

# **Pathways Soft Second Program Delta, Laura, and Ida Storms Program Description and Guidelines**

<b>Program Objectives</b>	<p>Fulfill the National Objective of Low to Moderate Income (LMI)</p> <p>Provide assistance for "first time" homebuyers with incomes at or below 80% AMI to purchase one-unit family homes.</p> <p>Increase homeownership and foster neighborhood revitalization in parishes affected by Hurricane Laura, Delta, and Ida.</p>
<b>Eligible Activity</b>	Homeowner Assistance
<b>CDBG Assistance</b>	CDBG Assistance to be given in the following order: A Soft Second Loan of 20% of the purchase price up to \$55,000 per household and up to \$5,000 grant for Closing Costs for a total of up to \$60,000.00
<b>CDBG Investment</b>	<p>CDBG funds will primarily be invested as deferred 0% interest rate loans to make market rate financing more affordable for families of 80% median income and below.</p> <p>The investment will be made in the form of a soft second loan to cover the affordability gap between the sales price and the price affordable to the qualifying borrower.</p> <p>Part of the allocated CDBG funds will be offered to the qualifying borrower in the form of a grant to cover closing costs and required prepaid items related to the closing of the first mortgage loan.</p>
<b>CDBG Assistance to Borrower at Closing</b>	The Originating Lender will advance the Second Mortgage Assistance at loan closing and will be reimbursed by Louisiana Housing Corporation or Lakeview after the loan is purchased and the post close process completed.
<b>Loan Purpose</b>	Homeownership
<b>Buy Downs</b>	No buy downs
<b>Approved Lenders</b>	Lenders that have completed LA Pathway training.
<b>Lender Requirements</b>	<p>Lenders will register the first mortgage, second mortgage, and closing cost assistance in LHC's reservation system using the Pathways Program rate for the first mortgage through Lakeview / Bayview.</p> <p>A full compliance package must be submitted to LHC for review and approval prior to closing.</p>

<b>Deadlines</b>	<p>Loan purchased by - 60 days</p> <p>Extensions are available for 15, 30, 45, and 60 days</p>
<b>Fees</b>	<p>Compliance Fee - \$125  Funding Fee - \$400  Tax Service Fee - \$85  Wire Fee - \$40  Extension Fee (if applicable)  15 Days 0.125%, 30 days 0.250%, 45 days 0.375%, 60 days 0.500%</p> <p>LHC is exempt from recordation fees per LA Revised Statute 40:600.100(C).</p> <p>All fees must be disclosed on the Lending Disclosure &amp; Closing Disclosure for the first mortgage.</p>
<b>Lender Compensation</b>	<p>The Lender is not allowed to charge origination or discount points. They are allowed to charge other fees that are deemed reasonable and customary.</p> <p>Total Lender Compensation is 2% SRP for each loan sold to Lakeview / Bayview.</p>
<b>Grant Assistance</b>	<p>Up to \$5000 Closing Costs</p> <p>Homebuyer's cash and liquid assets must not be greater than 6 months of the monthly Principal &amp; Interest plus Taxes, Insurance, HOA, etc. plus the borrower's required contribution after down payment and out of pocket closing costs are paid. Any excess will reduce the Closing Cost Assistance. An asset is liquid if it can be easily converted to cash, such as checking and savings accounts and CDs.</p>
<b>Maximum Purchase Price</b>	<p>The Maximum Permissible Purchase Price shall not exceed the FHA loan limits.</p>
<b>Mortgage Rate of First Mortgage Loan</b>	<p>Premier Rates posted daily</p>
<b>Soft Second Loan Amount</b>	<p>A Soft Second Loan equal to 20% of the purchase price up to but not exceeding \$55,000 will be given to all qualified borrowers</p> <p>The purpose of the soft second mortgage is to cover the affordability gap between the maximum affordable first mortgage financing for which the homebuyer qualifies and the purchase price of the home.</p> <p>The CDBG soft second loan is on a "need basis" only.</p>

<b>Soft Second Loan Repayment</b>	Repayment of the principal amount of the CDBG soft second loan shall be deferred until the loan is extinguished upon sale or refinance. The CDBG Second Loan will be forgiven over a ten (10) year period, as long as the borrower occupies the property as their primary residence, at a rate of 1/120 each month. Within the 10-year compliance period, the balance of the Soft Second Loan is due upon sale or refinance.
<b>Soft Second Loan Interest</b>	The annual percentage rate of interest on the CDBG funded loan rate shall be zero (0%) percent.
<b>Closing Cost Grant Amount</b>	Up to \$5,000 grant for closing costs will be given to all qualified borrowers.  Part of the allocation of CDBG funds will be offered as a grant to cover "reasonable" closing costs related to the mortgage loan and required prepaid items, such as insurance and taxes related to the closing of the first mortgage loan. The Closing Cost Assistance must be clearly identified on the Closing Disclosure as "LHC Closing Cost Assistance".
<b>First Mortgage Loan Type</b>	FHA, VA, RD, Fannie Mae, or Freddie Mac first mortgage loan product.
<b>Ineligible Product Types</b>	FHA 203H
<b>AUS</b>	Approved / Eligible
<b>Term</b>	30 yr. first mortgage, 10 yr. second mortgage
<b>Household Income Limits</b>	HUD 80% AMI
<b>Borrower Investment</b>	Borrower will be required to invest the greater of 1% of the purchase or \$1500. This contribution must be the borrower's own funds and cannot be a gift or credit.
<b>Maximum Borrower Investment</b>	Greater of 10% of Purchase Price or \$10,000. This includes the borrower's minimum investment.
<b>Credit Score</b>	Minimum 640 credit score Minimum 660 credit score for Manufactured Housing  3 scores required  No manual underwrites.
<b>Non-Traditional Credit</b>	Not allowed

**Ratios**

Front-End Ratio (PITI) not less than 28% or greater than 33%. Back-end Ratio (DTI) which includes all debts using conforming loan program guidelines cannot be greater than 48%

On an average monthly basis, the estimate of the sum of the applicant's payments for mortgage principal and interest, insurance, real estate taxes, HOA fees, and other recurring homeownership costs must not be less than 28% or exceed the sum of 33% of the applicant's adjusted income and any subsidy that will be available for such payments (e.g., Section 8 HAP funds, etc.). The backend ratio may not be higher than 48% of the homebuyer's gross income.

Household income is projected on an annual basis to determine qualifying income. "Grossed up" non-taxable income is not used for qualifying purposes.

**DTI**

Max 48%

Max 45% for Manufactured Housing

**Eligible Borrowers**

First-time homebuyers with annual household incomes at or below HUD 80% Area Median Income (per Metropolitan Statistical Area Data) who are purchasing a qualified, principal residence in designated disaster parishes. A first-time homebuyer is an individual who meets any one of the following criteria:

An individual who has had no ownership in a principal residence during the 3-year period ending on the date of purchase of the property. This includes a spouse.

- A single parent who has only owned with a former spouse while married.
- An individual who is a displaced homemaker and has only owned with a spouse.

**Homebuyer Education**

All eligible homebuyers must complete Homeownership Education class that meets the National Industry Standards. The homebuyer can attend class through a HUD approved counseling agency or through an online course. Follow loan product guidelines.

**Eligible Parishes**

Properties must be located in one of the designated parishes affected by Hurricane Delta (DR-4570) as follows: Acadia, Allen, Beauregard, Calcasieu, Cameron, Iberia, Jefferson Davis, Lafayette, Rapides, St. Landry, St. Martin, and Vermilion.

Properties must be located in one of the designated parishes affected by Hurricane Ida (DR-4611) as follows: Ascension, Assumption, East Baton Rouge, East Feliciana, Iberia, Iberville, Jefferson, Lafourche, Livingston, Orleans, Plaquemines, Pointe Coupee, St. Bernard, St. Charles, St. Helena, St. James, St. John the Baptist, St. Martin, St. Mary, St. Tammany, Tangipahoa, Terrebonne, Washington, West Baton Rouge, and West

Feliciana.

Properties must be located in one of the designated parishes affected by Hurricane Laura (DR-4559) as follows: Acadia, Allen, Beauregard, Caddo, Calcasieu, Cameron, Grant, Jackson, Jefferson Davis, LaSalle, Lincoln, Morehouse, Natchitoches, Ouachita, Rapides, Sabine, St. Landry, Union, Vermilion, Vernon, and Winn.

**Eligible Property Types**

One Unit Primary Residence, Townhouses, Condos, Manufactured

Manufactured Requirements

Constructed after or on 1994

Titled as Real Estate

Permanently affixed

Single Wides are acceptable under conventional loan products

Properties cannot be located in a Special Flood Hazard Area (SFHA).

**Ineligible Property Types**

Duplexes, Vacation / Second Homes, Mobile / Recreational, Timeshares, Community Land Trusts, Working Farms and Ranches, Unimproved Land, Leaseholds, Condotels, Geodesic Domes

**Number of Units**

1

**Non-Arm's Length Transactions**

Follow Loan Product Guidelines

**Documents Required to Reserve Funds**

Borrower must present a legally binding purchase agreement with application for funds when applying for assistance under the program. Properties must be essentially "move in" ready when the purchase agreement is executed. Application date is based on the date that a complete application is received by an LHC approved lender. Lenders will reserve the loan funds in LHC's reservation system. All applicants will be served on a "first come, first served" basis.

**Program Administrator and Compliance**

Louisiana Housing Corporation 2415 Quail Drive Baton Rouge, LA 70808  
Attention: Single Family

**Second Mortgage Loan Payee**

Second Mortgage will be made payable to Louisiana Housing Corporation.

LHC's Mortgagee Clause

Louisiana Housing Corporation ISAOA/ATIMA  
2415 Quail Drive  
Baton Rouge, LA 70808

**Closing Costs and Prepaid Items Assistance**

Closing Costs Assistance grant limit is up to \$5,000. The \$5,000 can include funding for pre-pays (homeowner insurance, flood insurance, mortgage insurance premium, taxes, etc.), closing cost to include title company fees, and other customary costs associated with closing a real estate transaction. Advance payments for Homeowners, Flood, MIP, Taxes, etc. are limited to 14 months of premiums.

**Duplication of Benefits**

Homebuyers who have already received a CDBG soft second loan through LHC/OCD, any form of housing incentive payment from the Road Home or Restore LA Housing Assistance Program are not eligible to receive additional financial assistance from this program.

**Employment / Income Verification**

Verification of Employment for 2 years, Paystub within 30 days

**Asset Documentation**

Current month of checking and savings accounts

**Assumptions**

Not allowed

**Insurance Requirements**

Eligible properties must be insured with standard homeowner's coverage with wind/hail and flood insurances in an amount equal to the first and second mortgage balances that must be escrowed into the monthly payment. The lender is required to submit proof of the mortgagee clause listing LHC as the 2nd lien holder on all policies and must be received prior to loan closing.

Conventional Loans at 80% AMI have reduced Mortgage Insurance

- LTV 95.01 - 97%: 18%
- LTV 90.01 - 95%: 16%
- LTV 85.01 - 90%: 12%
- LTV 80.01 - 85%: 6%

**Physical Standard / Inspections**

All properties must meet Parish Building Code requirements, Zoning Code requirements and the physical standards and inspection procedures of the FHA, VA, RD, Fannie Mae, or Freddie Mac mortgage loan product associated with the First Mortgage Loan. All properties must pass a Housing Quality Standards (HQS) inspection and will be completed by internal LHC staff.

HQS inspections may take two (2) weeks to receive, lenders should factor this timeline into their closed loan delivery timeline.

**Co-Signers / Non-Occupant Co-Borrowers**

Co-signers and Non-occupant Co-Borrowers are allowed. FHA only.

## **Monitoring / Compliance**

LHC will conduct underwriting and compliance review of each loan prior to closing and will monitor and process collection of repayments of CDBG Fund investments on a per loan basis. LHC will complete & provide all reporting requirements as requested by OCD.

Loan Repayments: Subject to the terms of the agreement with OCD, repayments of CDBG Funds or the recapture of CDBG Funds on each soft second mortgage will be reverted back to OCD.

Annual Compliance: The borrower must provide, on an annual basis, the following documents for the term of the Soft Second Loan:

1. Proof of Homestead Exemption
2. Homeowners and Flood Insurance Policies
3. Current Electric Bill

LHC will monitor each loan for a 10-year period beginning with date of note.

## **Legal**

LHC will provide the lender or title company the Second Mortgage Promissory Note, Second Mortgage Instrument and Closing Cost Gift Letter that will need to be executed at the time of closing.

Within 30 days of closing the lender or its designated title company will deliver the following Soft Second Mortgage Loan documents directly to LHC:

1. Original Second Mortgage Promissory Note
2. Recorded Certified True Copy of Second Mortgage Instrument
3. Original Exhibits executed at closing
4. Second Mortgage Title Policy
5. Original Closing Costs Gift Letter

Correct mailing address is: Louisiana Housing Corporation, 2415 Quail Drive, Baton Rouge, LA 70808, Attention: Single Family

## **Documents**

The lender will package and deliver the 1st mortgage loan to LHC's servicer, Lakeview / Bayview for purchase.

The lender will package and submit the post close package to LHC for reimbursement of the second mortgage. Reimbursement occurs after the post close and reimbursement processes are complete.

## **Requesting Closing Cost Assistance**

Lenders will fund the second mortgage assistance with the first mortgage amount. Lenders are required to submit to LHC the completed Exhibit E, Program Requisition Form - Wiring Instructions along with the Closing Disclosure 36 hours prior to the loan being closed requesting the Closing Costs Assistance to be wired to the closing table.

**Environmental Review Requirement**

All properties must pass an environmental review. The review will be completed by internal LHC Staff and can take up to two (2) weeks.

**Environmental Documents Required**

Environmental Review for Activity/Project that is Exempt or Categorically Excluded Not Subject to section 58.5  
Louisiana Flood Map  
Insurance Quotes – Homeowners and Flood  
Flood Certification