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

Program Objectives	Fulfill the National Objective of Low to Moderate Income (LMI) Provide assistance for "first time" homebuyers with incomes at or below 80% AMI to purchase one-unit family homes. Increase homeownership and foster neighborhood revitalization in parishes affected by Hurricanes Laura, Delta, and Ida.
Eligible Activity	Homeowner Assistance
CDBG Assistance	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
CDBG Investment	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. 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. 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.
CDBG Assistance to Borrower at Closing	The Originating Lender will advance the Second Mortgage Assistance at loan closing. Louisiana Housing Corporation will reimburse the Lender after the post-closing review and reimbursement process is complete.
Loan Purpose	Homeownership
Buy Downs	Not Permitted
Approved Lenders	Lenders that have completed LHC Pathway to Homeownership training.
Lender Requirements	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 the servicer, Lakeview Loan Servicing. A full compliance package must be submitted to LHC for review and compliance approval prior to closing. Please follow the checklist for stacking order.

Deadlines	Loan purchased by - 60 days Extensions are available for 15, 30, 45, and 60 days
Fees	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% LHC is exempt from recordation fees per LA Revised Statute 40:600.100(C). All fees must be disclosed on the Lending Disclosure & Closing Disclosure for the first mortgage. The servicer will net fund all fees at purchase of the first mortgage from the lender.
Lender Compensation	The Lender is allowed to charge up to 1% origination fee. No discount points will be allowed. Lenders are allowed to charge other fees that are deemed reasonable and customary. Total Lender Compensation is 2.25% SRP for each loan sold to Lakeview Loan Servicing.
Maximum Purchase Price	The Maximum Permissible Purchase Price shall not exceed the FHA loan limits.
Mortgage Rate of First Mortgage Loan	Pathways to Homeownership Rates posted daily
Soft Second Loan Amount	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 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. The CDBG soft second loan is on a "need basis" only.
Soft Second Loan Repayment	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.

Soft Second Loan Interest	The annual percentage rate of interest on the CDBG funded loan rate shall be zero (0%) percent.
Closing Cost Grant Amount	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". Homebuyer's cash and liquid assets must not be greater than 6 months of monthly Principal & 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 assets 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. Retirement accounts will not be included within this calculation.
Additional Subsidy Grant Amount	Conventional Products may take advantage of the Additional Subsidy Grant based on income of the household. Limits based on conventional income restrictions. 80% Conventional AMI = 50 bps (half point) 50% Conventional AMI = 100 bps (whole point)
Principal Reduction	Not allowed
First Mortgage Loan Type	FHA, VA, RD, Fannie Mae, or Freddie Mac first mortgage loan product.
Ineligible Product Types	FHA 203H
AUS	Approved / Eligible
Term	30 yr. first mortgage, 10 yr. second mortgage
Household Income Limits	HUD 80% AMI
Borrower Investment	Borrower will be required to invest the greater of 1% of the purchase price or $1500. This contribution must be the borrower's own funds and cannot be a gift or credit.
Maximum Borrower Investment	Greater of 10% of Purchase Price or $10,000. This includes the borrower's minimum investment.

Credit Score

Minimum 640 credit score
Minimum 660 credit score for Manufactured Housing

3 scores required

No manual underwrites.

Non-Traditional Credit

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 compliance 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.

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 on or after 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-paids (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. Retirement accounts will not be included.
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. The following Mortgage Insurance types are permitted: • Borrower paid monthly premium • Borrower paid single premium • Split premium

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.

Co-Signers / Non-Occupant Co-Borrowers

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

NOCBs must complete the Non-Occupying Co-Borrower Certification. NOCBs are for lender qualification only. They will not be used in compliance requirements. The main borrower must comply with all program requirements.

The main borrower must have some of their own income. LHC will not allow a NOCB with a main borrower with no income.

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 and 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 with 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. Exhibits executed at closing 4. Second Mortgage Title Policy 5. 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 Loan Servicing 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 Program Requisition Form, Title Company Wiring Instructions along with the Closing Disclosure 24 hours prior to the loan being closed requesting Closing Costs Assistance and/or the Additional Subsidy 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