

Process for Chenoa DPA Product

Z- Chenoa 30 Yr W Forgivable

In combination WITH

Z- Chenoa 30 Yr Forgivable 2nd

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

BASIC PRODUCT INFORMATION AND LOAN OFFICER STEPS:

- 1) Make sure if this is a “restart” loan that the original loan lock was cancelled with FSB.
- 2) There are NO Income Limits on this product.
- 3) Additional assistance (gift or secondary financing) may be combined with Chenoa’s assistance programs if the underlying is an FHA-insured loan and Chenoa is in second lien position.
- 4) Borrowers with a credit score of 600–639 are required to take a counseling course through Money Management International.
Please make sure that the LE has a cost for the required “Education/Counseling” fees on this loan program. See link below:
[Nonprofit Credit & Debt Solutions | MMI \(moneymanagement.org\)](https://www.moneymanagement.org/)
- 5) Please check the Interest Rates on this product offering. If you have a question, please contact Josh Heinrich for further discussion.
Here is a link to the Bond Loan Unit Rate Sheet:
[c39de5_36546727869349a787132c926c4338c0.pdf \(myfsbretail.com\)](https://myfsbretail.com/c39de5_36546727869349a787132c926c4338c0.pdf)
- 6) Cheno does NOT allow subordinations later!!!
- 7) Review to make sure that the services have been run on all loan first loans, but **NOT** the Second Mortgages on this product. (Credit, DV, Flood, DU).
***NOTE THIS PRODUCT REQUIRES AN AUS APPROVAL. NO MANUAL UNDERWRITING IS ALLOWED!!!**

- 8) Set-up a purchase money second mortgage with a 360-month (30-year) amortization at 0% interest.

*Make sure that the only fees on each second mortgage are recording fees for the Deed of Trust, reasonable settlement fees, a courier fee to return the signed documents to the Lender, and a MERS registration/transfer fee.

**Please contact a title company in the local area of the subject property to see if they have a special fee arrangement on reduced fees for "Purchase money 2nd Mortgage" Title charges.

Please click on this link to help you setup your second mortgage file in MBOT:

[c39de5_9d82032fb2ce43bda12ed092819b22ed.pdf \(myfsbretail.com\)](https://myfsbretail.com/c39de5_9d82032fb2ce43bda12ed092819b22ed.pdf)

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

- 9) Setup your first mortgage loan with a Purchase Money Second. Setup the loan like a regular FHA loan with a second mortgage. Please make sure that you use the name "CBCMA" of the second lien holder when you setup your loan details page.

Please click on this link to help you setup your loan with a second mortgage:

[c39de5_d32c7b9fb68c44eaa27c73218c948055.pdf \(myfsbretail.com\)](https://myfsbretail.com/c39de5_d32c7b9fb68c44eaa27c73218c948055.pdf)

Other Notes about your LE:

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

*There is always a 1% origination fee disclosed and a \$914 Underwriting fee on this product.

*There can be significant Discount to offer this DPA. Please see the Bond Unit Rate Sheet for the exact amount. If there is not a 6% seller concession the program may NOT be viable on lower rates.

*Please remember "Out of Area" loan policy on possible "Transfer Taxes".

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

OTHER ITEMS TO BE AWARE OF:

10) State Specific Guidelines:

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.

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).

11) Review loan for approvability vs. any Chenoa Guideline if you wish. The link is below:

[PowerPoint Presentation \(myfsbretail.com\)](http://myfsbretail.com)

12) You may NOT lock any Chenoa loan up-front. Each loan will be locked after disclosures are signed and received and an FHA Case Number has been issued.

13) Chenoa Funds Forgiveness Policy:

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 (Chenoa).

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.

14) Chenoa Escrow Holdback Policy:

Minimum required repairs are established by the FHA Roster Appraiser, the FHA DE Lender, or both. Chenoa 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 closing, due to inclement weather. All Escrow Holdback Agreements must be approved prior to Closing.

Note the following:

*Must be weather-related.

*Original appraisal must be completed “subject-to” the repairs required.

*Repairs must be required by the appraiser or lender 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.

14) Please make sure the Purchase Agreement is uploaded to both files.

15) Please make sure that all “Vendor Information” is present on either the notes section n MBOT or on the purchase agreements. See #18, and #19 below. This includes information on where title should be ordered, all real-estate agents and companies, surveyor’s (I/A), and other inspectors (I/A).

16) Please make sure that a BIP is uploaded to Image Flow or Notes have been added to MBOT for processing to do appropriate ordering on all items on the FIRST FHA Mortgage.

17) Please make sure that a BIP is **NOT** uploaded to Image Flow on each second mortgage. Instead, please upload the following note to MBOT for each processor:
“Please note that this is a second mortgage request and there are NO services to be ordered. Please make sure the First Mortgage Title Commitment shows the total amount insured of the first and second mortgages that are disclosed.”

This will prevent us from ordering multiple Appraisals accidentally.

18) Please make sure that the correct CHENOA product code has been selected on the borrower summary screen.

19) Make sure that all services have been run and are uploaded to Image Flow on all First Mortgages.
(Credit, DV, Flood, DU).

- 20) **AFTER YOUR REVIEW AND LOAN SETUP PLEASE SEND AN EMAIL TO BOND@FLANAGANSTATEBANK.COM AND ADVISE YOU HAVE A CHENOA LOAN READY FOR DISCLOSURE! WITHIN THIS EMAIL PLEASE ADVISE THE NAME AND LOAN NUMBER OF EACH LOAN AND YOUR TWO DIGIT BRANCH ID CODE.**
- 21) Please note that you will be invited to a weekly pipeline call every Thursday at 10:30 AM if you have ANY Cheno loans disclosed to meet with your assigned processor, Jamie Bencher, on this product! We encourage you to attend each week.
- 22) Please note that all Chenoa loan submissions will be handled in a “Non - Consumer Direct” manner, and our processing team will NOT interact directly with the borrowers. It will be the Loan Officer’s responsibility to procure conditions.

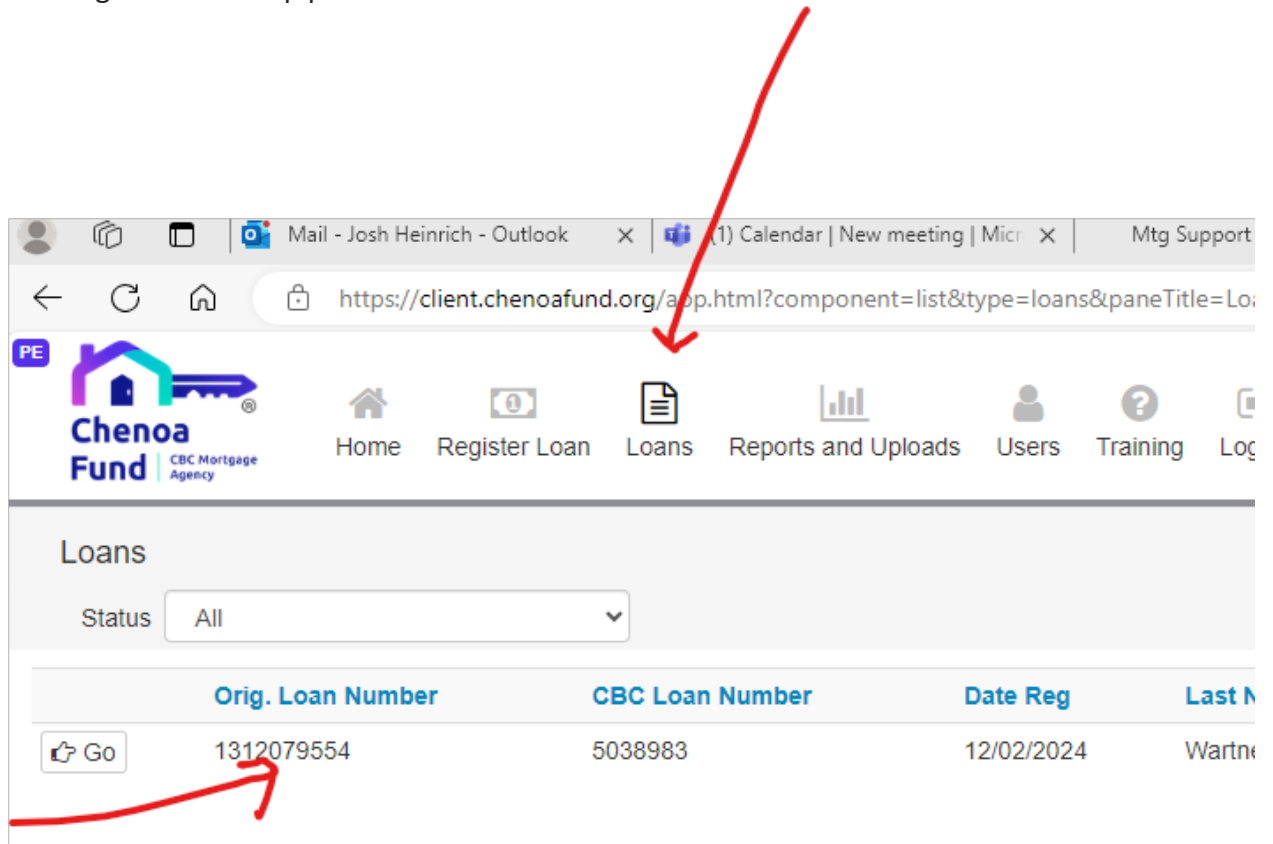
BOND LOAN UNIT DISCLOSURE PROCESS:

- 23) Please answer back within 1 hour of any disclosure request on the product to advise you are working on the submission.
- 24) Please locate each first and second mortgage in MBOT. Make sure the second mortgage was set up with a 10-year amortization AND is at the same rate as the first.
- 25) Please change the loan numbers to reflect the two-digit branch ID code on both loans.
- 26) The Bond loan team member will upload the program guidelines to MBOT under “Bond Guidelines” with the first mortgage only. Please print all the loan guidelines. Here is the link: [PowerPoint Presentation \(myfsbretail.com\)](http://myfsbretail.com)
- 27) PLEASE EMAIL THE LOCK DESK THE LOAN NUMBER AND NAME OF THE FIRST MORTGAGE WITHIN MBOT AND ASK THEM TO “LOCK AND RESERVE” THE CHENOA FIRST MORTGAGE LOAN.**
- ****YOU MUST WAIT FOR THE FIRST MORTGAGE LOAN TO BE CONFIRMED IN MBOT BEFORE PROCEEDING FURTHER ON THE DISCLOSURE PREPERATION.**
- 28) NOTE – For this product the first mortgage will be disclosed in MBOT in Flanagan State Bank’s name.**
- 29) Bond team will review the work of the Loan Officer for:
- *Proper loan setup for processing (Ie. Vendor / Employment information, etc.)
 - *Guideline on the product is uploaded to Image Flow
 - *There is an AUS approval in the file. Make sure that DU AUS findings were run with a Purchase Money Second and the proper CLTV.
 - *There are no lender or other vendor fees present on the second mortgage loan other than title charges, recording fees, and prepaid interest (if applicable).
- 30) Please send out the first mortgages in the normal process like other first mortgages.

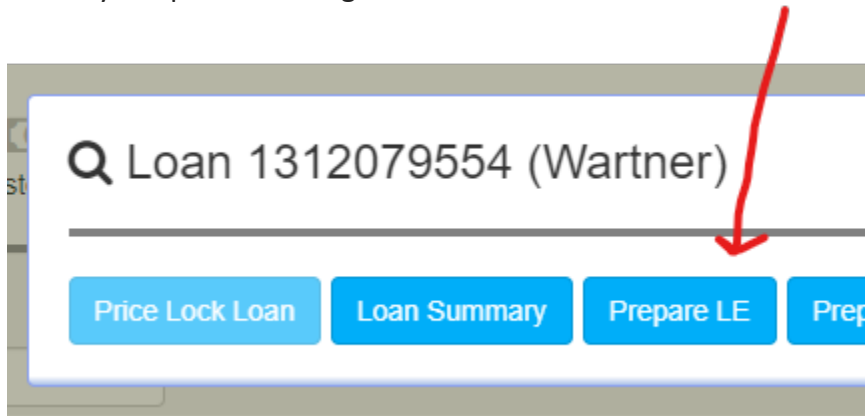
31) Please create the second mortgage disclosures, and the Specific Chenoa disclosures, WITHIN the Chenoa site. Note the following:

*Click this link to login to Chenoa's portal: [Correspondent Access](#) .

*Then go to the loan pipeline:



*Once you open the loan go to:



*Save the PDF Document with the Second Mortgage LE AND program forms.

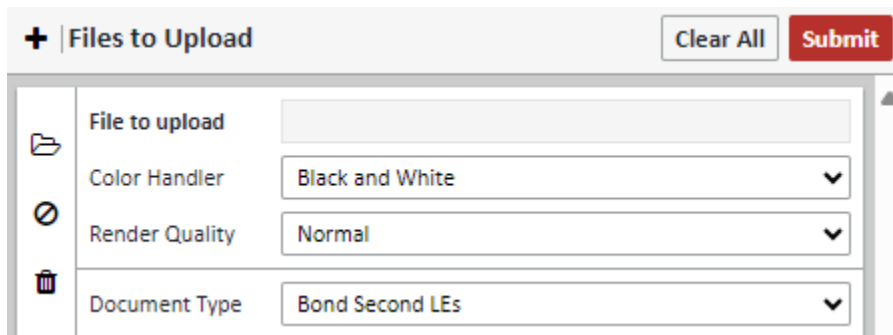
*** Make sure the following documents are in the Chenoa package:**

- A) Disclosure of Secondary Financing
- B) INTENT TO PROCEED WITH APPLICATION
- C) Funding Obligation Letter
- D) Presidents Letter
- E) FACTS – CBCMA
- F) CBCMA – Quality Control

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

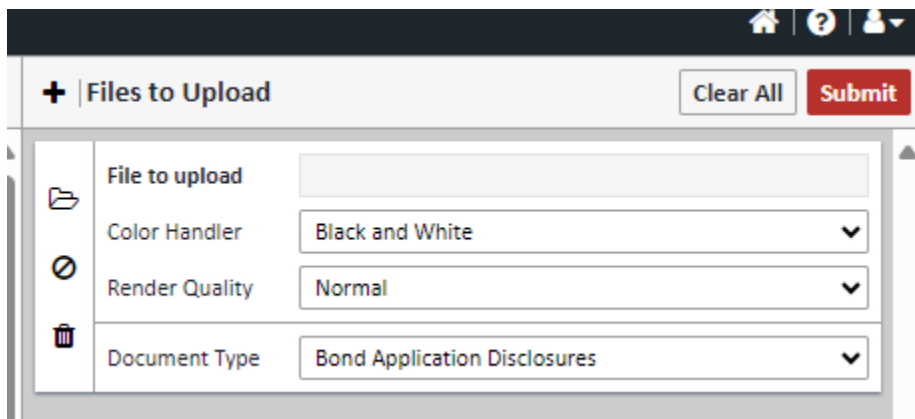
*Send out the Second Mortgage LE and other program disclosures for signature as a custom document request in Doc Magic.

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



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

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



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

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

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

A) None required for this product

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

A) None required for this product

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

A) None required for this product

Please download the 2nd Mortgage / Deed of Trust Document and email that to the assigned processor on the loan.

A) This is NOT required for this product

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

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

BOND LOAN UNIT POST DISCLOSURE RECEIPT PROCESS:

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

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

“The _____ Cheno Loan is ready for processing. This program does NOT require a specific Deed of Trust/Mortgage on the second., if one is ever required for a Bond Unit loan, we will send you the adobe fillable form to be filled out with your closing scheduling order once each loan is cleared to close. Please remember to contact Opshelp at the time of ICD preparation for further support. Thank you.”

CHENOA PROCESSING

34) The loan will be processed in normal “Non - Consumer Direct Manner”. The Processor will assign conditions gathering to the LO as the main contact for ALL conditions. **Please make sure that the title company order for coverage reflects the total amount of both the first and second mortgage loan amounts!**

35) All Processors - Prior to ICD Creation, please contact opshelp@flanaganstatebank.com
Note the following for that discussion:

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.

36) At the time of Underwriting Cleared to Close, please remember that a 2nd mortgage / Deed of Trust, may be required for certain Bond loan programs! In these cases, if you have not received that prior to closing scheduling, please email the name of the loan and request one at bond@flanaganstatebank.com and the Bond unit will send one to you! **CHENOA DOES NOT REQUIRE THE DEED OF TRUST TO BE CREATED OUT OF THEIR SYSTEM!**

37) Follow normal closing scheduling procedures unless the program requires a second mortgage / deed of trust that was emailed to you. Please fill out this form and label it under the “Sign and Closing” AND “Bond Closing Forms” prior to sending each loan into our scheduling que.

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