of the invoice plus a sufficient amount required for the FHA appraiser's final inspection.
- ❑ The Mortgagee must complete the "Escrow Closeout Certification" screen, in FHA Connection, within thirty (30) days of escrow closing/completion.
    - ▫ Prior to Purchase: The lender must provide the executed HUD form 92300, Mortgagee's Assurance of Completion, to indicate the repair escrow has been established.
    - ▫ Post Purchase: The lender must provide HUD form 92051, Compliance Inspection Report, to evidence that repairs have been satisfactorily completed.

- ❑ All other FHA guidelines must be adhered to.
- ❑ Acceptable evidence of completion is provided by the borrower for minor repair or improvement items.
- ❑ Note Energy Mortgages (NEM) are not allowed at this time.

It is preferred that exception requests be submitted through the client site while registering a loan. When this isn't an option, email the Chenoa Fund™ Scenario Desk (scenariodesk@chenoafund.org).

4.27.10 Intent to Proceed

*All FHA*: Documented Intent to Proceed is required on all transactions for all borrowers.

4.27.11 Gaps in Employment

*All FHA*: FHA guidelines require all loan applications to contain a complete two-year history of employment on the 1003. CBC Mortgage Agency may require an LOX for files with less than two (2) years of employment history. The start date for this two-year history is the application date for the 1003.

4.27.12 IRS Transcripts Requirements

*All FHA*: Only required for self-employed borrowers, or any borrower that needs tax returns for qualifying. W2-only income is no longer required to be validated with transcripts unless other QC concerns exist. For W2-borrowers, follow AUS requirements for income documentation, or manual UW requirements if the loan is manually downgraded.

4.27.13 Self-employed Borrower Business Verification

*All FHA*: CBC Mortgage Agency requires that self-employed borrowers have their business verified as open and operating within thirty (30) calendar days prior to the Note date. The correspondent must provide one of the following to confirm that the business is open and operating:

- ❑ Evidence of current work (executed contracts or signed invoices that indicate the business is operating on the day the correspondent verifies self-employment).
- ❑ Evidence of current business receipts within thirty (30) days of the Note date (payment for services performed)- (meet FHA/HUD 4000.1 requirements).
- ❑ Correspondent certification that the business is open and operating (correspondent confirmed through a phone call or other means).
- ❑ Business website demonstrating activity supporting current business operations (timely appointments for estimates or service can be scheduled).

4.27.14 Mortgage Credit Certificates (MCC)

*All FHA*: Allowed. No longer required to be pre-approved prior to submission. All MCCs must be calculated according to FHA guidelines by adding the credit as income, not a payment reduction.

4.27.15 Mortgage Insurance Certificate (MIC)

*All FHA*: Upfront MIP must be paid prior to purchase.

MICs are not required to be delivered prior to purchase, but must be delivered to CBC Mortgage Agency within sixty (60) days of the note date. However, loans with a credit reject and manufactured housing are the exceptions to this rule: loans with a credit reject and manufactured housing will not be eligible for purchase until a MIC is delivered to CBC Mortgage Agency.

This will help us better align with industry standards for mitigating risk and preventing secondary delivery delays. Fees will be applied if delivery dates are not met. For more information, contact finaldocs@chenoafund.org.

4.27.16 Flood Certificate

*All Programs (First Mortgage)*: Flood certifications must include a life of loan certification. Flood policies must be in effect at closing.

*All FHA*: If flood insurance is required, CBCMA will follow FHA guidelines and accept either Private Flood Insurance or National Flood Insurance.

Please note that a property is not eligible for FHA insurance if a residential building and related improvements to the property are located within SFHA Zone A (a Special Flood Zone Area) of Zone V (a coastal area) and insurance under the National Flood Insurance Program (NFIP) is not available in the community.

A property is not eligible for FHA insurance if the improvements are or are proposed to be located within a Coastal Barrier Resource System (CBRS).

For more information, please refer to Flood Insurance FHA 4000.1.

4.27.17 Disaster Certificates

*All FHA*: In counties that have been deemed disaster areas by FEMA (Federal Emergency Management Agency), CBC Mortgage Agency will require a 1004D disaster certificate OR a lender certificate, with exterior photos required for both. The certificate must be dated after the incident period. Appraisals performed prior to the incident end date or within up to 14-days from the incident start date, whichever is earlier: a disaster certification is required.

It is solely the correspondent’s responsibility to be aware of and act upon any mortgage loans that were, prior to the sale to CBC Mortgage Agency, impacted by disasters. The correspondent should contact the appropriate source (e.g., a state office, regional Federal Emergency Management Agency (FEMA) office, news agency, etc.) to determine whether properties located in its origination regions are included in a disaster area.

CBC Mortgage Agency's Disaster Policy applies to any of the following:

- ❑ FEMA-declared disaster areas eligible for Individual Assistance
- ❑ Areas identified by CBC Mortgage Agency
- ❑ Properties that the correspondent has reason to believe sustained damage in a disaster

CBC Mortgage Agency does not have the responsibility to provide notification to the seller of disaster areas. If, at any time after loan purchase, CBC Mortgage Agency or a subsequent investor determines that the subject property was damaged and not in fully marketable condition at time of sale, the loan will be subject to repurchase.

4.27.18 Vouchers

*All FHA*: Where relevant Agency guidelines allow, CBC Mortgage Agency will accept Section 8 vouchers.

4.27.19 Exceptions

*All FHA*: Exceptions may be considered on a case-by-case basis by our Exceptions Team. Exceptions may be granted but our Exceptions Team to Chenoa Fund™ overlays, but never Agency guidelines.

Exception requests should be submitted while registering a loan on the client site; instructions on how to do this are available in our Training Series under the "Miscellaneous" category. For loans already registered, email scenariodesk@chenoafund.org and include the following in a secure email:

- ❑ CBC Mortgage Agency Loan Number.
- ❑ A detailed description of the exception and compensating factors.
- ❑ The following documents:
- ❑ AUS.
- ❑ 1st mortgage 1003/URLA (completed with Lender information).
- ❑ 92900-LT (Loan Transmittal) or 1008.
- ❑ Credit Report.
- ❑ **If using Retirement/401K Assets for Reserves** – *Please provide ALL pages of the most recent Retirement Asset Statement.*
- ❑ VA Loan Analysis/Completed Residual Income Worksheet - (While the loan is not a VA loan, this document is used to determine risk in our exception review process. You may

find an Excel sheet to help you complete a Residual Income test on the [Documents and Tools] page of our website).

- ❑ VOR or Rent Free LOE signed by both parties, when applicable.
- ❑ For 2-unit properties - provide 1007 if applicable.

Exception requests will not be considered for loans where the qualifying credit score is less than 620 and there is no present housing payment. Loans must be registered in our lender portal for an exception request to be considered valid; responses to exceptions not registered in our lender portal are considered hypothetical until the loan has been registered and the exception recorded.

## 4.28 | State-specific Guidance

### 4.28.1 Alaska and South Carolina

*All FHA*: In Alaska and South Carolina the minimum second mortgage loan amount is $5,000. Therefore, for purchase prices below $166,666.67 with 3% assistance, $143,800 with 3.5% assistance, or $100,000 with 5% assistance, the DPA amount will be $5,000 in those states.

### 4.28.2 North Carolina

*All FHA*: In North Carolina, per state law, origination fees are capped at 1% for loans under $300,000. For loans equal to or above $300,000, lenders may exceed the 1.5% origination fee cap if there are no fees charged in the origination section of the CD (Section A) other than the origination fee. Loans must comply with QM guidelines (i.e. the 3% points and fees test).

### 4.28.3 New York

*All FHA*: Chenoa Fund™ is not offered in the state of New York.

## 4.29 | USDA 30

CBC Mortgage Agency is pleased to offer the Chenoa Fund USDA RD 30-year program to all correspondent lenders.

The USDA loan is a zero-down mortgage program that is meant to support homeownership in rural and semi-rural areas. USDA home loans are designed to provide "low and moderate-income households" an opportunity to own a home with little to no down payment.

Like its definition of "rural," what it considers moderate income is generous. A borrower can make up to 115% of the area's median income and still qualify. The higher the city's typical income, the more an individual can earn and still be eligible.

The home must be within a USDA-eligible area. (https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do?pageAction=sfp) There are no exceptions granted.

First mortgage loans submitted to CBC Mortgage Agency must conform with USDA 3555-1 Technical handbook as well as the FHA 4000.1 Handbook and be of investment quality and saleable on the secondary market. Secondary Financing with the USDA program is not allowed at this time.

4.29.1 Qualifications

To qualify for USDA financing, the borrower cannot qualify for Traditional Conventional Credit.

*Per HB-1-3555 SFH Guaranteed Loan Program Technical Handbook, Traditional Conventional Credit is defined for Agency purposes as:*

- The applicant has available personal non-retirement liquid verifiable asset funds of at least 20% of the purchase price that can be used as a down payment.
- The applicant can, in addition to the 20% down payment, pay all their closing costs associated with the loan.
- The applicant can meet qualifying ratios of no more than 28% PITI and 36% TD when applying the 20% down payment; and
- The applicant demonstrates qualifying credit for such a loan. The conventional mortgage loan term is for a 30- year fixed rate loan term without a condition to obtain private mortgage insurance (PMI).

4.29.2 Income Standards

The standard USDA Income limit is $110.650 annually for a 1–4-member household and $146,050 for a 5–8-member household, but higher around more expensive metro areas (Please refer to HB-1-3555 SFH Guaranteed Loan Program Technical Handbook)

Age of Documents must be within 120 days from the date of closing - Income and Asset Documentation greater than 120 days must be updated or re-verified to support applicant/household eligibility.

Income:

- Household income for all occupants of a home, age 18 and older, to be considered as effective income.
- The applicant's annual adjusted household income meets the adjusted income limits in accordance with size of household, County, and State in which the applicant(s) will reside.
- The lender must establish an applicant's anticipated amount of repayment income and the likelihood of its continuance for at least the next 3 years to determine an applicant's

capacity to repay a requested mortgage loan - The following types of income are examples of income not included in repayment income:

- Any student financial aid received by household members for tuition, fees, books, equipment, materials, and transportation.
- Amounts received that are specifically for, or in reimbursement of the cost of medical expenses for any family member.
- Temporary, nonrecurring, or sporadic income (including gifts).
- Lump sum additions to family assets such as inheritances, capital gains, insurance payments and personal or property settlements.
- Payments for the care of foster children or adults; and
- Supplemental Nutrition Assistance Program payments.

- ❑ Include the first $480 of earned income from adult full-time students who are not the applicant, co-applicant, or spouse of an applicant.
- ❑ If a member of the household that will make the dwelling their principal residence is temporarily absent, their income must be included.
- ❑ Include the income of an applicant's spouse, unless the spouse has been living apart from the applicant for at least three months (for reasons other than military or work assignment), or court proceedings for divorce or legal separation have been commenced. Evidence to support living apart for three months may include, but is not limited to, an apartment lease, bills, or bank statement in their name alone delivered to a different address, etc. This guidance applies to domestic partners, significant others, and fiancée's that are currently living with the applicant as a household/family unit. This guidance does not apply to adult dependents age 18 and up.
- ❑ Income sources that will not be received for the entire ensuing 12 months must continue to be included in annual income unless excluded under 7 CFR 3555.152(b)(5). Examples include:
  - Earned income of persons under the age of 18 unless they are an applicant or a spouse of a member of the household.
  - Payments received for the care of foster children or foster adults and incomes received by foster children or foster adults who live in the household.
  - Amounts granted for, or in reimbursement of, the cost of medical expenses.
  - Earnings of each full-time student 18 years of age or older, except the head of household or spouse, that are in excess of any amount determined pursuant to HUD definition of annual income at 24 CFR 5.609(c);
  - Temporary, nonrecurring, or sporadic income (including gifts).
  - Lump sum additions to family assets such as inheritances; capital gains; insurance payments under health, accident, or worker's compensation policies; settlements

for personal or property losses; and deferred periodic payments of supplemental social security income and Social Security benefits received in a lump sum.

- Any earned income tax credit.
- Adoption assistance in excess of any amount determined pursuant to HUD's definition of annual income at 24 CFR 5.609(c);
- Amounts received by the family in the form of refunds or rebates under State or local law for property taxes paid on the dwelling.
- Amounts paid by a state agency to a family with a developmentally disabled family member living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home.
- The full amount of any student financial aid.
- Any other revenue exempted by a federal statute, a list of which is available from any Rural Development office.
- Income received by live-in aides, regardless of whether the live-in aide is paid by the family or a social service program.
- Employer-provided fringe benefit packages unless reported as taxable income; and
- Amounts received through the Supplemental Nutrition Assistance Program.

Self-Employment Income

- ❑ Federal Income Tax Returns for the business will be required when ownership is 25 percent or greater. The lender must analyze the most recent two- year history of the business earnings. Sharp increases or decreases in self-employment income may require the lender to review additional documentation to support their calculation of annual, adjusted annual, and repayment income. Sharp increases or decreases are defined as a 20 percent or greater variance for income earnings from the previous 12 months. The lender’s permanent file must contain the following, as applicable:

  - Federal Income Tax Returns (filed and signed) for the most recent two consecutive years with all schedules, or IRS transcripts that include all applicable schedules.
  - Federal Income Tax Returns for the business (filed and signed) for the most recent two consecutive years with all schedules, or IRS transcripts that include all applicable schedules, if required for the ownership interest/business type.
  - Recent profit and loss statement (not required to be audited); and
  - Confirmation the business is operational, obtained within 30 days of the loan closing. Documentation may include evidence of a website, additional internet documentation, licensing bureau certification, etc.

***<u>Adverse changes to the business may render the applicant ineligible.</u>***

A business (full time or part-time) that is closed may be removed from consideration for annual income when the applicant provides a letter of explanation and documentation to the lender which details:

- When the business was closed.
- Why the business was closed.
- How the business was closed.
- Evidence satisfactory to the lender, to support the closure of the business.

IRS tax transcripts are required for all required household members. Full time students aged 18 and up that are not the applicant, co-applicant, or spouse of an applicant are not required to sign the 4506-T/4506-C or have transcripts provided. Lenders must obtain and review tax transcripts prior to closing.

**Net family assets.** For computing annual income, the net family assets of all household members must be included in the calculation of annual income. Lenders must document and verify the assets of all household members.

- Net family assets include, but are not limited to, the actual or imputed income from:
    - Equity in real property or other capital investments, other than the dwelling or site.
    - Cash on hand and funds in savings or checking accounts.
    - Amounts in trust accounts that are available to the household.
    - Stocks, bonds, and other forms of capital investments that are accessible to the applicant without retiring or terminating employment.
    - Lump sum receipts such as lottery winnings, capital gains, and inheritances.
    - Personal property held as an investment; and
    - Any value, in excess of the consideration received, for any business or household assets disposed of for less than fair market value during the 2 years preceding the income determination. The value of assets disposed of for less than fair market value shall not be considered if they were disposed of as a result of foreclosure, bankruptcy, or a divorce or separation settlement.
- Net family assets for the purpose of calculating annual income do not include:
    - Interest in American Indian restricted land.
    - Cash on hand which will be used to reduce the amount of the loan.
    - The value of necessary items of personal property.
    - Assets that are part of the business, trade, or farming operation of any member of the household who is actively engaged in such operation.

- Amounts in voluntary retirement plans such as individual retirement accounts (IRAs), 401(k) plans, and Keogh accounts (except at the time interest assistance is initially granted).
- The value of an irrevocable trust fund or any other trust over which no member of the household has control.
- Cash value of life insurance policies;
- Other amounts deemed by the Agency do not constitute net family assets.

Income not subject to Federal income taxes may be grossed up by 25%. IRS transcripts are required for all required household members in addition to the documentation option selected by the lender. Lenders must obtain and review the transcripts prior to loan closing.

4.29.3 Assets

Assets such as 40l (k)s, IRAs, etc. may be included in the underwriting analysis up to only 60 percent of the vested value. Funds borrowed from these accounts may be used for loan closing but are not to be considered as cash reserves. Funds from gifts from any source will not be included in the cash reserves calculation in GUS. Cash reserves are used for the purpose of qualifying the applicant for a loan. Cash to close remains the lender's responsibility to verify and document that the borrower has sufficient funds to facilitate loan closing.

Assets eligible for funds to close:

- Bridge Loan
- Business Accounts
- Cash on Hand
- Certificate of Deposit (CD)
- Depository Accounts: (Checking, Money Market Accounts and Savings)
- Earnest Money
- Gift Funds
- Individual Development Account (IDA)
- Life Insurance
- Lump Sum Additions: IRS Refunds, Lottery Winnings, Inheritance, Withdrawals from Retirement Accounts
- Personal Property Sold
- Retirement (401(K), IRA, etc.)
- Sales Proceeds: Real Estate Owned
- Secured Loans from Personal Asset
- Stocks, Stock Options, Bonds, Mutual Funds and Investments
- Trust Accounts

**Unsecured Loan: Borrowed Funds & Gift of Equity, Sweat Equity or Rent credits are not acceptable funds to close. Gift of Equity must be applied as a reduction to the purchase price of the dwelling - the borrower may not receive cash back at closing for these gifts and/or credits.

Cash on Hand, Gift of Equity, Sweat Equity, Rent Credits & Unsecured Loan: Borrowed Funds are not eligible for Reserve requirements.

All unsourced deposits are to be explained regardless of amount. Deposits 1% and greater are to be sourced.

4.29.4 Property

- ❑ Must be in an eligible rural area.
- ❑ Applicants must occupy the property as their primary residence.
- ❑ Must occupy the property within 60 days after closing.

**Site Requirements:**

- ❑ **Site size**. There is no specific limitation to the size/acreage of the site. The appraiser must provide a statement in the addendum of the appraisal to explain adjustments to comparable properties, how the subject compares to other properties in the area, etc.

- ❑ **Income-Producing Buildings**. The property must not include buildings principally used for income-producing purposes. Barns, silos, commercial greenhouses, or livestock facilities used primarily for the production of agricultural, farming or commercial enterprise are ineligible. However, barns, silos, livestock facilities or greenhouses no longer in use for a commercial operation, which will be used for storage, do not render the property ineligible. Outbuildings such as storage sheds and non-commercial workshops are permitted if they are not used primarily for an income producing agricultural, farming or commercial enterprise. A minimal income-producing activity, such as maintaining a garden that generates a small amount of additional income, does not violate this requirement. Home-based operations such as childcare, product sales, or craft production that do not require specific commercial real estate features are not Restricted.

- ❑ **Accessory Dwelling Unit**. An Accessory Dwelling Unit (ADU) refers to a habitable living unit, within, or detached from a single-family dwelling, which. together constitute a single interest in real estate. The presence of a single ADU does not automatically render the property ineligible. The appraiser will determine if the ADU represents a second single family housing dwelling unit. The appraiser must consider all property characteristics, specifically the status of the utilities, if they are separate, and the property's highest and best use, when making this determination. The appraiser will include their evaluation in the site analysis and highest and best use section of the appraisal report, as applicable. ADU's which function in support of the household members, such as multigenerational households are consistent with SFH, however those designed to create a potential rental income stream are not. The expectation would be that those spaces would not be separately metered for utilities or have a separate address.

- ❑ **Income-Producing Land**. The site must not have income-producing land that will be used principally for income producing purposes. Vacant land or properties used primarily for agricultural, farming or commercial enterprise are ineligible.

- ❑ **Multiple Parcels**. The lender will ensure the mortgage provides a valid first lien covering each parcel. Each parcel must be conveyed in its entirety and have the same basic zoning. The entire property will contain only one dwelling but may have non-residential, non-income producing buildings, such as a garage. An improvement that has been built across lot lines is acceptable. For example, a home built across both parcels where the lot line runs under the home. Parcels divided by a road that would otherwise be contiguous, are acceptable.

- ❑ **Properties with Solar Panels**. Dwellings with solar panels are not considered an income producing property. If the property owner (seller) is the owner of the solar panels and the solar panels will be included as part of the purchase transaction, then standard eligibility requirements apply, i.e., appraisal, insurance, and title. If the solar panels are subject to a lease agreement, power purchase agreement (PPA), or similar type of agreement, the following requirements apply:

  - Leases and contracts will vary by company and should be considered on a case-by-case basis to ensure all terms/regulations are met.
  - First lien position, by the lender, should be protected and maintained.
  - The property should maintain access to an alternative source of electric/gas power that meets community standards.
  - The energy company or lessee should not block any foreclosure or servicing actions.
  - If an agreement for an energy system lease or PPA could cause restriction upon transfer of the house, the property is subject to impermissible legal restrictions and is generally ineligible for the guaranteed loan.
  - The lease agreement or PPA should indicate that any damage that occurs as a result of installation, malfunction, manufacturing defect, or the removal of the solar panels is the responsibility of the owner of the equipment and the owner is

obligated to repair the damage and return the improvements to their original or prior condition.

- The lease agreement, PPA, or other agreement should indicate that the owner of the solar panels cannot be a loss payee on the homeowner's insurance policy.
- If a lease includes payment for equipment, it should be considered a debt and included in the total debt ratio.
- Leased solar panels are considered personal property and are not included in the appraised value.
- Properties with Property Assessed Clean Energy (PACE) loans or assessments are ineligible for a SFHGLP loan.

- **Site Specifications.** The site must be contiguous to, and have direct access from a street, road, or driveway. Streets and roads must be hard surfaced, or all weather surfaced, with public access or permanent recorded easements.
- **Utilities**. The site must be supported by adequate utilities and water and wastewater disposal systems.
- **Zoning.** The property must comply with applicable zoning requirements and restrictions. If an existing property does not comply with all current zoning ordinances but it is accepted by the local zoning authority, the appraiser must report the property as legal non-conforming. The appraisal must reflect any adverse effect of the legal nonconforming use on the value and marketability of the property.

4.29.5 Appraisal Report:

The appraiser will determine the appropriate appraisal form for the subject property. Appraisers must utilize appraisal forms acceptable to Fannie Mae, Freddie Mac, HUD, or VA. Applicable forms may include:

- Uniform Residential Appraisal Report (Fannie Mae Form 1004/Freddie Mac Form 70) for one-unit single family dwellings.
- Manufactured Home Appraisal Report and addendum (Fannie Mae Form 1004C/Freddie Mac Form 70B) for all manufactured homes.
- Individual Condominium Unit Appraisal Report (Fannie Mae Form 1073/Freddie Mac Form 465) for all individual condominium units.

An appraisal report with interior and exterior inspection of the subject property must include at least the following:

- A front view of the subject property.
- A rear view of the subject property.
- A street scene identifying the location of the subject property and showing neighboring improvements; The kitchen, main living area, bathrooms, bedrooms.

- ❑ Any other rooms representing overall condition, recent updates, such as restoration, remodeling and renovation; • Basement, attic and crawl space.
- ❑ Comparable sales, listings, and/or pending sales utilized in the valuation analysis must include at least a front view of each comparable utilized; and
- ❑ Condominium projects should include additional photographs of the common areas and shared amenities.

Appraisers must attest the property meets HUD Handbook 4000.1 standards.

***USDA allows closing costs to be rolled into the loan if the home appraises for more than the purchase price. For example, the home price is $250,000 but it appraises for $255,000. You can take a loan up to $255,000 and roll $5,000 in closing costs and prepaid items into the loan.***

4.29.6 Water and Wastewater Disposal System:

The site must have acceptable water and wastewater disposal systems to ensure the property is decent, safe, sanitary, and meets community standards. Public water and wastewater disposal systems are presumed to meet state and local requirements with no additional documentation or inspections. Private well and wastewater systems that meet the requirements in HUD Handbook 4000.1 or meet the requirements of local and/or state health authority do not require additional inspections other than water purity tests.

4.29.7 Street Access and Road Maintenance:

Access:
The site must be contiguous to, and have direct access from, a public or private street, road, or driveway. Private roads or streets are acceptable provided each property has vehicular or pedestrian access. Private roads or streets must be protected by permanent recorded easement (non-exclusive and non-revocable easement without trespass from the property to a public street) or the street must be maintained by a homeowner's association (HOA).

Shared driveways must also meet these requirements requiring a permanent recorded easement for ingress and egress. This agreement must be binding to successors and title. A copy of a title report, retained in the lender's mortgage file, may be used to evidence the easement. Private streets must have a permanently recorded easement or be owned and maintained by a HOA. All evidence of recorded easements or maintenance agreements must be reviewed and approved by the approved lender's underwriter and documented in the lender's permanent loan file.

Maintenance:
Streets and roads must be hard surfaced or all-weather surfaced. An all-weather surface is a road surface over which emergency and the area's typical passenger vehicles can always pass. A publicly maintained road is automatically assumed to meet this requirement. If a HOA is responsible for maintaining streets and roads, it must meet the criteria set forth by Fannie Mae, Freddie Mac, the U.S. Department of Housing and Urban Development (HUD), or U.S. Department of Veterans Affairs (VA).

4.29.7 Credit

- If a lender omits an adverse trade line when utilizing GUS and receives an Accept underwriting recommendation, the applicant explanation letters, and supportive documentation of adverse trade lines will be retained by the lender. The lender will indicate the justification for the omission in the "Notes" section of the "Asset and Liabilities" page.
- Clear Credit Alert Verification Reporting System (CAIVRS) response required. CAIVRS may return the following results:

    - A: Approved by CAIVRS (no issues exist)
    - B: Multiple cases from one or more Federal agencies
    - C: Claim filed
    - D: Default on loan
    - F: Foreclosure of loan
    - J: Judgment filed

An "A" response is the only acceptable result for an applicant to be eligible for a guaranteed loan. GUS will automatically retrieve the CAIVRS response for each applicant when the Borrower Information application page is saved. If the automatically retrieved CAIVRS response is not an "A" response, the lender must obtain evidence of an "A" CAIVRS response outside of GUS. This documentation must be uploaded as part of a complete loan application submission of the GUS application to USDA. The CAIVRS response cannot be overwritten or revised within GUS. USDA will retrieve and confirm an "A" CAIVRS response when the loan file is processed in the Agency's internal Guaranteed Loan System (GLS).

CAIVRS is not the only source to report a delinquent Federal debt. A delinquent Federal debt identified on the credit report, public records, or equivalent, must be investigated by the lender to determine if the debt is valid, paid in full, or the creditor has issued a release of liability. An applicant with a delinquent non-tax Federal debt is ineligible for a guaranteed loan.

A credit inquiry is a request by an institution for credit report information. A hard inquiry is requested when an applicant is seeking credit and completes a credit application. Hard inquiries are typically listed on the credit report and factored into the credit score. A soft inquiry is not included on the credit report and does not result in a new credit/debt. Soft inquiries may include a free annual credit report, companies developing marketing lists, prequalification offers, etc. Inquiries for credit made by the applicant(s) 90 days before the date of the credit report must be investigated to determine if new credit accounts were opened. Lenders must retain documentation in their permanent loan file to support newly identified debts.

Applicants must ensure credit data frozen at any credit repository is made available.

4.29.8 Non-Traditional Credit

**Applicants with a 12-month Verification of Rent (VOR)**: Two tradelines are required: The VOR plus one additional tradeline. This tradeline must be an eligible traditional tradeline from the credit report with a 12-month history or an eligible non-traditional tradeline.

**Applicants with no rent history**: Three tradelines are required. Tradelines may be a combination of traditional tradelines from the credit report with 12-month history or eligible non-traditional tradelines. Non-traditional credit may be documented as: 1. A Non-Traditional Mortgage Credit Report (NTMCR), 2. Self-Reported tradelines on a traditional credit report, or 3. Evidence from third party verifications, canceled checks, money order receipts, electronic payments, payment histories from the creditor/company, bank statements that clearly identify debit payments for the service/product, etc. An eligible non-traditional tradeline must have a 12-month history and cannot have been closed more than 6 months prior to loan application.

Examples of acceptable non-traditional credit sources include but are not limited to:

- Rent or housing payments.
- Utility services: gas, electric, water, land-line telephone service, or cable TV (services should not be included in rent payments.
- Insurance payments: automobile, life, household, renter's insurance, medical supplements. Premiums paid through payroll deduction for employees offered coverage of plans are ineligible. Premiums paid quarterly or annually are acceptable when the payment(s) provide 12 months of coverage.
- Childcare: licensed childcare providers may provide documentation to support the date of enrollment, dates of fees paid, etc. Bank statements to support cash withdrawals or handwritten receipts are not acceptable.
- School tuition.
- Payments to local stores (car dealerships, department/furniture/appliance stores, specialty stores).
- Payments for uninsured portions of medical bills.
- Internet or cell phone services.
- Automobile leases.
- Personal loans with repayment terms in writing, supported with canceled checks, money order receipts, or electronic payment receipts.
- 12-month documented history of savings that demonstrate regular deposits which equal three months of proposed mortgage (PITI) payments that will be retained as cash reserves post-closing.
- Any other reference that gives insight into the applicant's willingness to make periodic payments on a regular basis for recurring credit obligations.

- ❑ Child support, alimony, garnishments, court ordered debts, monthly subscription services, gym memberships, etc. are not eligible non-traditional credit tradelines.

Applicants that utilize non-traditional credit to qualify for a guaranteed loan are not eligible for debt ratio waivers.

4.29.9 Chapter 7 Bankruptcy

If Chapter 7 BK absolved a mortgage debt, the applicant is not legally liable to repay unless the debt was reaffirmed. Foreclosure action post BK discharge is against the property, not the applicant, to allow the lender to obtain title. However, until the property is fully titled to the lender, the applicant remains responsible for real estate taxes, home insurance premiums, HOA fees, special assessments, and similar debts.

Chapter 7 BK discharged or dismissed more than 36 months at the time of submission to the Agency is not considered adverse credit.

4.29.10 Chapter 11, 12 OR 13 Bankruptcy

Plan in Progress - An applicant with a Chapter 11, 12 or 13 BK in progress must meet the following:

- ❑ All required payments have been made on time.
- ❑ The applicant has written permission from the bankruptcy court/trustee to enter into a mortgage transaction. If the bankruptcy court/trustee does not review or issue permissions, the creditor may determine if the applicant is an acceptable credit risk.

Confirm all payment amounts for Chapter 11, 12 or 13 BK are included on the Asset and Liabilities application page in GUS or on the loan application.

4.29.11 Charge-Offs

A charge-off is a debt that was determined unlikely to be collected by the creditor due to substantial delinquency. Creditors may sell the debt to a collection company or pursue a judgment against the borrower if the statute of limitations has not expired to collect the debt. This adverse credit is reflected in the credit score. The approved lender’s underwriter must review all charge-off accounts and determine if the applicant(s) is an acceptable credit risk, regardless of GUS underwriting recommendation. USDA does not require charge-off accounts to be paid. If the applicant has a repayment plan with the creditor for a charge off debt, include the payment in the Asset and Liabilities GUS application page or on the loan application.

4.29.12 Collections

The approved lender’s underwriter must review all collection accounts and determine if the applicant(s) is an acceptable credit risk, regardless of GUS underwriting recommendation. USDA does not require medical collection accounts to be paid.

If the cumulative total of all non-medical collections exceeds $2,000, the following options will apply:

- Require payment in full of these accounts prior to loan closing.
- Use an existing repayment agreement or require payment arrangements be made with documentation from the creditor and include the monthly payment; or
- Include 5 percent of the outstanding balance as the monthly liability amount, no further documentation required.

All open collection accounts on the credit report must be listed on the GUS Assets and Liabilities page under the Liabilities – Credit Cards, Other Debts, and Leases that You Owe section and/or on loan application.

GUS Data Entry: Collections that will be paid at or before loan closing should select the “To be paid off at or before closing” checkbox. If the collection is not required to be paid in full, the lender should select the “Omit” checkbox and provide an explanation in the additional data entry pop up box to state why the debt will be omitted from ratio consideration. If a repayment agreement has a specified monthly payment, include that amount. Do not enter “$1.00” in the monthly payment data field unless this is a documented repayment amount.

4.29.13 Disputed Accounts - Non-Derogatory

A GUS Accept recommendation is required to be downgraded if any one of the following are not met:

- The disputed tradeline has a zero balance.
- The disputed tradeline states “paid in full” or “resolved” on the credit report.
- The disputed tradelines are 24 months or greater.
- The disputed tradeline is current and paid as agreed.
- The payment stated on the credit report is included in the monthly debts.
- A documented payment from the creditor is included in the monthly debts; or
- Five percent of the stated account balance on the credit report is included in the monthly debts.

4.29.14 Disputed Accounts – Derogatory:

For all GUS recommendations/loan submission types, the lender may exclude the following disputed accounts scenarios from further guidance in this section:

- Disputed medical accounts/collections.
- Charged off accounts,
- Disputed derogatory accounts that are the result of identity theft, credit card theft, or unauthorized use when evidence (police report, attorney correspondence, creditor statement) is provided to support the applicant’s explanation; or

- Accounts of a non-purchasing spouse in a community property state.

Accept files with less than $2,000 in disputed derogatory accounts will require the lender to determine if the disputed accounts may impact the applicant's ability to repay the proposed mortgage obligation.

Each account (excluding those listed above) must include a minimum monthly payment of:

- The payment stated on the credit report. If no payment listed, use five percent of the balance of the account, or a lesser amount documented from the creditor.

GUS Accept/Accept with Full Documentation files must be downgraded to a Refer when the applicant has $2,000 or more collectively in disputed derogatory accounts in the last 24 months. **Refer with Caution and manually underwritten files**: No credit exception is required. The lender must analyze the potential impact on the applicant's ability to repay the proposed mortgage debt with disputed derogatory accounts. Each account (excluding those listed above) must include a minimum monthly payment of:

The payment stated on the credit report, five percent of the balance of the account, or a lesser amount documented from the creditor.

### 4.29.15 Garnishments:

Garnishments must be included in the debt ratio. Garnishments manually added to the Asset and Liabilities GUS application page will not result in a manual downgrade of a GUS Accept/Accept with Full Documentation file underwriting recommendation. Review the debt type paid through the garnishment to ensure the applicant remains eligible for a guaranteed loan.

### 4.29.16 Non-Federal Judgment:

Court ordered judgments must be paid in full or have evidence of three timely payments made per an agreement with the creditor. The applicant may not prepay a lump sum at one time to equal three monthly payments to meet this requirement. The lender must retain evidence of the repayment agreement and payment history in their permanent file. Include the monthly payment (if applicable) in the debt ratio. A GUS Accept/Accept with Full Documentation file is not required to be downgraded due to the manual entry of the payment.

### 4.29.17 Non-Purchasing Spouse Debts:

Lenders must follow applicable community property state (CPS) lending laws when the applicant(s) and/or property reside in a CPS. The credit history of the NPS is not a reason to deny a loan application. Lenders are responsible to know CPS laws and requirements for the treatment of NPS debts.

The credit report for the NPS must be obtained outside of GUS and uploaded along with the complete loan submission. The NPS debts will be manually entered into GUS by the lender as required by law. Lenders will identify the NPS debts by selecting “Other” as the Account Type Description and entering “NPS debt” in the pop-up box.

NPS debt(s) that the lender has determined to exclude will not be entered into GUS. The lender will retain documentation in their permanent loan file that supports exclusion (a copy of the state statute that allows exclusion of the NPS debt).

A GUS Accept/Accept with Full Documentation file is not required to be downgraded due to the manual entry of NPS debts.

Some states have been identified as community property states: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin. Puerto Rico and several Indian jurisdictions allow community property ownership. Alaska is an opt-in CPS. Property is separate unless both parties agree to make it community property through a community property agreement or trust. Individual jurisdictions regarding community property regulations may change and the list above is not all inclusive. Therefore, it is the lenders’ responsibility to ensure compliance with these requirements.

#### 4.29.18 Deed-In-Lieu

A DIL recorded 36 months prior to the date of submission to the Agency is not adverse credit. The 36- month period will begin on the date of the DIL or the date that the applicant transferred ownership of the property to the lender.

#### 4.29.19 Foreclosure or Repossession

A credit exception is required when the applicant has a foreclosure discharged or a repossession reported within the 36 months prior to submission to the Agency. Refer to the Credit Exception section for guidance. The 36-month period will begin on the date in which the title transferred from the applicant.

An applicant that has a foreclosure discharged or a repossession reported post-divorce/filed legal separation agreement and the home was awarded to the ex-spouse/remaining party may document the loan was paid as agreed prior to date of divorce decree/legal separation agreement. The payment history on the credit report or other documentation from the loan servicer/lender may be retained to confirm eligibility.

USDA considers the loss of a timeshare adverse credit of a long-term obligation and not a foreclosure. This loss will be reflected in the credit score. Lenders must review the applicant’s credit history to determine if they are an acceptable credit risk. No credit exception is required for the loss of a timeshare.

4.29.20 Short Sale

A short sale closed 36 months prior to the date of submission to the Agency is not adverse credit.

4.29.21 Previous USDA Loss

An applicant with a previous Section 502 Single Family Housing Direct or Guaranteed loan that resulted in a loss paid by the Federal government within seven years prior to submission to the Agency must provide the lender with the following information:

- ❑ Explain and document the circumstances that led to the loss paid on their behalf. Example: If the loss was due to reduced wages, IRS tax transcripts would document the loss of income. Medical explanations are not required to submit private health information; Explain why the loss is unlikely to recur. Example: Losses due to unemployment and no medical insurance would show a new stable work history with medical benefits.

- ❑ The lender must provide the documentation and recommendation for loan approval along with the final and complete application submission. Explain positive aspects of the loan file which contribute to future success. Examples: Stable job time of 2 years or more, low qualifying ratios, reserves available post loan closing, etc. USDA will review the explanation and supporting documentation and make the final determination of the applicant(s) eligibility for a new guaranteed loan.

4.29.22 Transfer of Servicing

The purchasing lender must execute Form RD 3555-16 or have an approved Form RD 3555-16 on file. The selling lender is responsible for providing the original Loan Note Guarantee to the purchasing lender, and must report the sale of the guarantee on Form RD 3555-11 within 30 days of the sale.

4.29.23 Final Documents

CBC Mortgage Agency requires all original wet-signed final documents, with the exception of any Mortgage and/or Deed of Trust that are pending being recorded in the appropriate jurisdiction (for which a certified true copy must be provided until the original is ready).

**Collateral** (Note and Endorsement):
The original collateral package is reviewed by CBC Mortgage Agency prior to the Mortgage loan being approved for purchase. Any deficiencies are noted in the client site as loan conditions. Collateral conditions for corrected or additional original documents should be sent to CBC Mortgage Agency, and a copy of the document should be uploaded to the Client Site.

Shipping Address for Collateral Documents:

CBC Mortgage Agency

912 W. Baxter Drive, Suite #150
South Jordan, UT 84095
Email Contact: finaldocs@chenoafund.org

**Trailing Docs** (Mortgage/Deed of Trust and Final Title Policy):

For each loan purchased by CBC Mortgage Agency, the Trailing Documents must be delivered by no later than eighty-five (85) days after the purchase of the mortgage loan. If complete documentation is not received within the eighty-five-day period, CBC Mortgage Agency may require the seller to incur a delivery fee or repurchase the mortgage loan, or both.
Shipping Address for Trailing Documents:

CBC Mortgage Agency C/O DocProbe
1133 Ocean Avenue
Lakewood, NJ 08701

Please upload all Final Title Policies via the DocProbe Portal. To register for access to the title portal, please email portalsupport@docprobe.net

CBC Mortgage Agency advises correspondents to use an express shipping service to track shipments and ensure timely delivery of the original note, collateral package, and trailing documents.

# 5. | Manufactured Housing

A manufactured home (MH) is a home that is built in a factory, is transportable in one or more sections, is designed and constructed to the Federal Manufactured Home Construction and Safety Standards (FMHCSS), and is so labeled regarding conformance with the FMHCSS.

## 5.1 | FHA Requirements

Manufactured homes are eligible for FHA financing, provided all the following requirements are met:

- ❑ Home was built on or after June 15, 1976, as evidenced by the HUD Data Plate, the appraisal, or the title policy.
- ❑ Home must have been built to the FMHCSS as evidenced by having a HUD Certification.
- ❑ Label/Tag is attached to the MH, or, if the HUD Tag is missing, a HUD Tag Letter of Verification from the Institute for Building Technology and Safety (IBTS); see HUD Certification Label/Tag for additional details.
- ❑ Home must be permanently affixed to the subject property in accordance with FHA requirements.
- ❑ Subject must be legally classified by the state as real property prior to loan purchase.

- ❑ Subject is a single-family dwelling.
- ❑ Loan is underwritten in accordance with the requirements of the applicable Loan Program Guide.
- ❑ Mortgage must cover both the home and the land.

## 5.2 | CBC Mortgage Agency Additional Guidance

Unless otherwise specified here as an overlay, CBC Mortgage Agency adheres to all FHA guidelines for manufactured housing requirements. For more detailed underwriting clarifications, see the FHA housing handbook. Manufactured homes are only eligible for Chenoa Fund™ products paired with FHA first mortgages.

Non-occupant co-borrowers are not allowed with manufactured housing programs.

Temporary buydowns are not allowed.

New construction is allowed for manufactured housing. The home title conversion to real property must be initiated prior to loan purchase. In Non-certificate of Title States, the house must be recognized as real property prior to loan purchase.

If not mentioned in this chapter, follow FHA guidelines for manufactured housing requirements and Chenoa Fund overlays relevant to specific products.

### 5.2.1 Minimum Required Credit Score

600 credit score minimum. CBC Mortgage Agency requires that all borrowers have at least one credit score.

### 5.2.2 DTI Requirements

DTI overlays are determined by the qualifying credit scores on the loan.

*All FHA*:

- O Credit score 600+: DTI per AUS approval. If the borrower does not receive Approve/Eligible, see section 4.24 (Manual Underwriting) for more information.

### 5.2.3 Payment Shock Requirements

Loans with AUS Approval will not have payment shock calculations applied. Manually underwritten loans will continue to be reviewed.

5.2.4 Appraisal Requirements

Fannie Mae™ 1004C, Manufactured Home Appraisal Report, is required. We also need Form 1004D, Appraisal Update and/or Completion Report, if this is needed to document repair completion.

5.2.5 Ineligible Features and Properties

The following features are ineligible:

- Singlewide units.
- Building on own land.
- Construction to Perm.
- Easements and deed restrictions that affect marketability must be reviewed and approved by CBC Mortgage Agency to be eligible for purchase, unless the easement or deed restriction expires upon foreclosure (requests for review should be submitted to scenariodesk@chenoafund.org); however, deed restrictions allowed per FHA 4000.1 are permissible.
- Loans with resale deed restrictions.
- Proposed or Under Construction loans.
- Temporary buydowns are not allowed.

The following properties are ineligible:

- 2–4 unit properties.
- Cooperative.
- Manufactured homes in “Parks” not held in fee simple ownership, commonly known as “Mobile Home Parks”.
- Properties with resale restrictions.
- Site Manufactured Housing Condominiums.
- A home that has been previously installed or occupied at any other site.

5.2.6 Occupancy

Primary residence only.

5.2.7 FHA MIC

Required for all loans prior to purchase.

5.2.8 HUD Certification Label/Tag

The Federal Manufactured Home Construction and Safety Standards require that manufactured homes have a HUD Certification Label/Tag (also known as a HUD Seal or HUD Label) affixed to the exterior of the property. The HUD Tag is an aluminum plate, approximately 2 in. by 4 in, that is permanently attached to each transportable section of the manufactured home in a manner that renders it difficult to remove without defacing it. The label number is etched or stamped with a 3-letter designation that identifies the production inspection agency. Each HUD Tag must be marked with a 6-digit number furnished by a label supplier. Tag numbers are not required to be sequential on a multi-section manufactured home.

The HUD Tag must be located at the taillight end of each transportable section of the manufactured home approximately one foot up from the floor and one foot in from the roadside, or as near that location on a permanent part of the exterior of the manufactured home unit as practicable. The roadside is the right side of the manufactured home when one views the manufactured home from the tow bar end of the manufactured home.

The appraisal report must include the appraiser's certification that the HUD Tag is affixed to the exterior or that the HUD Tag is missing. If the HUD Tag is missing, the appraiser should either reject the property or notify the lender and condition the appraisal for documentation verifying HUD labels were issued for the manufactured home. For a fee, a HUD Tag Letter of Verification can be obtained from the Institute for Building Technology and Safety (IBTS) and must be included in the file submitted to HUD.

The following website provides details regarding the cost and procedures for obtaining a HUD Tag Letter of Verification: [http://www.ibts.org/services/services-in-the-public-good/cert-label-verification.html](http://www.ibts.org/services/services-in-the-public-good/cert-label-verification.html)

Either the HUD tag or the HUD Tag Letter of Verification must be included in the loan file.

### 5.2.9 Title Requirements

The title policy must evidence the following:

- ❑ The manufactured home is attached to the land.
- ❑ The manufactured home is classified and taxed as real estate.
- ❑ The title to the manufactured home has been surrendered or purged in accordance with the applicable jurisdictional requirements.

### 5.2.10 States' Approaches to Titling

The following lists provide instruction on how different states handle the certificate of title for a manufactured home, in addition to providing instruction on how the correspondent needs to handle such titles.

Certificate of Title "Surrender" States:

- ❑ Certificate of title is issued upon purchase of manufactured home, but is surrendered after the home is affixed to the foundation and becomes real property.
- ❑ Ensure that the certificate of title is surrendered following the state's procedures.

Certificate of Title "No Surrender" States:

- ❑ Certificate of title is issued and remains outstanding (it is not surrendered or canceled).
- ❑ Ensure the MH lien (and no other lien) is indicated on the certificate of title.
- ❑ Retain certificate of title in the loan file.
- ❑ Ensure that home and land have the same ownership.

Non-certificate of Title States:

- ❑ No certificate of title issued.
- ❑ Retain in loan file evidence that no certificate of title was issued.
- ❑ Ensure that MH is recognized as real property.

A manufactured home must be covered by a standard real estate fee simple title insurance policy. Endorsement (ALTA 7, 7.1, or 7.2, or equivalent endorsement) is required as insurance that the manufactured home is part of real property that secures the loan. One clear title at closing is required that states the manufactured home and the land are classified as real estate. An affidavit of affixation, a recorded, signed, and written statement acknowledging that the manufactured home is attached and classified as real property securing the mortgage, is required.

5.2.11 Structural Engineering Report (Engineer's Certification on Foundation Compliance Report)

A Structural Engineering Report is required—see HUD Manual for details.

The following is an excerpt from the HUD manual: "For Manufactured Housing, the appraisal must be conditioned upon the certification of an engineer or architect that the foundation is in compliance with the permanent Foundations Guide for Manufactured Housing."

Note that all correspondent lenders are fully delegated and are subject to reps/warrants. Lenders in pre-purchase review will be expected to meet all FHA guidelines before CBC Mortgage Agency purchases the loan.

# 6. | Origination Through Closing

## 6.1 | General Mortgage Loan Document Standards

Closing documents for Agency Mortgage Loan Programs must be the most current Fannie Mae™, Freddie Mac, or FHA forms, as applicable. In all cases, correspondents are responsible for using the most current mortgage loan documents and ensuring that all documents, including, without limitation, any document supplied by CBC Mortgage Agency, conform to all applicable state and federal laws and requirements.

## 6.2 | Document Expiration Dates

Documents used in the origination and underwriting of a mortgage may not be more than one hundred and twenty (120) days old at the disbursement date (including new construction). Documents whose validity for underwriting purposes are not affected by the passage of time, such as divorce decrees or tax returns, may be more than one hundred and twenty (120) days old at the disbursement date (the disbursement date for refinance transactions). Appraisal expiration date is (180) days from Effective Date of Appraisal.

For purposes of counting days for periods provided in this document, a "day" is a calendar day (not a business day), and day one (1) is the day after the effective or issue date of the document, whichever is later.

## 6.3 | Handling of Documents

Lenders must not accept or use documents relating to the employment, income, assets, or credit of borrowers that have been handled by, or transmitted from or through, the equipment of unknown parties or interested parties. Lenders may not accept or use any third-party verifications that have been handled by, or transmitted from or through, any interested party or the borrower.

### 6.3.1 Information Sent to the Lender Electronically

The lender must authenticate all documents received electronically by examining the source identifiers (e.g., the fax banner header or the sender's email address) or contacting the source of the document by telephone to verify the document's validity. The lender must document the name and telephone number of the individual with whom the lender verified the validity of the document.

### 6.3.2 Information Obtained via Internet

The lender must authenticate documents obtained from an internet website and examine portions of printouts downloaded from the internet, including the Uniform Resource Locator (URL) address, as well as the date and time the documents were printed. The lender must visit the URL or the main website listed in the URL if the page is password protected to verify the website exists and print out evidence documenting the lender's visit to the URL and website.

Documentation obtained through the internet must contain the same information as would be found in an original hard copy of the document.

## 6.4 | Allowable Mortgage Parameters

Follow all guidance as stated below in addition to the published HUD Handbook 4000.1., all relevant Mortgagee Letters, and Announcements.

A "Rebuttable Presumption Qualified Mortgage" has an APR greater than the APOR + 115 basis points (bps) + the ongoing mortgage insurance premium (MIP) rate. Legally, lenders that offer these loans are presumed to have determined that the borrower met the ability-to-repay standard by ensuring they comply with published FHA qualifying guidelines. These loans are acceptable to CBC Mortgage Agency.

## 6.5 | Interest Credit Option

Loans disbursed on or before the seventh (7th) day of the current month may use an interest credit option.

## 6.6 | Mortgage Loan Document Corrections

Corrections to the note and mortgages (deeds) should be made by drawing a single line through the incorrect information. The correspondent must then type the correct information in the appropriate location on the document. All borrower(s) must initial the change. The use of correction tape, correction fluid, erasures, or lift-off is not permitted.

## 6.7 | Closing in Compliance with Mortgage Approval

The lender must instruct the settlement agent to close the mortgage in the same manner in which it was underwritten and approved.

The lender must ensure that the conditions listed on form HUD-92900-A/Addendum or form HUD-92800.5B, or both, are satisfied.

## 6.8 | Closing in the Mortgagee's Name

A mortgage may close in the name of the mortgagee or the sponsoring mortgagee (the principal or authorized agent). TPOs that are not FHA-approved mortgagees may not close in their own names or perform any functions in FHA Connection (FHAC).

The mortgagee must use the forms or language, or both, prescribed by FHA in the legal documents used for closing the mortgage.

## 6.9 | Data Integrity

For origination, underwriting, endorsement, and insuring the mortgagee must validate all data elements (including loan-level data) submitted through the Automated Underwriting System (AUS), Technology Open to Approved Lenders (TOTAL) Mortgage Scorecard, and FHA Connection (FHAC), and validate that documentation exists in the loan file to support all data used to underwrite the mortgage.

## 6.10 | Projected Escrow (Taxes and Insurance)

The lender must establish the escrow account in accordance with the regulatory requirements in 24 CFR § 203.550 and RESPA.

### 6.10.1 Monthly Escrow Obligations

The lender must collect a monthly amount from the borrower that will enable the lender to pay all escrow obligations in accordance with 24 CFR § 203.23. The escrow account must be sufficient to meet the following obligations when they become due:

- ❑ Hazard insurance premiums
- ❑ Real estate taxes
- ❑ Mortgage Insurance Premiums (MIP)
- ❑ Special assessments
- ❑ Flood insurance premiums, if applicable
- ❑ Ground rents, if applicable
- ❑ Any item that would create liens on the property positioned ahead of the FHA-insured mortgage, other than condominium or Homeowners' Association (HOA) fees.

### 6.10.2 Estimating Real Estate Taxes

The mortgagee must use accurate estimates of monthly tax escrows when calculating the total mortgage payment.

In new construction transactions, property tax estimates for calculating the monthly payment must be based on the appraised land value plus improvements, along with the county tax/levy rate. In some cases, this can be done by using the manual calculation formula from the applicable taxing authorities. Alternatively, the title company may provide the estimate at the time preliminary title is ordered. Documentation from the taxing authorities must be on file to support the estimated monthly tax used for payment calculation.

## 6.11 | Closing Costs and Fees

The lender must ensure that all fees charged to the borrower comply with all applicable federal, state, and local laws and disclosure requirements. The lender is not permitted to use closing costs to help the borrower meet the Minimum Required Investment (MRI).

Fees on the LE and CD should ***never*** reflect as payable to CBC Mortgage Agency, CBC Mortgage Agency, or Chenoa Fund, regardless of the section.

### 6.11.1 Collecting Customary and Reasonable Fees

The lender may charge the borrower reasonable and customary fees that do not exceed the actual cost of the service provided. The mortgagee must ensure that the aggregate charges do not violate FHA's 3% points and fees rule (the QM 3% Points and Fees test). This rule is outlined in the Buckley Sandler memo found on CBC Mortgage Agency's Documents and Tools webpage.

### 6.11.2 Disbursement Date

The "disbursement date" refers to the date the proceeds of the mortgage are made available to the borrower.

The disbursement date must occur before the expiration of the FHA-issued Firm Commitment, or DE approval, and credit documents.

### 6.11.3 Per Diem Interest and Interest Credits

The mortgagee may collect per diem interest from the disbursement date to the date amortization begins. Alternatively, the mortgagee may begin amortization up to seven (7) days prior to the disbursement date and provide a per diem interest credit. Any per diem interest credit may not be used to meet the Borrower's MRI. Per diem interest must be computed using a factor of 1/365th of the annual rate.

## 6.12 | Real Estate Taxes Due the Following Month After Loan Purchase

All escrow disbursements due the month following the loan purchase must be paid prior to loan purchase with evidence of payment documented (Supporting documentation matching the tax bill; i.e. a copy of the check, paid receipt, or updated pay history). For example, if a loan is to be purchased in October and taxes are due in November, the November taxes must be paid prior to CBC Mortgage Agency purchasing the loan. An exception to this rule will be granted if a tax bill is not yet released.

Correspondents are expected to ensure that real estate tax calculations are reasonable and will not drastically increase following closing; for example, tax exemptions that won't apply to the new homeowner should not be included in the calculation.

### 6.12.1 Existing Construction

CBC Mortgage Agency recommends using the actual assessed property tax figure per the county's assessment/tax rolls; however, if property taxes will increase or decrease significantly from the current assessment after purchase (e.g., the former owner had a senior citizen tax exemption), it is recommended that an estimated value be used that will result in the most likely payment for the borrower. The property tax value used for qualifying the borrower should be consistent throughout the file, including the URLA, AUS, CD, IEADS, and First Payment Letter.

### 6.12.2 New Construction

CBC Mortgage Agency recommends using a property tax estimate based on multiplying the purchase price (less any homeowner's exemptions) by the mill rates (the tax rates per the county website) that will be in effect in order to determine the payment; this will result in the least amount of payment variation once the property is assessed by the taxing authority. This property tax value (monthly tax payment) used for qualifying the borrower should be consistent throughout the file, including the URLA, AUS, CD, IEADS, and First Payment Letter.

We do understand that, due to local tax collection practices, property taxes may increase significantly during the borrower's first year of homeownership, resulting in the need to prorate taxes at closing based on a much lower figure than what will need to be included in the borrower's monthly payment. We also understand that, in calculating closing figures, the unassessed value may be used to lower the borrower's cash to close and eliminate the collection of excessive tax escrow. In these circumstances, based on most document preparation services' limitations, a First Payment Letter that does not match the URLA, CD, and initial IEADS may be used to reflect the most accurate payment to the borrower; however, the First Payment Letter must match the AUS qualification figures. In addition, a new IEADS reflecting the accurate collection and disbursements of tax payments should be included in the file along with an LOE from the lender.

## 6.13 | Mortgage and Note

"Mortgage" refers to any form of security instrument that is commonly used in a jurisdiction in connection with a loan secured by a one- to four-family residential property, such as a deed of trust or security deed. "Note" refers to any form of credit instrument commonly used in a jurisdiction to evidence a mortgage.

The mortgagee must develop or obtain a separate mortgage and note that conforms generally to the Freddie Mac and Fannie Mae™ forms in both form and content, but that includes the specific modification required by FHA set forth in the applicable Model Note and Mortgage.

The mortgagee must ensure that the mortgage and note comply with all applicable state and local requirements for creating a recordable and enforceable mortgage and an enforceable note.
CBC Mortgage Agency does not normally allow reverse bailees. In the event that an exception is granted, the notes for both mortgages using a reverse bailee must be delivered to CBC Mortgage Agency within three (3) days after the reverse bailee is received.

6.13.1 Disbursement of Mortgage Proceeds

The mortgagee must verify that the mortgage proceeds are disbursed in the proper amount to the borrower and the seller, or, in the case of a refinance transaction, to the debt holder.

6.13.2 FHA Underwriting & Eligibility Standards

At closing, the mortgage proceeds disbursed by the mortgagee and the cash from the borrower must equal the total acquisition cost or refinance cost.

The mortgagee must obtain the final settlement statement or a similar legal document from the settlement agent.

## 6.14 | Principal Reductions/Principal Curtailments

A principal reduction/curtailment refers to the immediate reduction of the original principal balance without a modification to the original terms of the loan (for a sample form, click the link and go to the dropdown for CBC Process and Documents). Principal reductions/curtailments are permitted on a limited basis in accordance with Agency guidelines to correct one of the following scenarios:

- ❑ Eliminate any excess credit for rate (premium pricing).
- ❑ Eliminate any excess cash back to the Borrower.

## 6.15 | Reviewing Limited Denial Participation and SAM Exclusion Lists

The mortgagee must check the HUD Limited Denial of Participation (LDP) list to confirm the borrower's eligibility to participate in an FHA-insured mortgage transaction. The mortgagee must check the System for Award Management (SAM) and must follow appropriate procedures defined by that system to confirm eligibility for participation.

## 6.16 | Minimum Required Repairs & Escrow Holdbacks

Minimum required repairs are established by the FHA Roster Appraiser, the FHA DE Lender, or both. CBC Mortgage Agency will accept escrow holdbacks. Exception requests for escrow holdbacks will be considered for weather-related repairs only—that is, repairs that cannot be completed prior to close due to inclement weather. All Escrow Holdback Agreements must be approved prior to Closing.

- ❑ Must be weather-related.
- ❑ Original appraisal must be completed "subject-to" the repairs required.
- ❑ Repairs must be required by the appraiser or lender in order to bring the property up to FHA minimum property standards.
- ❑ Contractor must provide an invoice with an estimate of work certifying that the work cannot be completed prior to disbursement (due to inclement weather conditions).

- Inclement weather conditions are generally considered to be between November and March.
- All repairs should be completed within six (6) months of the Note date.
- The amount of money held in escrow for repairs should be 1.5 times the amount of the invoice plus a sufficient amount required for the FHA appraiser's final inspection.
- For FHA loans: the Mortgagee must complete the "Escrow Closeout Certification" screen, in FHA Connection, within thirty (30) days of escrow closing/completion.
  - Prior to Purchase: The lender must provide the executed HUD form 92300, Mortgagee's Assurance of Completion, to indicate the repair escrow has been established.
  - Post Purchase: The lender must provide HUD form 92051, Compliance Inspection Report, to evidence that repairs have been satisfactorily completed.
- All other FHA guidelines must be adhered to.
- Acceptable evidence of completion is provided by the borrower for minor repair or improvement items.
- Note Energy Mortgages (NEM) are not allowed at this time.

It is preferred that exception requests be submitted through the client site while registering a loan. When this isn't an option, email the Chenoa Fund™ Scenario Desk (scenariodesk@chenoafund.org).

#### 6.16.1 Completion Date

Improvements or repairs must be completed within six (6) months of the Note date.

Please note: it is the responsibility of the correspondent lender to ensure that all repairs are completed. Notification from CBC Mortgage Agency or the transferring investor is not guaranteed.

### 6.17 | Documentation—General Requirements

CBC Mortgage Agency requires that each loan conforms to and complies with all applicable HUD and FHA underwriting, lending, selling, and servicing requirements, as well as all Ginnie Mae requirements for the inclusion of the mortgaged loan in a Ginnie Mae MBS pool. In addition to all FHA credit qualifying and documentation requirements, the loan must also include:

- An electronic fraud detection report covering standard areas of quality control, i.e., borrower validation, social security validation, property information, and MERS verification.
- Compliance testing for adherence to QM/ATR, APR, and Points and Fees for the first mortgage.
- The copy of the deed of trust, stamped as "True and Certified" by the settlement agent

- ❑ A completed tax information sheet.
- ❑ The 4506-C address, set to match the last filed tax transcripts.
- ❑ Verbal verification of employment within ten (10) calendar days of the Note date, per agency guidelines, and an independently obtained phone number or address for employer with source documented.
- ❑ Evidence the FHA UFMIP has been paid.
- ❑ A W-9 where borrowers have selected a Federal Tax Classification.
- ❑ A Life of Loan flood certificate.
- ❑ Closing Protection Letter (CPL).
- ❑ Final settlement ALTA statement, signed by the settlement agent.
- ❑ 1-0, 1-1 or 2-1 Buydown Escrow Agreement.
- ❑ 1-0, 1-1 or 2-1 Subsidy Payment Schedule.

Additionally, the loan must be fully eligible for FHA insurance, and it must already be insured by HUD or will be insured by HUD within sixty (60) days of the purchase date for CBC Mortgage Agency.

<u>6.17.1 Documentation—Further Requirements</u>

- ❑ Completed Chenoa Escrow Holdback Lender Acknowledgment.
- ❑ Closing Disclosure evidencing escrow of funds at disbursement.
- ❑ Final inspection/documentation of completion of repairs, as required:
    - ▫ HUD form 92051—line 14 checked and signed by the Fee Inspector, DE Staff Inspector, Appraiser, or HUD Inspector.
    - ▫ Fannie Mae™ Appraisal Update and/or Completion Report (form 1004D) with front photo of the subject property—completed by the appraiser or a qualified professional.
        - ▪ A qualified professional may be one of the following:
            - ▫ A professionally licensed, bonded, registered engineer.
            - ▫ A licensed home inspector.
            - ▫ An appropriately registered/licensed tradesperson.
- ❑ If the borrower performed the minor repairs, receipts for the items needed to make the repairs and the fee inspection is required.
- ❑ HUD Form 92300, Mortgagee's Assurance of Completion, must be completed by the correspondent, and must reflect the escrow amount.
- ❑ Mortgagee's Assurance of Completion, pages 1 & 2, must be signed and dated after completion of repairs.
- ❑ Evidence of release of escrow funds.
    - ▫ If the contract indicates that the borrower is financially responsible for the required repairs, the source of the funds must be documented; follow standard requirements for documentation of assets/funds to close.

Effective for case numbers assigned on or after October 31, 2016, after the repair escrow account is closed then the mortgagee must complete the Escrow Closeout Certification screen in FHAC within thirty (30) days after the escrow account is closed.

6.17.2 Documentation—Second Loan Requirements

The following documents are required for all second lien loans:

- ❑ Second Lien Loan Application.
  - ▫ Note: Not required when the second lien loan application has been disclosed appropriately in conjunction with the first lien application.
- ❑ Second Lien Loan Estimate.
- ❑ Recommended—Letter of Intent to Proceed.
- ❑ Second Lien Closing Disclosure.
- ❑ Second Lien first Payment Letter (Repayable seconds only)—must reflect CBC Mortgage Agency's servicing address:

  **Midwest Loan Services**
  P.O. Box 209
  Hancock, MI 49930 www.midwestloanservices.com

  Phone number: 800-262-6574
  Hours of operation: 8:00AM to 8:00PM EST Monday-Friday
  Email Address: customerservice@midwestloanservices.com

- ❑ Second Lien Note—payment address for repayable seconds must reflect CBC Mortgage Agency's servicing address shown above; must be delivered to CBC Mortgage Agency within three (3) days of reverse bailee delivery if a reverse bailee is used.
  - ▫ Second Lien Note to be Endorsed to CBC Mortgage Agency, or an Allonge that is wet signed (stamped signature OK if it is an original).
- ❑ Second Lien Mortgage/Deed of Trust.
- ❑ CBC Mortgage Agency Secondary Financing Disclosure (for a sample, click the link and go to the dropdown for CBC Process and Documents).
- ❑ CBC Mortgage Agency Letter from the President (for a sample, click the link and go to the dropdown for CBC Process and Documents).
- ❑ CBC Mortgage Agency Quality Control Release form.
- ❑ Addendum regarding seller or lender contributions, if applicable—applies to loans with seller-paid borrower origination charges (for a sample, click the link and go to the dropdown for CBC Process and Documents).
- ❑ Notice of Transfer of Servicing for Second Lien.
- ❑ Any additional state-required disclosures.

## 6.18 | Hazard Insurance

A hazard insurance policy that meets the following specifications must be provided by the applicant at closing:

- ❑ For purchase transactions, CBC Mortgage Agency requires hazard insurance policy with a paid receipt for one (1) year or an invoice and sufficient funds collected to pay the invoice.
- ❑ Even if a policy is issued for one (1) year, CBC Mortgage Agency requires proof that the premium for the year is paid in full.
    - ▫ Proof may be in the form of a receipt signed by an authorized individual of the insurance company; otherwise, the premium is to be paid at closing and indicated on the HUD-1 Settlement Statement.
    - ▫ The same premium as shown on the policy is reflected on either the paid receipt or HUD-1.
- ❑ If, on the date of purchase of the mortgage loan by CBC Mortgage Agency, there are less than thirty (30) days to policy expiration, CBC Mortgage Agency requires a thirty-day binder or evidence that the policy has been renewed for one year.
- ❑ Prior to purchase of the first mortgage and reimbursement of the second mortgage, the loss payee clause must be in the lender's name and include the verbiage "Its Successors and/or Assigns ATIMA." (ISAOA/ATIMA is an acceptable abbreviation of this verbiage).
    - ▫ Alternatively, correspondents may use CBC Mortgage Agency's loss payee clause on the second mortgage only. If this option is used, the second mortgage loss payee clause should be:

      **CBC Mortgage Agency**
      912 W. Baxter Drive
      Suite 150
      South Jordan, UT 84095

CBC Mortgage Agency requires the Homeowner Declarations page show an effective coverage date no later than the Note date, along with proof of premium paid.

The applicant has the right to select the insurance carrier, provided the carrier has at least one of the following ratings at the time the mortgage loan was closed:

- ❑ "B" or better general policyholder's rating, or a "3" or better financial performance index rating, from A.M. Best's Insurance Reports; refer to http://www.ambest.com for additional information.
- ❑ "A" or better rating in Demotech Inc.'s Hazard Insurance Financial Stability Ratings; refer to http://www.demotech.com for additional information.

- “BBB” qualified solvency ratio, or “BBB” or better claims-paying ability rating, in Standard and Poor’s Ratings Group Insurer Solvency Review; refer to www.standardandpoors.com for additional information.

Prior to closing, the correspondent must verify that the hazard insurance rating specifications have been met. The following alternative hazard insurance coverage is also acceptable:

- In the event that the issuer of the hazard insurance policy does not meet the above-described rating specifications, the hazard insurance policy may, nevertheless, be acceptable if the insurer is reinsured by a company that meets either:
  - One of the A.M. Best general policy-holder ratings.
  - Standard and Poor’s Ratings Group claim-paying ability ratings.
- Both insurance companies must execute an Assumption of Liability Agreement (Fannie Mae™ Form 858) that provides for 100% reinsurance of the primary insurer’s policy and a ninety-day written notice of termination of the reinsurance arrangement; the Assumption of Liability Agreement must be attached to the hazard insurance policy.

### 6.18.1 1–4 Family Residences

1–4 family residences must protect against loss or damage from fire and other hazards covered by the standard extended coverage endorsement. CBC Mortgage Agency will not accept hazard insurance policies that limit or exclude from coverage (in whole or in part) windstorm damages, hurricane damages, hail damages, or any other perils that normally are included under an extended coverage endorsement. A lender must advise the borrowers that they may not obtain hazard insurance policies that include such limitations or exclusions—unless they are able to obtain a separate policy or endorsement from another commercial insurer that provides adequate coverage for the limited or excluded peril, or from an insurance pool that the state has established to cover the limitations or exclusions.

The insurance coverage must be of the type that provides for claims to be settled on a current replacement cost basis. For land and improvements to support the use of replacement cost coverage, CBC Mortgage Agency does not require separate appraisal valuations. Insurance must be in an amount and form acceptable to the applicable Agency guidelines.

For FHA mortgage loans with case numbers assigned prior to November 14th, 2015, see the guidelines in HUD ML 2009-46 B, Condominium Approval Process for Single Family Housing, Section VI, Insurance Requirements, or a more recent HUD issuance, if applicable. FHA mortgage loans with case numbers assigned on or after November 14th, 2015, must be underwritten to FHA Single Family Housing Policy Handbook 4000.1.

### 6.18.2 Condominiums

In general, the following are required for all condominium hazard insurance policies:

- ❑ The PUD, condominium homeowners' association, or fee simple landowner must maintain commercial general liability (CGL) insurance covering all common areas, common elements, commercial spaces, and public ways in the PUD or condominium.
- ❑ The current master condo insurance policy must provide at least one million ($1,000,000) liability coverage.
- ❑ The "Severability of Interest" clause or specific endorsement must preclude the insurer's denial of a unit owner's negligence claim.
- ❑ An acceptable fidelity bond is required on condominium projects with more than twenty (20) units.
- ❑ The policy should provide for at least ten (10) days' written notice to the homeowners' association before the insurer can cancel or substantially modify it; for condo projects, an additional, similar notice must be given to each holder of a 1st mortgage or share loan on an individual unit in the project.
- ❑ 100% of the insurable replacement cost coverage for the complete project and unit (interior and exterior of the condominium unit).

The project and unit (walls-in), the H06 policy, must both be insured. If the master condo insurance policy does not cover the unit (walls-in) then see the following H06 requirements:

- ❑ The walls-in (H06) policy must state that it provides coverage for the insurable value of the improvements and betterments;
- ❑ the walls-in (H06) policy must provide the breakdown, or "cost estimator," from the insurance company on how they determined the amount of coverage provided; or
- ❑ the borrower must obtain a statement from the insurance company that this is the maximum the company will insure and that this is sufficient to replace the improvements and betterments.

6.18.3 PUDs

Individual insurance policies are required on planned unit development (PUD) units unless the PUD unit is covered under the project's blanket policy and the PUD project's constituent documents allow the individual PUD units to be included in the project's blanket policy.
In addition, the homeowners' association must maintain a policy that covers the common areas, fixtures, equipment, personal property, and supplies of the project.

PUD hazard insurance must be in an amount and form acceptable to the applicable Agency guidelines. If the individual units are covered by insurance purchased by their respective owners, the PUD homeowners' association or the fee simple landowner must maintain "all risk" coverage for common areas and property for 100% of their insurable value and provide for loss or damage settlement on a replacement cost basis. The association or fee simple landowner must also obtain any additional coverage commonly required by private mortgage investors for developments similar in construction, location, and use, including the following (where applicable and available):

- ❏ Agreed amount
- ❏ Demolition cost
- ❏ Increased cost of construction
- ❏ Boiler and machinery

6.18.4 Amount of Hazard Insurance

For first lien home mortgages on 1–4 unit properties, hazard insurance coverage must be equal to the lesser of:

- ❏ 100% of the insurable value of the improvements (replacement cost), as established by the property insurer.
- ❏ The guaranteed replacement cost endorsement, which provides that the insurer agrees to replace the insurable property, regardless of the cost or the replacement cost endorsement.
- ❏ The unpaid principal balance of the mortgage, as long as it equals the minimum amount (80% of the insurable value of the improvements) required to compensate for damage or loss calculated on a replacement cost basis or
- ❏ Other structures (**do not** add the insurance for "other structures" with the amount of coverage on the dwelling to meet the minimum required amount).

Note: Due to the revised agency appraisal form, which eliminated the site value box, the estimated site value can be submitted with a notation in the "Comments" section of the appraisal or an appraisal addendum signed by the appraiser.

If the hazard insurance is not equal to at least one of the above minimum coverage amounts, then additional hazard coverage that meets the minimum coverage amounts must be obtained before the mortgage loan can be purchased.

If an extended replacement cost is noted on the policy, the percentage of extended replacement costs must be detailed.

If the estimated site value, opinion site value, or an appraisal addendum signed by the appraiser is not available on the appraisal, the documents below are acceptable in the following order:

1. Insurance value form from the insurance agency.
2. Third party vendor documents (Marshall and Swift [example: Data Quick] may have been used by the vendor).
3. (If the site value is not noted) The tax assessor value from the title policy/commitment or tax assessment form may be used for the calculation.

#### 6.18.5 Hazard Insurance Deductible

Deductible for hazard policies must conform to HUD guidelines.

### 6.19 | Title Policies and Insurance Commitments

All title insurance policies must ensure that the title is generally acceptable and that the mortgage constitutes a lien of the required priority on a fee simple or leasehold estate in the property. The title policy should list any and all other liens as subordinate to the first lien.

The title policy must be written on an ALTA (American Land Title Association) form. In states where ALTA forms of coverage are not used, the state-standard or short form that provides the same coverage as the ALTA form may be used, provided that the coverage does not impair lien protection to all applicable liens for purchase.

The title policy should be dated as effective (no earlier, or no later) at the date of closing. Lien protection must begin at the time of consummation and extend through the life of the loan.

Please note: title insurance is not a requirement for CBC Mortgage Agency second liens, although it may be applied at the lender's discretion. All title insurance requirements are in line with FHA guidelines for lien insurance protection for first liens used in connection with the purchase transaction.

#### 6.19.1 Adding Persons to Title and Sales Contracts

CBC Mortgage Agency allows persons to be added to the contract and title that are not on the loan, such as non-purchasing spouses, per Agency and state guidelines.

## 7. | Document Packages

### 7.1 | Registration—Procedural Overview

When registering a loan, access CBC Mortgage Agency's Client Site through the following link: CBC Mortgage Agency Client Site

- ❑ Select "Client Portal Login" at the top center of the webpage.
- ❑ Enter login credentials.
- ❑ Select "Register New Loan" from the four options.

### 7.2 | Lock Policy

A complete closed loan package must be uploaded through CBC Mortgage Agency's loan portal on or prior to the interest rate lock expiration date in order to meet the lock requirements. Locks that expire on the date of submission or within six (6) days after submission will be extended for seven (7) days from the loan submission date to allow for purchase loan conditions to be released and submitted by the correspondent. After a complete loan image is uploaded, the loan package will be reviewed and, if required, purchase conditions will be issued. We will give a (7) calendar day(s) extension before roll fees begin from the latter of the lock expiration or conditions out date. Roll fees will accrue at .025 per day (.175 per week). All roll fees will be withheld from the purchase advice.

Locks that are canceled or that expire and remain expired for thirty (30) days or more are eligible for relock at current-day pricing. If a loan is locked and then canceled (or expired), and then a relock request is received within thirty (30) days of the original lock, the loan pricing will be the worse-case of the current day pricing for the remaining lock period of the original lock less a .375 reinstatement fee and the lock period will be the remaining time on the original lock.

The lock is associated with the property address. If a borrower chooses to purchase a different property than was selected at the time of lock, the lock will need to be canceled and a new lock request submitted for the new property.

7.2.1 Renegotiation Policy:

- ❑ Per loan limit: one renegotiation per loan.
- ❑ The interest rate must improve by at least 0.125%.
- ❑ If the rate drops by 0.125%, the lender receives current market pricing less 37.5 bps.
- ❑ If the rate drops by 0.25% or more, the lender receives current market pricing less 25bps.
- ❑ The original commitment period and expiration date cannot move and must remain the same.
- ❑ The renegotiation price is based on the rate sheet and LLPAs that are in effect when the request is received less any prior accumulated extension, relock or other fees.

## 7.3 | Delivery

The mortgage loan must be delivered to CBC Mortgage Agency in purchasable condition on or before the lock expiration date. Loans must be current at the time of purchase. Loans in forbearance are not eligible for purchase. For loans purchased after the 15th of the month, a current pay history is required prior to purchase.

A delivered loan is considered in purchasable form if it meets the requirements of the following:

- ❑ Product and program parameters.
- ❑ Federal, state, and local laws and regulations.
- ❑ Industry standards, the insuring requirements of FHA, and secondary market investor guidelines.
- ❑ The requirements of this guide, including any updates, and the Correspondent Agreement (including in loan documentation).

- ❑ CBC Mortgage Agency specific documentation and CBC Mortgage Agency Loan Delivery Checklist.

A closed mortgage loan submitted in non-purchasable form is considered incomplete and may be subject to relocking or repricing for a lock extension. Refer to the lock policy section of this guide for pricing details.

Loans must be uploaded in accordance with CBC Mortgage Agency's specific Loan Delivery Checklist (see CBC Mortgage Agency's Loan Delivery Checklist). Uploaded documents will be reviewed by CBC Mortgage Agency's due diligence team in a timely manner after receipt, and the correspondent will be notified of any issues which impact CBC Mortgage Agency's ability to purchase the mortgage loan through the posting of conditions on the client site.

Deficiencies may include, but are not limited to, any issues that impair CBC Mortgage Agency's ability to service or sell the mortgage loan.

## 7.4 | Same Name Affidavits

A borrower's name and signature should be consistent throughout all the documentation in the mortgage loan file. Slight variations may be acceptable, such as a missing middle initial or the omission of a "Jr" or "Sr." However, if there are significant variations between the borrower's signatures, as compared to the printed name on the following documents, the borrower must sign a Same Name or A/K/A Affidavit at closing listing all variations to be covered on the following documents:

- ❑ Note
- ❑ Mortgage
- ❑ Credit Report
- ❑ Title Policy

In addition to variations on the above documents, a Same Name or A/K/A Affidavit must be signed if the credit report indicates that the borrower has a disclosed alias that is significantly different from the name on the application or related documents. If there are name variations on documents in the file other than the note, mortgage, credit report, and title policy, a Same Name or A/K/A Affidavit may be required at the underwriter's discretion.

## 7.5 | Use of Power of Attorney at Closing

Closing documents may be executed with a Specific Power of Attorney (POA) that complies with all applicable laws and agency's policies, provided the following conditions are met:

- ❑ POA must be specific to the transaction and subject property (general POAs are not acceptable).

- ❏ POA must have been in full force and effect on the date of closing.
- ❏ The designated individual with Power of Attorney may not have a direct or indirect interest in the transaction (this exclusion does not apply to any of the borrowers on the transaction).
- ❏ Grantor's (Borrower's) name appears exactly as it was stated to appear on all closing documents; if notarized outside of the United States, it must be notarized at a U.S. Embassy or a military installation.
- ❏ The Recorder's stamp appears, if previously recorded; the POA must be dated no more than 120 days prior to, and must be in full force and effect on, the closing date.
- ❏ The attorney-in-fact must have executed all closing documents at settlement.
- ❏ Title must insure the correspondent is in 1st lien position without exception to the POA.
- ❏ POA document must be recorded immediately prior to the closing documents.

CBC Mortgage Agency requires a copy of the POA included with the closing package if a POA is being used by the borrower or seller.

7.5.1 Signature requirements for a POA

There are no exceptions to these policies, for signatures or initials. Sign the borrower's name, with the POA signature underneath, with the following verbiage: "as attorney in fact" (i.e., John Doe by Mary Doe, as attorney in fact). In the case of initials (no exceptions), initial the borrower's initials, with the POA initials underneath, with the following verbiage: "as attorney in fact" (i.e., JD by MD, as attorney in fact).

## 7.6 | Electronic Signatures

CBC Mortgage Agency will accept the use of electronic signatures on certain documents when the signing is conducted in accordance with the outlined performance standards and as permitted by applicable law, secondary market investors, and the performance standards required by HUD.

The following guidance is not intended as legal or regulatory advice. The correspondent is responsible for obtaining professional advice, as needed, to ensure that mortgage loans submitted to CBC Mortgage Agency are in compliance.

A correspondent's electronic signature technology must comply with all the requirements of the ESIGN Act, including those relating to disclosures, consent, signature, presentation, delivery, and retention, and any state law applicable to the transaction. The ESIGN Act defines electronic signatures as "any electronic sound, symbol, or process attached to or logically associated with a contract or record and executed or adopted by a person with the intent to sign the record." (Esign 106(5)). Correspondents should follow this definition of electronic signatures, with the exception that CBC Mortgage Agency will not accept an electronic signature that is solely voice or audio.

The correspondent's process for electronically signing authorized documents must ensure the document is presented to the signatory before an electronic signature is obtained. The electronic signature must be attached to, or logically associated with, the documents that have been electronically signed.

In each mortgage loan file using electronic signatures, the correspondent should collect and retain appropriate evidence:

- ❑ The borrower's consent for the use of any electronic signature or disclosure.
- ❑ The signer's certification that the document is true, accurate, and correct at the time signed.
- ❑ The intent to sign the record and the intent to use an electronic signature.
- ❑ The attribution of the electronic signature to that signer.

Electronic signatures are acceptable on initial application documents. However, the following specific closing documentation will require wet signatures that are not electronic: all Promissory Notes and Mortgages.

7.6.1 Representations and Warranties

In addition to the representations and warranties listed in the agreement and elsewhere in this guide, and when selling a mortgage loan with electronic signatures to CBC Mortgage Agency, the correspondent must make the following representations and warranties with respect to any and all documents or record delivered to CBC Mortgage Agency which bear an electronic signature:

- ❑ All electronic signatures comply with applicable law, including the standards and requirements of the Electronic Signatures in Global and National Commerce Act (E-Sign) and, if applicable, the Uniform Electronic Transaction Act (UETA) adopted by the state in which the electronic signature is initiated.
- ❑ Any and all documents or records bearing an electronic signature are fully transferable or assignable by CBC Mortgage Agency to any third party.
- ❑ Any and all documents or records bearing an electronic signature are fully enforceable by such third party to whom CBC Mortgage Agency transferred or assigned such document or record.
- ❑ Any and all documents or records bearing an electronic signature have been duly and properly executed and attested (if applicable) in full compliance with any and all applicable laws and regulations, including, but not limited to, any applicable CBC Mortgage Agency, Fannie Mae™, Freddie Mac, FHA, or VA requirements.
- ❑ Each document or record that bears an electronic signature will be accepted by Fannie Mae™, Freddie Mac, FHA, or VA, as applicable, in accordance with the requirements of such agency or investor.

### 7.6.2 Hybrid Closings, eClosings, and RONs

Hybrid closings and eclosings are allowed, provided that all promissory Notes and mortgages are wet signed.

Remote Online Notaries (RONs) are not allowed.

## 7.7 | The Loan Estimate ("LE")

For closed-end credit transactions secured by real property (other than exempt transactions), the correspondent is required to provide the consumer with good-faith estimates of credit costs and transaction terms in the LE.

The correspondent is responsible for delivering the initial LE or placing it in the mail no later than the third general business day after receiving the six (6) items that define an application.

The initial LE must also be delivered or placed in the mail at least seven (7) specific business days before consummation of the transaction. The regulation allows the consumer to modify or waive this seven-business-day waiting period after receiving the LE if the consumer has a bona fide personal financial emergency that necessitates consummating the credit transaction before the end of the waiting period.

CBC Mortgage Agency will not purchase a loan where any modification or waiver of a mandatory waiting period has been granted.

### 7.7.1 Good Faith Requirement and Variance

The correspondent is required to act in good faith and exercise due diligence in obtaining information necessary to complete the LE. However, there may be some information that is unknown (i.e., not reasonably available to the correspondent at the time the LE is made). In these instances, the correspondent may use estimates even though it knows that more precise information will be available by the point of consummation.

Whether or not the LE was made in good faith is determined by calculating the difference between the estimated charges originally provided in the LE and the actual charges paid by or imposed on the consumer in the CD. Generally, if the charges paid by or imposed on the consumer exceed the amount originally disclosed on the LE, it is not in good faith, regardless of whether the correspondent later discovers a technical error, miscalculation, or underestimation of a charge.

However, an LE is considered to be in good faith if the correspondent charges the consumer less than the amount disclosed on the LE, without regard to any variance limitations.

### 7.7.2 Variance Limitations

The correspondent may charge the consumer more than the amount disclosed in the LE if the amount charged falls within the explicit variance thresholds and the estimate is not for a "zero tolerance" charge where variations are never permitted. The correspondent may also charge the consumer more than the amount charged in the original LE when a valid change in circumstance occurs, requiring a revised LE.

If the amounts paid by the consumer at disbursement exceed the amounts disclosed on the LE beyond the applicable variance threshold, the correspondent must refund the excess to the consumer no later than sixty (60) calendar days after consummation.

### 7.7.3 Revisions and Corrections to Loan Estimates

Creditors may only use revised or corrected Loan Estimates when specific requirements are met. Creditors generally may not issue revisions to Loan Estimates because they later discover technical errors, miscalculations, or underestimations of charges. Creditors are permitted to issue revised Loan Estimates only in certain situations, such as when changed circumstances result in increased charges. (§ 1026.19(e)(3)(iv))

The correspondent is generally bound by the LE (provided within three [3] general business days of the application) and may not issue revisions to LEs because it later discovers technical errors, miscalculations, or underestimations of charges.

The correspondent is permitted to provide to the consumer revised LEs (and use them to compare estimated amounts to amounts actually charged for purposes of determining good faith) only in certain specific circumstances:

- ❑ Changed circumstances that occur after the LE is provided to the consumer that cause estimated settlement charges to increase more than the aggregate 10% variance.
- ❑ The consumer is ineligible for an estimated charge previously disclosed because a changed circumstance, as defined above, affected the consumer's creditworthiness or the value of the security for the loan.
- ❑ The consumer requests revisions to the credit terms or settlement charges that cause an estimated charge to increase.
- ❑ Any points or correspondent credits change because the interest rate was not locked when the initial LE was prepared and a subsequent rate lock has occurred.
- ❑ The consumer indicates intent to proceed after the closing cost expiration date and time disclosed on the LE (found on page one under “Rate Lock”).
- ❑ On new construction loan transactions where the creditor reasonably expects that settlement will occur more than sixty (60) days after the LE is provided, the creditor may provide a revised LE, as long as this fact was clearly and conspicuously disclosed to the consumer on the LE originally provided. If no such statement is provided, the creditor may not issue revised disclosures, unless otherwise provided for above.

### 7.7.4 Timing for Revisions to the Loan Estimate

Generally, the correspondent must deliver or place in the mail the revised LE to the consumer no later than three (3) general business days after receiving information sufficient to establish that a valid change in circumstance has occurred.

The correspondent may not provide a revised LE on or after the date it provides the CD.

The correspondent must ensure that the consumer receives the revised LE no later than four (4) specific business days prior to consummation. If the correspondent is mailing the revised LE and relying upon the three-business-day mailbox rule, the correspondent would need to place in the mail the revised LE no later than seven (7) specific business days before consummation of the transaction to allow three (3) business days for receipt.

Regulation allows the consumer to waive or modify the seven-business-day waiting period after receiving the Loan Estimate if the extension of credit is needed to meet a bona fide personal financial emergency. CBC Mortgage Agency will not purchase a loan where any modification or waiver of a mandatory waiting period has been granted.

## 7.8 | The CBC Mortgage Agency Second Lien Closing Disclosure

The CFPB expects that typical transactions with a simultaneous second lien loan will involve two separate transactions. Regardless of if the transaction involves the same creditor providing the first loan and the simultaneous second loan, the two loans are treated as separate transactions, with the proceeds from the simultaneous second included in the Closing Disclosure for the primary transaction, where the seller is disclosed pursuant to Section 38(j)(2)(vi), per Comment 38(j)(2)(vi)-2.

CBC Mortgage Agency's second lien must have separate disclosures and should contain the information associated with the CBC Mortgage Agency second mortgage loan (including, but not limited to, the loan amount, fees charged, and payment schedule). CBC Mortgage Agency relies on its correspondents to ensure the second mortgage Loan Estimate and Closing Disclosure are compliant with the TILA-RESPA Integrated Disclosure Rule. In addition, CBC Mortgage Agency requires that correspondents preparing the second lien CD comply with CBC Mortgage Agency's applicable investor, insurer, and guarantor requirements for the second lien CD. To this end, we are providing the following guidance that our investors have found to be acceptable.

### 7.8.1 Properly Identifying Down Payment Assistance Funds on the First CD

On the first mortgage CD, the down payment assistance funds from CBC Mortgage Agency must be identified as coming from CBC Mortgage Agency (**not** Chenoa Fund™) and reflected as such in Section L, "Paid Already by Or on Behalf of Borrower at Closing," or under "Other Credits," using Lines 4 through 7.

Where the number of characters does not permit fully spelling out "CBC Mortgage Agency 2nd Lien" to identify the source of funds (second lien), the following abbreviations may also be used: (1) CBC Mortgage 2nd Lien, or (2) CBC Mortgage Agency 2nd Lien. Under no circumstances should the source of funds be identified as "Chenoa."

### 7.8.2 Showing Closing Costs for Secondary Financing on the First CD

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.

## 7.9 | CD and Settlement Documentation

The following documents are required to be delivered to CBC Mortgage Agency:

- ❏ Initial Borrower Closing Disclosure.
- ❏ If multiple CDs:
    - "Final"-marked Borrower's Closing Disclosure.
    - "Final"-marked Seller's Closing Disclosure.
- ❏ Settlement agent disbursement sheet.
- ❏ Fully completed and executed Settlement Agent Certification.
- ❏ Closing Disclosure provided to the seller at closing/Seller's Transaction.

CBC Mortgage Agency requires the borrower's or borrowers' signatures on the Closing Disclosure provided at closing. CBC Mortgage Agency also requires a copy of the CD provided to the seller at closing, but it does not have to be signed. The Final Closing Disclosure must be marked "Final" to clearly distinguish it from other closing disclosures.

### 7.9.1 Preparation of the Closing Disclosure for a Seller

For a purchase transaction, the settlement agent is required to provide the seller with the CD reflecting the actual terms of the seller's transaction. The settlement agent may comply with this requirement by providing the seller with a copy of the same CD provided to the consumer (buyer) if it also contains information relating to the seller's transaction. CBC Mortgage Agency does not require the seller's signature on the CD containing both buyer and seller transactions, even if a separate seller-signed CD is not provided, but CBC Mortgage Agency will still require a copy of the CD provided to the seller at closing.

Alternatively, the settlement agent may provide the seller with a separate disclosure including only the information applicable to the seller's transaction on the CD. If the seller's disclosure is provided in a separate document, the settlement agent will provide the correspondent with a copy of the CD provided to the seller; CBC Mortgage Agency will require a copy of this document, but it does not have to be signed. The settlement agent will provide the seller its copy of the CD no later than the day of consummation.

7.9.2 Delivery of the Closing Disclosure

The CD must be received by the consumer at least three (3) specific business days prior to consummation.

For transactions involving multiple consumers, the correspondent must ensure that the CD is provided separately to each consumer with the right to rescind under TILA, either directly or via the settlement agent, as appropriate. For transactions that are not rescindable, the correspondent must provide the CD to the consumer with primary liability for the mortgage transaction.

The correspondent must ensure delivery of the appropriate disclosures, in accordance with the timing requirements for each, by one or more of the following methods and in accordance with the rule, as necessitated for compliance:

- ❑ In person (or via courier).
- ❑ Via mailing the disclosures, which may include overnight delivery.
- ❑ Via electronic delivery methods subject to compliance with consumer consent and other applicable provisions of the Electronic Signatures in Global and National Commerce Act (15 U.S.C. 7001 et seq.); note that final closing documents, including the final CD and settlement certification, may not be electronically delivered and signed. Wet signatures are required in all cases for these documents.

Under the timing requirements of the rule, if a creditor provides appropriate disclosures by mail, electronic delivery, or courier, the creditor may presume that the consumer receives the disclosure three (3) specific business days after they are mailed, transmitted, or deposited with the courier service (for purposes of determining when the three-business-day waiting period begins).

This is commonly referred to as the three-business-day mailbox rule. When the correspondent has evidence that the consumer received the disclosures earlier than three (3) specific business days after mailing or delivery, the correspondent may rely on that evidence under the rule and consider the disclosures to be received on that date.

If the CD is provided in person, it is considered received by the consumer on the day it is provided.

The regulation allows the consumer to waive or modify the three-business-day waiting period if an extension of credit is needed to meet a bona fide personal financial emergency.

7.9.3 Revised Closing Disclosures

Once a CD is delivered or mailed to the consumer, consummation cannot occur until three (3) specific business days after the disclosure is considered received by the consumer. According to the TRID rule, there are three (3) categories of changes that require a corrected CD containing all changed terms:

- Changes that occur before consummation that will require a new three-specific-business-day waiting period:
  - The disclosed APR becomes inaccurate by more than ⅛ of 1% above or below the previously disclosed APR, and a revised CD with the correct APR and all other associated terms that have changed needs to be provided.
  - The loan product previously disclosed becomes inaccurate and a revised CD with the correct loan product and all other associated terms that have been changed needs to be provided.
  - A prepayment penalty is added to the transaction and a revised CD with the prepayment penalty provisions and all other associated terms that have changed needs to be provided (note: CBC Mortgage Agency down payment assistance transactions may not contain prepayment penalties).
- Changes that occur before consummation that do not require a new three-specific-business-day waiting period (i.e., any changes not covered above):
  - The revised CD will be provided at or before consummation; however, the consumer has the right to inspect the CD during the business day before consummation. If a consumer asks to inspect the CD the business day before consummation, the CD presented to the consumer will reflect any adjustments to the costs or terms that are known to the correspondent at the time the consumer inspects the document.
- Changes that occur after consummation.

## 7.10 | Disclosures Required Post-consummation

The correspondent must make the following disclosures clearly and conspicuously in writing, in a form that the consumer may keep.

If, during the thirty-day period following consummation, an event in connection with the settlement of the transaction occurs that causes the CD to become inaccurate, and such inaccuracy results in a change to an amount actually paid by the consumer, the correspondent must deliver or place in the mail a corrected CD no later than thirty (30) days after receiving information sufficient to establish that such an event has occurred. An example of such an event might be a recording fee or a transfer tax that differs from what was disclosed, or the discovery of an unpaid assessment at the time of document recording.

If the CD contains non-numeric clerical errors, the correspondent must deliver or mail a corrected CD no later than sixty (60) days after consummation.

In the case where a refund of excessive fees, paid by the consumer, are necessary, related to good faith analysis, the refund amount must be provided to the consumer no later than sixty (60) calendar days after consummation. In addition, the correspondent must deliver or mail the corrected CD reflecting such refund no later than sixty (60) days after consummation.

All other TRID disclosures must be provided to CBC Mortgage Agency with a reliable form of evidence of delivery. If the three-day mail rule is truncated for delivery of the closing disclosure to allow for an early closing, evidence of the date of receipt is required.

7.10.1 The CD is Acceptable If:

- ❑ It has no more than $100 understated tolerance.
- ❑ The Finance Charge is understated by no more than $100 or the APR is understated no more than .125%; however, both can be overstated.

7.10.2 The CD is not Acceptable If:

- ❑ It is understated by more than the $100 tolerance.
- ❑ The Finance Charge is understated by more than $100 or the APR is understated by more than .125%.

## 7.11 | Loan Cancellation Policy

Correspondents and CBC Mortgage Agency can choose to cancel loans if necessary. Cancelled loans fall into two categories: loans cancelled before closing, and loans cancelled after closing. They are both handled differently.

7.11.1 Loans Cancelled Before Closing

Loans cancelled before closing are not assessed a fee or penalized in any way. Borrowers must re-apply if they wish to move forward after cancelling their application.

7.11.2 Loans Cancelled After Closing

Loans delivered after closing that do not meet CBC Mortgage Agency guidelines will need to be cancelled. A cancellation agreement releasing CBC Mortgage Agency from the obligation to reimburse will need to be signed by an officer of the originating lender’s company. Upon execution of the release of the funding obligation, the originating lender becomes the second lien holder.

The lender may request CBC Mortgage Agency to acquire the second mortgage regardless of the release from the obligation to reimburse. In this instance, the lender should contact CBC Mortgage Agency’s Lock Desk to obtain pricing for the acquisition of the second mortgage. Acquisition pricing is subject to current market conditions and a $399 administration fee.

# 8. | Clearing for Purchase

## 8.1 | Purchase Review Status

Correspondents can access the status of their loans through CBC Mortgage Agency's client site, http://chenoafund.org.

Loans uploaded to the client site are reviewed by CBC Mortgage Agency's due diligence team concurrently with its partner investors, to whom loans are ultimately sold.

Once due diligence reviews are completed by CBC Mortgage Agency and the investor, correspondents will be notified via email. All conditions can be viewed on the client site. Correspondents have the ability to directly communicate with CBC Mortgage Agency's due diligence reviewers to obtain clarification or dispute specific conditions using the escalation process on the client site.

Each loan is assigned a purchase clearing specialist from CBC Mortgage Agency's purchase clearing team. The purchase clearing team's primary function at CBC Mortgage Agency is to assist and expedite the purchase of the correspondent's loans. The purchase clearing team has the ability to waive or clear most conditions; in addition, they are a critical conduit and act as personal liaison to the correspondent for due diligence and investor communications.

The purchase clearing specialist is a critical conduit and acts as a personal liaison to the correspondent for the due diligence and investor communications. To best use this resource, use the escalation log found inside each individual transaction on the website. Specifically, use the escalation log to address questions regarding conditions, to request expedited reviews and waivers of outstanding conditions, or to request information from the purchase clearing specialist.

Contact for CBC Mortgage Agency's Purchase Clearing Team:
purchaseclearing@chenoafund.org

# 9. | Final Documents

## 9.1 | Collateral Package Documents

CBC Mortgage Agency requires the original, final collateral documents, with the exception of mortgages (deeds) that are pending being recorded in the appropriate jurisdiction (for which a certified true copy must be provided).

The original collateral package is reviewed by CBC Mortgage Agency prior to the mortgage loan being approved for purchase. Any deficiencies are noted in the client site as loan conditions. Collateral conditions for corrected or additional original documents should be sent to CBC Mortgage Agency, and a copy of the document should be uploaded to the Client Site.

For each loan purchased by CBC Mortgage Agency, all final closing documents must be delivered by no later than eighty-five (85) days (sixty [60] days for FHA MIC) after the purchase of the mortgage loan. If complete documentation is not received within the eighty-five-day (sixty [60] days from the Note date if FHA MIC) period, CBC Mortgage Agency may require the seller to incur a delivery fee or repurchase the mortgage loan, or both. (However, the notes for both mortgages must be delivered within three [3] days of reverse bailee delivery if a reverse bailee is used.)

CBC Mortgage Agency advises correspondents to use an express shipping service to track shipments and ensure timely delivery of the original note, collateral package, and trailing documents.

9.1.1 Shipping for Collateral Documents

**CBC Mortgage Agency**
912 W. Baxter Drive, Suite #150
South Jordan, UT 84095
Email Contact: **finaldocs@chenoafund.org**

9.1.2 Shipping for Trailing Docs

Please upload all final title policies via the **DocProbe Portal**. To register for access to the title portal, please email portalsupport@docprobe.net. For recorded original documents, please mail to:

**CBC Mortgage Agency**
C/O DocProbe
1133 Ocean Avenue
Mail stop code: DP7822
Lakewood, NJ 08701

## 9.2 | Mortgage Electronic Registration Systems (MERS)

First mortgage loans being sold to CBC Mortgage Agency, and all secondary mortgages where DPA Funds have been reimbursed, must be registered in MERS no later than seven days after the closing date in accordance with MERS Guidelines.

In addition, all mortgage loans, first and second liens must have a TOS/TOB transfer initiated to CBC Mortgage Agency through MERS within 48 hours after CBC Mortgage Agency purchases the first mortgage loan and/or within 48 hours of the DPA funds being reimbursed on the secondary mortgage, resulting in the MIN reflecting CBC Mortgage Agency as the holder of the Servicing and Investing rights in MERS within 72 hours of the same purchase date, and/or DPA reimbursement date.

**CBC Mortgage Agency's Org. ID is 1012881.**

- ❑ We remind all correspondents of the following: First and Second Liens should not be assigned the same MIN. Each lien will need its own individual MIN.
- ❑ MIN should be listed on the Note and Security Instrument and should name MERS as beneficiary/mortgagee/grantee.
    - ▫ The only exception to this is Maine Property loans.
- ❑ All loan information should be entered into MERS as shown on the Security Instrument.
    - ▫ Select the correct lien type for the loan (secondary mortgages should reflect subordinate lien type in MERS).
    - ▫ Loan amount should also match based on the lien type.
- ❑ An interim funder and sub-servicer should not be added for secondary mortgages.

**Assignments** should only be used in the event where the property is a Maine loan and cannot be assigned to MERS directly within the Security Instrument. A MIN should still be registered for the 1st and 2nd MINS, and an Assignment to MERS should be completed to properly assign the loan to MERS. Please note that you must use a Maine Approved Assignment to MERS for this and that all state-required verbiage is included. Please contact our MERS Department if you would like a template for reference.

Assignments must be sent to CBC Mortgage Agency's corporate office at the below address:

**CBC Mortgage Agency**
912 W Baxter Drive, Suite #150
South Jordan UT 84095

## 9.3 | FHA Connection

### 9.3.1 FHA Mortgage Record Change

The correspondent is responsible for completing the mortgage record change to CBC Mortgage Agency in FHA Connection (FHAC). To report servicer/holder transfer, the correspondent must log in to FHAC to complete the transfer. Mortgage record changes must be completed within fifteen (15) business days from the date of purchase.

- ❑ Access the Mortgage Record Changes menu.
- ❑ Click Servicer/Holder Transfer (HUD Form 92080).
- ❑ Enter the FHA Case Number (including the dash).
- ❑ Enter original mortgage amount, including UFMIP (do not enter $ sign or comma).
- ❑ Enter the first five digits of the CBC Mortgage Agency ID "94130" into the Holding Mortgagee.
- ❑ Complete the new Servicing Mortgagee field.
- ❑ Enter the date of transfer (Purchase Date).

9.3.2 Trailing Docs

For each loan purchased by CBC Mortgage Agency, all final, original closing documents must be delivered by the required delivery date, which is within eighty-five (85) calendar days of the closing of such mortgage loan (or thirty [30] calendar days from closing in the case of the FHA Mortgage Insurance Certificate).

## 9.4 | FHA Mortgage Insurance Certificate

MICs are not required to be delivered prior to purchase and must be delivered to CBC Mortgage Agency within sixty (60) days of the note date. However, loans with a credit reject and manufactured housing are the exceptions to this rule: loans with a credit reject and manufactured housing will not be eligible for purchase until a MIC is delivered to CBC Mortgage Agency. In addition, upfront MIP must be paid prior to purchase.

This will help us better align with industry standards for mitigating risk and preventing secondary delivery delays. Fees will be applied if delivery dates are not met. For more information, contact finaldocs@chenoafund.org.

# 10. | Servicing

## 10.1 | First and Early Payment Defaults

There is an "Early Payment Default" with respect to any Mortgage Loan when:

- ❑ The first payment due Purchaser becomes thirty (30) days or more delinquent.
- ❑ Any of the second through sixth payments become sixty (60) days or more delinquent.

A payment is considered delinquent if a payment is not received within thirty (30) days of the due date designated on the mortgage note (first or second), including escrows or other amounts required to be paid, on or prior to the last day of the calendar month in which such Monthly Payment is due Purchaser.  Aa payment for which Purchaser deducted funds at the time it purchased the Mortgage Loan from Seller shall not be considered the first payment due Purchaser.

In the event of an Early payment Default, at CBC Mortgage Agency's option,, CBC Mortgage Agency may require Seller to: (1) repurchase the related Mortgage Loan; or (2) pay CBC Mortgage Agency the Premium for such Mortgage Loan and any related costs and expenses actually incurred by CBC Mortgage Agency as a result of the Early Payment Default of the Mortgage Loan provided that if CBC Mortgage Agency chooses option (2) and a Subsequent Transferee requires a repurchase of the Mortgage Loan due to an Early Payment Default, CBC Mortgage Agency may still require Seller to repurchase the related Mortgage Loan at the Repurchase Price minus any amounts paid pursuant to option (2). Whether CBC Mortgage Agency chooses option (1) or option (2), in addition to the premium paid for such Mortgage Loan, related costs and expenses charged to Seller shall be limited to expenses that are actually incurred by CBC Mortgage Agency.

### 10.1.1 Early Payoff

In addition to the other obligations of the seller and the other remedies available to the purchaser under this agreement, if a mortgage loan is prepaid in full, other than by a refinancing by the purchaser, on or before making the seventh monthly payment (due to the purchaser or its assigns) following the closing date, the seller shall:

- Refund to the purchaser the premium paid by the purchaser to the seller (the term "premium" shall mean the portion of the amount paid by purchaser to seller for the applicable mortgage loan that exceeds the principal balance of such mortgage loan); and,
- If a grant or gift has been provided through the purchaser in connection to the mortgage loan, the seller shall also refund the amount of the grant or gift.

## 10.2 | Subordination Policy

CBC Mortgage Agency rarely accepts subordination requests for our Chenoa Fund™ down payment assistance second lien products.

### 10.2.1 Amortized & Repayable Second Mortgage

CBC Mortgage Agency does not allow for subordinations in the first thirty-six (36) months of the loan beginning with the first payment on the loan. If a borrower would like to refinance their first mortgage prior to the thirty-sixth month, CBC Mortgage Agency will not subordinate, and thus the second mortgage must be paid in full. For payoff information, please contact servicing@chenoafund.org.

During the aforementioned non-subordination period, if it is discovered that the original loan has a loan defect, and this defect may be cured by the original maker of the loan via a refinance, CBC Mortgage Agency would subordinate to this refinance.

To subordinate after this thirty-six-month period, the borrowers must have made thirty-six (36) payments on both the primary and secondary loans, with no late payments (defined as more than thirty [30] days late). Payments may not be paid forward to satisfy the waiting period, and it is required that all the payments have been made prior to CBC Mortgage Agency issuing a subordination approval.

See section 10.2.3 (General Subordination Policy) if the loan qualifies for subordination. To request a payoff, contact servicing@chenoafund.org.

#### 10.2.2 Forgivable Second Liens

CBC Mortgage Agency does not allow for subordinations on the forgivable Chenoa Fund™ for FHA product. The Note specifically dictates that a refinance on the first mortgage would trigger a payoff of the second mortgage.

The forgivable Chenoa Fund™ for FHA product, will permanently lose its forgivable status if the borrower refinances the first mortgage and state law allows the second mortgage to subordinate without prior consent from CBC Mortgage Agency. If the loan's forgivable status is permanently lost then the loan will have a 0% interest rate and no monthly payment, but it will need to be repaid upon refinance, transfer of ownership, or the end of the 30-year term.

If it is discovered that the original loan has a loan defect, and this defect may be cured by the original maker of the loan via a refinance, CBC Mortgage Agency would subordinate to this refinance.

To request loan forgiveness or request a payoff, contact servicing@chenoafund.org.

#### 10.2.3 General Subordination Policy

Should a loan qualify for subordination, the following process is required:

- ❑ The requesting party should email a copy of the subordination agreement to servicing@chenoafund.org for review and acceptance.
- ❑ A $150 processing fee is required (payable to CBC Mortgage Agency).
- ❑ A return shipping label is required, as well as a subordination document to be executed.

All documents may not be executed until we have verified the payment as received.

## 10.3 | Indemnification

At the sole discretion of CBC Mortgage Agency, the Remedy of Indemnification against loss may apply to a mortgage loan that is otherwise subject to a Repurchase Remedy upon the occurrence of a Repurchase Event of Default, per the terms of the Agreement. The terms and conditions of the Indemnification may vary with circumstances relevant to each mortgage loan, but at CBC Mortgage Agency's discretion may include a return to CBC Mortgage Agency by the correspondent of the amount of the purchase price that exceeds par, which includes without limitation any SRP and pricing premium paid to the correspondent and the down payment assistance provided to the borrower. Par is 100% of the unpaid principal balance that was purchased by CBC Mortgage Agency.

In addition, the Indemnification may require payment of the estimated loss CBC Mortgage Agency reasonably believes it may incur or actual loss it has incurred as a result of the Event of Default that gave rise to the Indemnification Remedy, including without limitation any marketing loss upon sale of an impaired Mortgage Loan at a reduced market price, loss due to indemnification, repurchase, or make-whole required of the correspondent.

## 10.4 | Transfer of Servicing

After purchase of the loan by CBC Mortgage Agency, but no later than within five (5) business days of purchase, the correspondent must immediately notify HUD and each borrower of the sale of the first mortgage loan. All disclosures and notifications to the borrowers must meet current applicable federal, state, local, and regulatory law requirements.

No less than fifteen (15) days before the effective date of the transfer of the first lien loan, the correspondent must send the applicable required correspondence to the borrower(s) notifying the borrower(s) of the servicing transfer of the first lien loan ("Goodbye Letter"). For this notice, the effective date of the transfer is the first payment due to CBC Mortgage Agency. The Goodbye Letter must meet current applicable federal, state, local, and regulatory law requirements.

Since CBC Mortgage Agency reimburses the full amount of all DPA loans and the first payment of a repayable, second lien loan is due to CBC Mortgage Agency through its Servicer, Midwest Loan Services per the Note and First Payment Letter, the Lender is not required to send a Goodbye Letter for those loans but may choose to at its discretion. If the Lender chooses to send a Goodbye Letter to the borrower on a repayable, second lien loan, the effective date of the transfer is the first payment of the loan.

Notifications must include, but may not be limited to, the following:

- ❑ Indicate and identify the date on which the servicing duties are to be transferred, which shall be the same date as the date on which payments are to commence to CBC Mortgage Agency or its designated servicer.
- ❑ Identify the date the correspondent will no longer accept payments on the mortgage loan.
- ❑ Identify the transferee of the servicing duties.
- ❑ Provide the correspondent's name and, for both companies involved in the transfer, a complete address, the appropriate department name, and a toll-free or collect call telephone number, which the borrower(s) may call with questions.

- ❑ Direct the borrower(s) to forward future payments to the servicing payment processing center (see Payment Processing address information below).
- ❑ Notify the borrower(s) that the transfer does not affect any terms or conditions of the mortgage loan other than those related to servicing.

CBC Mortgage Agency requires a sample copy of the Goodbye Letter to be included in the loan package at time of delivery. This applies to all first mortgages, repayable second liens and forgivable second liens.

Additionally, correspondents must provide a copy of the servicing-related notes, post-closing loan-level comments and any other loan servicing documentation as regulatory law and investor guidelines require. Servicing notes and comments should be formatted in a manner that is required by regulatory and investor guidelines and appropriate to share with the borrower when required under the applicable law.

10.4.1 Information for Goodbye Letter:

Correspondents must use the information in the table below for goodbye letters on all FHA first lien loans.

Since CBC Mortgage Agency reimburses the full amount of all DPA loans and the first payment of a repayable, second lien loan is due to CBC Mortgage Agency through its Servicer, Midwest Loan Services per the Note and First Payment Letter, the Lender is not required to send a Goodbye Letter for those loans but may choose to at its discretion. If the Lender chooses to send a Goodbye Letter on any DPA loan, the appropriate information in the table below must be used.

| | **First Lien Loans** | **Forgivable Second Lien Loans** | **Repayable Second Lien Loans** |
|---|---|---|---|
| **General Mailing Address** | CBC Mortgage Agency<br>912 W. Baxter Drive<br>Suite 150<br>South Jordan, UT 84095 | | Midwest Loan Services<br>P.O. Box 209<br>Hancock, MI 49930 |
| **Payment Address** | | | |
| **QWR Address** | | | |
| **Customer Service Number** | (866) 563-7572 | | (800) 262-6574 |
| **Hours of Operation** | Monday through Friday<br>8:00 am – 5:00 pm MT | | Monday through Friday<br>8:00 am – 8:00 pm ET |

| | | |
|---|---|---|
| **Website (Payments)** | www.chenoafund.org | www.midwestloanservices.com |
| **E-Mail Address** | servicing@chenoafund.org | customerservice@midwestloanservices.com |
| **Mortgagee Clause** | ISAOA/ATIMA<br>912 W Baxter Drive, Suite #150 South Jordan, UT 84095 | CBC Mortgage Agency, ISAOA/ATIMA<br>c/o Midwest Loan Services<br>P.O. Box 690748<br>San Antonio, TX 78269 |

# 11. | CBC Mortgage Agency Key Contact Information

The following sections contain contact information and shipping addresses for various parts of the Cedar Band Corporation and CBC Mortgage Agency.

As a reminder, for all credit, underwriting, or compliance questions, please email our Scenario Desk: scenariodesk@chenoafund.org

## 11.1 | CBC Mortgage Agency Department Emails

- Lock Desk: locks@chenoafund.org
- Loan Submissions: submissions@chenoafund.org
- Scenario Questions: scenariodesk@chenoafund.org
  - Exception requests should also be submitted to the Chenoa Fund Scenario Desk.
  - It is preferred that exception requests be submitted through the client site while registering a loan.
  - See section 4.27.19 (Exceptions) for more information on exception requests.
- Accounting: accounting@chenoafund.org
- Purchase Clearing: purchaseclearing@chenoafund.org
- Final and Trailing Docs: finaldocs@chenoafund.org
- Complaints: complaints@chenoafund.org
- Servicing: servicing@chenoafund.org

## 11.2 | CBC Mortgage Agency Codes

- MERS ID: 1012881 (for TOS and TOB transfers on 1st and 2nd Mortgages in MERS)
- FHA ID: 9413-00000-8 (for transfer of Beneficiary rights in FHA Connection)
- NMLS ID: 1186381
- HUD Servicer ID: 00772-000-4 (for transfer of Servicing rights in FHA Connection)
- CBC Mortgage Agency EIN: 46-2780478

## 11.3 | Contact Information

11.3.1 Cedar Band of Paiutes Headquarters

**Cedar Band of Paiutes**
600 N 100 E
Cedar City, UT 84721
(435) 586-9433
Website: www.utahpaiutes.org/bands/cedar/

11.3.2 Loan Operations Center (CBC Mortgage Agency)

**CBC Mortgage Agency**
912 W Baxter Drive, Suite #150
South Jordan, UT 84095
Phone: (866) 563-3507
Fax: (435) 237-0022
Website: www.chenoafund.org

11.3.3 FHA 1st Mortgage Servicer General Contact Information

**CBC Mortgage Agency**
website http://www.chenoafund.org
Email: servicing@chenoafund.org
Toll Free Number: 866-563-7572

11.3.4 FHA 1st Mortgage Servicer General Mailing Address

**CBC Mortgage Agency**
912 W Baxter Drive, Suite #150
South Jordan UT, 84095

11.3.5 Servicer Contact and Mailing Information for Repayable Second Mortgage

The correspondence, payment and borrower information for Midwest Loan Services is:

**Midwest Loan Services**
P.O. Box 209
Hancock, MI 49930
www.midwestloanservices.com

Phone number: 800-262-6574
Hours of operation: 8:00AM to 8:00PM EST Monday-Friday
Email Address: customerservice@midwestloanservices.com

(Note: Repayable, second lien loans only)

## 11.4 | Shipping Addresses

11.4.1 Shipping for Collateral

**CBC Mortgage Agency**
912 W Baxter Drive, Suite #150
South Jordan, UT 84095

11.4.2 Shipping for Trailing Docs

Please upload all final title policies via the **DocProbe Portal**. To register for access to the title portal, please email portalsupport@docprobe.net. For recorded original documents, please mail to:

**CBC Mortgage Agency**
C/O DocProbe
1133 Ocean Avenue
Mail stop code: DP7822
Lakewood, NJ 08701

11.4.3 Mortgagee Clause for FHA First Mortgages

**CBC Mortgage Agency**
ISAOA/ATIMA
912 Baxter Drive, Suite #150
South Jordan, UT 84095

11.4.4 Mortgagee Clause for Repayable, 2nd liens

**CBC Mortgage Agency**, ISAOA/ATIMA
c/o Midwest Loan Services
P.O. Box 690748
San Antonio, TX 78269

11.4.5 Mortgagee Clause for All Forgivable Seconds

**CBC Mortgage Agency**
ISAOA/ATIMA
912 Baxter Drive, Suite #150
South Jordan, UT 84095

## 11.5 | Borrower Payment Addresses

11.5.1 FHA First Mortgage Payment Address

**CBC Mortgage Agency**
912 Baxter Drive, Suite #150
South Jordan, UT 84095

11.5.2 Repayable Second Mortgage Payment Address

**Midwest Loan Services**
P.O. Box 209
Hancock, MI 49930

Phone number: 800-262-6574
Hours of operation: 8:00AM to 8:00PM EST Monday-Friday
Email Address: customerservice@midwestloanservices.com

11.5.3 Forgivable Second Mortgage Payment and Overnight Address

**CBC Mortgage Agency**
912 W Baxter Drive, Suite #150
South Jordan, UT 84095

## 11.6 | Wiring Instructions

11.6.1 Forwarded Payments for 1st Lien Loans—Payment Clearing

**Zions Bank**
Acct: CBC Mortgage Agency
ABA# 124000054
Account # 985250646

Please reference the borrower's full name and account number.

11.6.2 Forwarded Payoffs for 1st Lien Loans—Payoff Clearing Beneficiary

**Zions Bank**
Acct: CBC Mortgage Agency
ABA#124000054
Account # 985250646

Please reference the borrower’s full name and account number.

11.6.3 Forwarded Payments and Payoffs for 2nd Lien, Repayable Loans

If the Correspondent receives any payments for a 2nd lien, repayable loan, they must be forwarded to Midwest Loan Services (MLS) using the wiring information below.

Midwest Loan Services
University Bank
2015 Washtenaw Ave.
Ann Arbor, MI 48104
ABA: 072 413 722

*To Credit:*
CBC Mortgage Agency
c/o Midwest Loan Services
Attn: Payment Processing
400 Quincy St. Floor 6
Hancock, MI 49930
Account # 7010222

*For Credit to:*
Loan # ____________
Borrower name #_______________