

The Resilience Soft Second Program Program Description and Guidelines

Available Funds:	\$5,000,000
Program Objectives:	<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 the Great Floods of 2016.</p>
Eligible Activity:	Homeowner Assistance
CDBG Assistance:	<p>CDBG Assistance to be given in the following order:</p> <p>A Soft Second Loan of 20% of the purchase price up to \$55,000 per household and up to \$5,000 for Closing Costs for a total of up to \$60,000.</p>
CDBG Investment	<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 loan to cover closing costs and required prepaid items related to the closing of the first mortgage loan. The loan will be secured by a two-year forgivable note.</p>
Borrower Investment	Borrower(s) 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 a loan.
Maximum Liquidity	Homebuyer’s cash and liquid assets must not be greater than 6 months of the monthly Principal & Interest plus Taxes, Insurance, HOA, etc. 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.

Maximum Borrower Investment	Greater of 10% of Purchase Price or \$10,000. This includes the borrower's minimum investment.
Eligible Parishes	Properties must be located in one of the designated parishes affected by the Great Floods of 2016 DR-4263 or DR-4277 as follows: Acadia, Allen, Ascension, Avoyelles, Beauregard, Bienville, Bossier, Caddo, Calcasieu, Caldwell, Catahoula, Claiborne, DeSoto, East Baton Rouge, East Carroll, East Feliciana, Evangeline, Franklin, Grant, Iberia, Iberville, Jackson, Jefferson Davis, Lafayette, LaSalle, Lincoln, Livingston, Madison, Morehouse, Natchitoches, Ouachita, Pointe Coupee, Rapides, Red River, Richland, Sabine, St. Helena, St. James, St. Landry, St. Martin, St. Tammany, Tangipahoa, Union, Vermilion, Vernon, Washington, Webster, West Baton Rouge, West Carroll, West Feliciana and Winn.
Eligible Properties	Properties cannot be located in a Special Flood Hazard Area (SFHA). New and existing one-unit dwellings located in the eligible parishes.
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.
Maximum Purchase Price	\$271,164
Mortgage Rate of First Mortgage Loan	Market Rate GNMA or Market Rate Conventional posted daily. Lenders will reserve under the LHC Soft Second Program. A comprehensive reservation guide can be found on the LHC – Single Family website.

**Soft Second Loan
Amount and Reservations**

A Soft Second Loan equal to 20% of the purchase price up to but not exceeding \$55,000 and up to a \$5,000 loan for closing costs will be given to all qualified borrowers, with grand total assistance up to \$60,000 per household.

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.

Lenders will reserve funds under "Resilience Soft Second Program" in the HDS system.

**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 (s) occupies the property as their primary residence, at a rate of 1/120 each month. 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. LHC will monitor all first mortgage lender fees to insure that they are consistent with standard fees charged in the market for FHA/VA/RD, Fannie Mae (if available) and Freddie Mac 30 year fixed rate mortgage loan products.

Closing Cost Loan Amount

Up to \$5,000 loan for closing costs will be given to all qualified borrowers.

Part of the allocation of CDBG funds will be offered as a loan 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. All homebuyers will be eligible to receive up to \$5,000 in Closing Cost Assistance. Closing cost fees may not exceed those approved by LHC. The Closing Cost Assistance must be clearly identified on the Closing Disclosure as "CDBG Closing Cost Assistance".

The Closing Cost Loan will be forgiven after the second anniversary date of the loan (end of year 2). Forgiveness schedule is listed below:

Year 1 - 2	100% closing cost assistance due
After Year 2	0% closing cost assistance due

Lenders will reserve funds under “Resilience Soft Second Program” in the HDS System.

Program Administrator and Compliance

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

Soft Second Assistance to Borrower at Closing

The Originating Lender will advance the Second Mortgage Assistance at loan closing and will be reimbursed by Louisiana Housing Corporation after the loan is purchased.

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First Mortgage Loan Type	<p>CDBG funds shall only be leveraged with a first (1st) mortgage loan originated under one of LHC's Market Rate ("MR") Program loans. The Market Rate Program loans will be 30-year fixed interest rate loans with no prepayment penalties or fees. Lenders may not charge origination or discount fees.</p> <p><i>Homebuyers must be able to qualify for a FHA/VA, Rural Development, or Conventional (Fannie Mae (if available) or Freddie Mac first mortgage loan product. Manual underwriting is not allowed. All borrower(s) must have three credit scores to qualify.</i></p>
Credit Score	No credit score criteria shall be used in connection with making the CDBG soft second loan only. Borrower(s) must meet the credit score requirements for the first mortgage loan.
Ratios	<p>Front-End Ratio (PITI) not less than 30% or greater than 35% Back-end Ratio (DTI) which includes all debts using conforming loan program guidelines cannot be higher than 48%.</p> <p>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 30% or exceed the sum of 35% 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.</p> <p>Household income is projected on an annual basis to determine qualifying income. "Grossed up" non-taxable income is not used for qualifying purposes.</p>
Second Mortgage Loan Payee	Second Mortgage will be made payable to Louisiana Housing Corporation.
Closing Costs and Prepaid Items Assistance	Closing Costs Assistance loan 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.

Eligible Borrowers

First-time homebuyers with annual household incomes at or below 80% Area Median Income (per Metropolitan Statistical Area Data) who are purchasing a qualified, principal residence in The Great Floods of 2016 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 (if either meets the above test, they are considered first-time homebuyers).

*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.

Duplication of Benefits

Homebuyers who have already received a CDBG soft second loan through LHC/OCD, and/or 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.

Household Income Limits

Households up to 80% area median income

Insurance Requirements

Eligible properties must be insured with flood, wind/hail and standard homeowner's coverage in an amount equal to the first and second mortgage balances.

Lenders will be required to submit two (2) insurance quotes, which must be reasonable and consistent with standard requirements.

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 no later than loan closing. LHC's mortgagee clause: ***Louisiana Housing Corporation, it's successors and assigns as their interest may appear.***

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 or Freddie Mac FNMA (if available) 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.

**Occupancy Requirements
And Hardship**

Program recipients must occupy the purchased unit as their principal residence for at least 10 years in order to receive forgiveness for 2nd mortgage indebtedness. Failure to do so without the written permission of LHC will result in the soft second balance being immediately due and payable as described under the Second Mortgage Repayment above.

There will be no waiver of the occupancy requirement during the first 60 months from date of purchase. After the first 60 months, LHC may exercise its right to waive the acceleration of payments due upon illness or death of homebuyer. Upon LHC's determination the borrower meets the "hardship" test per supporting documents submitted and if the borrower has provided proof of continuous occupancy of the residence as primary residence, LHC may reduce the principal amount due according to the following schedule:

0-60 months:	100% of principal balance due
61-84 months:	50% of principal balance due
85-119 months:	30% of principal balance due
120 months:	Full forgiveness of debt

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 such as eHome America, etc. Borrowers must furnish a copy of their certificate upon completion.

Approved Lenders

All LHC approved lenders after completion of training.

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 Insurance Policy
3. Current Electric Bill

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

Compliance File Submission

Lenders should follow Exhibit G – LHC Soft Second Program Compliance Package Submission Checklist in submitting the compliance file. It is **strongly encouraged** that lenders generate and update the fillable documents on the website. Using this method usually insures quicker funding. Compliance files should be upload to the HDS system. When a file is uploaded to the HDS system, lenders must notify LHC that a file has been uploaded. All lenders will receive notification that the file has been assigned within 24 hours of receipt.

In order to serve lenders better, **if a lender has not received notification that their file has been assigned to a Single Family Team Member** within 24 hours of submission, you must send an email to singlefamily@lhc.la.gov notifying us of the delay.

Loan packages are *generally* reviewed within 72 hours of receipt (excluding holidays, state closures, emergencies, etc).

Documentation Requirements

- Valid purchase agreement signed by borrowers and sellers
- Verification of Employment (VOE) from all employers for past two years
- Current year to date paystubs for last 30 days
- Three years complete, signed federal income tax returns, including all schedules, W-2s and 1099s.
- Most recent bank statements including checking, savings, mutual funds, CDs etc (liquid assets)
- Picture ID and Social Security Cards for each adult
- Birth Certificate and Social Security Card for children under 17 years of age
- Divorce decree, death certificate, child support decrees (as applicable)
- Appraisal (complete copy)
- Credit report with three (3) scores on all borrowers
- 1003 Loan application
- 1008 Transmittal Summary (as applicable)
- Underwriter Certification completed in HDS system

Income Verification

Income is always projected into the future (over the next 12 months). It includes but is not limited to: (1) regular hourly, weekly and monthly wages, (2) anticipated or proposed raises reflected on the verification of employment (voe), (3) bonus income (4), overtime, (5) commissions, (6) income shown on year to date profit and loss statements (required on self-employed borrowers), (7) rental income (use 75% of gross rental), (8) income earned from part-time employment, (9) non-taxable income such as Social Security and Retirement income (Note: This income cannot be grossed up), (10) interest and dividend income (11) income earned from assets (such as interest and dividends) and (11) child support and alimony income.

LHC includes all adult household members (18 years and older) in the projected income AND benefits or other unearned income from minors. Earnings in excess of \$480 for a full-time student 18 years of age or older who is a dependent are excluded, documentation to support is required.

There are areas that lenders should exercise caution when analyzing income documentation. Those areas include but are not limited to:

- Inconsistency of income between VOE and paystub
- Borrower paid bi-weekly verses 24 pay periods per year

- Number of pay periods for teachers – 9 or 12 months
- Overtime – rate and average may need written clarification from employer
- Bonus/Commission
- Future raises referenced on the VOE
- Self-Employment – YTD P&L required (P&L figures will be used to project annual income)

Alimony/Child Support

If an applicant is divorced or a single parent, a copy of the Legal Documents are required. If no documents exist, provide written certification from the borrower stating the amount of alimony and/or child support received OR

Certification that they do not receive child support and/or alimony AND that no legal documents exist stating they should receive child support and/or alimony.

Refer to LHC Soft Second Income Limits

Lender Profit, Requirements and Timing

Lenders will register the 1st mortgage loan in LHC's reservation system using an LHC market rate program.

The Lender is not allowed to charge origination or discount fees on the 1st mortgage loan and will be allowed to charge other fees that are deemed reasonable and customary. A full compliance package must be submitted to LHC for review and approval prior to closing.

Total Lender Compensation is 2% SRP for each loan sold to SMC. Title Company can charge a flat fee on the soft second mortgages for title services, as per state mandated fee schedules. No other fees will be allowed on the Soft Second Mortgage Loans. This fee must be disclosed on the Lending Disclosure & Closing Disclosure.

Deadlines

Compliance packaged delivered within 15 days for Market Rate Programs

Closed loan delivered to SMC - 45 days

Loan purchased by - 70 days
30-day extension **may be** allowed with written request
Extensions will not be allowed if there is a waiting list or if
the compliance package has not been submitted to the
Corporation.

Fees

Compliance Fee - \$75
Doc Review Fee - \$300
Flood Certification Fee - \$14.50
Tax Service Fee - \$85
Wire Fee - \$40 (two wires)
Extension Fee (if applicable) - \$375

All fees will be netted upon purchase by SMC. If the loan is
not purchased by SMC, LHC will bill the lender for all
outstanding fees.

Executed Legal Documents

The lender will package and deliver the 1st mortgage loan to
LHC's master servicer, Standard Mortgage Corporation for
purchase.

LHC will provide the lender or title company the Second
Mortgage Promissory Note, Second Mortgage Instrument and
Closing Cost Note 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 Note
2. Original Closing Cost Note
3. Recorded Certified True Copy of Mortgage Instrument
4. Original Exhibits executed at closing
5. Second mortgage title policy

Lenders should follow the Post Closing Review Checklist
(Exhibit P) in submitting the closed package for
reimbursement.

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

**Requesting Closing Cost
Assistance**

Lenders are required to submit to LHC the completed Exhibit E, Program Requisition Form - Wiring Instructions along with the Closing Disclosure 24 hours prior to the loan being closed requesting the Closing Costs Assistance to be wired to the closing table with the cutoff being 2:00 PM.

**Environmental Review
Requirement**

All properties must pass an environmental review. The review will be completed by internal LHC Staff and usually takes about 10 days.

**Environmental Documents
Required on Every File**

Determination Categorical Exclusion Not Subject to 58.5
Environmental Review for Activity/Project that is Exempt or
Categorically Excluded Not Subject to section 58.5
Compliance Checklist for 24 CF\$ 58.6
Louisiana Flood Map
Coastal Barrier Map
Civil Airport Map
Military Airport Map
Flood Insurance