

SECTION 1 – HOME LOAN PLUS ELIGIBILITY REQUIREMENTS

1.01 Consideration for Evaluation:

An applicant's and persons to be living in the household at time of closing eligibility for a loan is determined without regard to race, religion, national origin, sex, marital status, or age provided the applicant possesses the legal ability to incur the obligation of a mortgage loan. Under the Home Loan Plus Program (the "HLP"), the applicant must occupy and use the residential property as his/her permanent, principal residence and meet the following criteria.

- Property must have a mailing address located in an eligible county and city. See section 1.04.
- The acquisition cost of the subject property cannot exceed \$150,000.
- Total gross annual family income must be at, or below the income limit established for the county in which the property is located.
- Homebuyer(s) must complete an 8-hour pre-purchase homebuyer education class with a HUD approved counseling agency. If married, both spouses must attend the class regardless whether they will be on the loan.
- Homebuyers will maintain recommended structure insurance to include fire, wind and if required flood insurance.
- Homebuyer(s) must be a US Citizen or qualified registered alien who has obtained a Social Security Card.

1.02 Income Requirement:

Gross Family Annual Income is calculated to determine if the household income is at or below the income limit established for the county in which the subject property is located. The income to be used in determining the annual household income is the sum total of the applicant's income and the income of any other person(s) who is expected to live in the residence being financed. In the event the marital status is separated, MHC requires the lender submit both spouse's VOE (s) and current pay stub (s). Co-Signor's are not allowed for qualifying purposes under this program.

To determine the income of a salaried borrower(s), current (less than 30 days old from the date MHC receives the Compliance package) pay stubs and written or verbal verification of employment ("VOE") from each employer must be used for the current tax year.

NOTE: The income on a salaried applicant is taken from the VOE or pay stub, the income cannot be averaged over prior years.

The income of a self-employed applicant is determined from the most recent tax return and an original executed current profit and loss statement (current tax year). Depreciation should be added back to the self-employed applicant's income.

Income must be documented for each household member using the Appendix B Part 5 Annual income form found under "Program Forms" at www.mshomecorp.com. Names and ages of each household member are required.

Income required under the HLP program guidelines quite often includes income that is not used to determine qualifying income under the secondary market guidelines. Refer to www.mshomecorp.com, Lender Information, Program Forms, Home Loan Plus Income Calculation Guidelines.

Examples of types of income used are as follows:

- Child support, alimony or separate maintenance payments;
- Periodic payments from trusts, annuities, inheritance and insurance policies;
- Pensions and retirement funds;
- Income from lotteries;
- All public assistance payments with the exception of Medicaid or food stamps;
- Recurring investment gain income with the exception of:
 - (a) Gain on a one-time sale
 - (b) Or any gain from the sale of the borrower's prior residence;
- Payments in lieu of earnings:
 - (a) Social Security
 - (b) Unemployment benefits
 - (c) Worker's Compensation
 - (d) Severance pay
 - (e) Disability or death benefits
 - (f) Cash contributions received from persons not living in the household.
 - (g) Sick pay
- Income from Partnerships
- Undisbursed profits (retained earnings) from a business owned in whole or in part by the Borrower(s)
- Income from part time employment
- Net rental income
- Veterans Administration compensation (except educational benefits)

1.03 Income Limits:

Applicant's household income may not be greater than 80% of the Area Median Income based on the most recent HUD income. Please note that these limits are subject to change. See www.mshomecorp.com to view eligible maximum household income based on number of persons in the household.

1.04 Eligible Counties/Cities:

All counties and cities with the exception of Harrison County and City of Jackson and City of Hattiesburg are eligible. They are not eligible to use HOME Loan Plus because they operate local HOME programs.

1.05 Acquisition Cost Requirement:

Acquisition cost (or purchase price) is the cost of acquiring a Residential Housing Unit as a completed residential unit that includes all amounts paid in cash or kind by the Borrower or a related party to the seller as consideration for the Residential Housing Unit. Amounts paid include:

- Items constituting fixtures.
- If the property is subject to a ground rent, the capitalized value of the ground rent calculated using the discount rate equal to the yield on the bonds.
- If repairs are required by the appraisal, the reasonable cost of the repairs is to be included, even if these costs are not to be included in the mortgage loan.
- Any settlement costs that are paid by the Borrower and exceed the usual and reasonable cost.

Acquisition cost does not include the following:

- Usual and reasonable costs added to the purchase price such as:
 - (a) Title and transfer cost
 - (b) Title Insurance
 - (c) Survey fees
 - (d) Credit report fee
 - (e) Attorney fee
 - (f) Appraisal cost

The maximum acquisition cost (statewide) is \$150,000. In no event may the maximum loan amount exceed the maximum acquisition cost.

1.06 Property Eligibility:

The following types of properties may be financed under the HOME LOAN PLUS program.

- Single family detached

- Single family attached
- Condominiums or PUD
- Town Homes

Rural Development financed Manufactured homes (single and double-wide) are eligible.

Homes built prior to 1978, must have a lead based paint & asbestos inspection and test and, if found, must be mitigated. See Lead Based Paint Inspection form under “Program Forms” at www.mshomecorp.com).

- Must be in an eligible county or city (see Section 1.04)
- Must be homebuyers primary residence
- Must pass Historical and Environmental reviews. This action is done by MHC.
- Property cannot be located in a flood zone.

All properties must have a home inspection. If structural, electrical, or plumbing repairs are needed, those repairs must be made before MHC can issue a Conditional Commitment. A final inspection must be provided as documentation that the repairs were completed. Inspector must execute a property Inspection Clearance letter stating that the property meets local housing quality standards in areas with local building codes from a licensed home inspector or US HUD approved appraiser, that the property meets Section 8 Housing Quality standards. Refer to CSD Home Inspection Policy under “Program Forms” at www.mshomecorp.com).

1.07 Loan Type:

In order to qualify under the Program, each mortgage loan must be insured by either the Federal Housing Administration ("FHA"), guaranteed by the Veterans Administration ("VA"), Rural Housing Services ("RHS") for the Guaranteed Housing Loans, approved Fannie Mae or Freddie Mac conventional loan with Private Mortgage Insurer (PMI) if applicable due to Loan-to-value for the conventional products and is also dependent of the loan product being used and Habitat for Humanity non-conforming loans.

1.08 Loan Term:

15, 20, 25, 30 years' and 33 year's for Habitat for Humanity loans. The HLP funds can be used in conjunction with the Mortgage Revenue Bond program or the Mortgage Credit Certificate program as long as the first mortgage is a 30 year FHA, VA, Rural Development loan, Fannie Mae or Freddie Mac loan product.

1.09 Appraisal Requirements:

A copy of the Uniform Residential Appraisal Report ("URAR") and the Conditional Commitment or Certificate of Reasonable Value ("CRV") must be included in the compliance package. The appraisal must indicate the following:

- There cannot be more than 60-days between the appraisal date and the sales contract date.

- Residential Housing Unit cannot be used to produce income.
- If the Residential Housing Unit has additional buildings, such as storage buildings, workshops, etc, the appraisal must indicate the value and certify that no consideration was given.
- The proceeds may only be used for the procurement of the tract of land and the residence situated thereon. The appraisal report must state the value and size of the land. In cases where land size exceeds one (1) acre, the appraisal must reflect whether this is normal for the area.
- The remaining economic life reflected on the URAR must be a minimum of 30 years.
- The acquisition cost of the subject property cannot exceed \$150,000.

1.10 Grant Assistance:

- \$14,999 with a 5-year Deed Restriction
- HLP Grant can be used with MHC's Mortgage Revenue Bond program but will receive no Premium Cash Advance or MHC Second Mortgage Assistance. HLP grant can also be used in conjunction with MHC's Mortgage Credit Certificate or Housing Assistance for Teachers grant, city grants and the Home Buyer Advantage.

NOTE: The total homebuyer assistance amount including any other grants, tax credits, or homebuyer subsidies cannot exceed 50% of the home's sales price

The grant funds can cover the required down payment, depending upon loan type, any and all reasonable closing costs, including pre-paid's charged to the buyer and the remainder to be used to buydown the principal loan amount to be financed.

1.11 Determination by Lender:

The Lender, subject to the final review and determination of MHC and MDA shall initially determine the eligibility of an applicant. The Lender must review the application form and related documents to determine their completeness in accordance with this manual. Reasonable efforts should be undertaken to verify the information given. All mortgage loans must be originated in accordance with the provisions of the MDA eligible guidelines.

If MHC finds that the applicant(s) does not meet any one of the eligibility requirements, the loan will not be approved. If the loan transaction is completed and is later determined that the applicant(s) did not meet all of the requirements at closing or has caused himself to become ineligible (misrepresentation, did not occupy the property, etc.) the loan recapture of the grant funds will be required.

Any household member that is not a legal resident alien or status of application is not acceptable will constitute ineligibility for the entire household.

1.12 Credit Underwriting Requirement:

The Mississippi Home Corporation does not underwrite credit. MHC is only responsible for the Home Loan Plus (HLP) compliance on each loan file based on the MDA grant program guidelines. The credit guidelines to be followed are the normal guidelines for FHA, VA and RHS loans as reflected in HUD's 4155.1 Handbook or the Fannie Mae Seller/Service guides.

SECTION 2 – HLP SUBMISSION PROCEDURES

2.01 Reservation Request:

To reserve funds, fax the Reservation Form (HLP001) to (601) 718-4672 Monday through Friday, upon receipt of a faxed Reservation Form (HLP 001), MHC will fax the Reservation Form (upon the availability of funds) back to the contact person noted on the form with an assigned reservation number. This is the originators confirmation of the reservation. The reservation number must be placed on the HLP Checklist (HLP 002) when submitting packages and any follow up documentation to MHC. MHC must receive the Reservation package documents listed below within three (3) business days from the date of reservation. If the Reservation package is not received within 3 business days, MHC has the authority to cancel the reservation.

NOTE: All program manuals, documents and participating agreements can also be found on MHC's website.

1. HLP Reservation Form (HLP 001)
2. HLP Checklist (HLP 002)
3. Copy of Executed Sales Contract
4. Copy of Executed Loan Application
5. Original Executed Home Loan Plus Grant Recipient/Homebuyer Agreement
6. Copy of Good Faith Estimate
7. MRB/MCC/HAT Forms, if applicable

2.02 Reservation Modification:

A Lender may request a change in the reservation of funds by completing a NOTIFICATION OF CHANGE FORM (HLP 004) and faxing to MHC for prior approval (601) 718-4672. If data changes after MHC approval, the lender then would also fax a Notification of Change Form. A request for change will be subject to the following guidelines:

- Decreases in the mortgage amount. Additional changes to be made will be to FHA Transmittal Summary/VA Loan Analysis/1008 (depending upon product type).
- Increases in loan amount.
- Change to a property address is also acceptable upon prior approval of MHC. A copy of the new Sales Contract, Appraisal and FHA Transmittal Summary/VA Loan Analysis/1008, (depending upon product type).

2.03 Reservation Expiration:

Each reservation of funds will expire if the mortgage loan has not closed within the following periods:

- Reservations will expire forty-five (45) days for existing properties or one hundred and twenty (120) days for construction from the date of the reservation.

2.04 Cancellation of Reservation:

Reservations of funds will be cancelled under the following conditions:

- Upon delivery of the required documents, should MHC determine that the Borrower and/or Co-Borrower or property does not qualify for the program the reservation will be canceled.

If a lender determines that the loan will not close or the Borrower(s) do not qualify, then the lender must notify MHC by faxing the Notification of Change Form (HLP 004) to (601) 718-4672.

- The expiration of the reservation period will cause the reservation to be canceled.

2.05 Transfer of Reservation:

Under no circumstances will MHC permit a transfer of any reservation of funds from one Borrower to another Borrower. The reservation can be transferred from one property to another or from one lender to another with MHC's prior approval. In the event of a loan being transferred from one lender to another, a Notification of Change (HLP 004) with the new data (i.e. new property address, new loan amount, new grant amount, new lender, etc.) must be faxed to (601) 718-4672.

In the event of a property change or loan amount revision, an updated Sales Contract, new FHA Transmittal Summary, VA Loan Analysis or 1008 (depending upon product type), and a new copy of the Appraisal must be submitted to MHC. If the grant amount increases, prior approval by MHC is required. This can be accomplished by faxing the Notification of Change Form. If calling ask to speak to the Single Family division (601) 718.4642 to verify if funds are available to cover an increase or go to MHC's website, www.mshomecorp.com, point to "Lender Info" and select "Available Funds". The website is typically modified once daily.

2.06 Compliance Package:

On or before the earlier to occur of (i) the date which is 45 or 120 calendar days, depending upon property type, of reserving funds or (ii) the final date to submit a package for compliance review, the Lender must submit the HLP Compliance Package for review. Failure to do so will cause the reservation to be canceled. MHC will underwrite the loan on behalf of the Home Loan Plus Program, MS Development Authority (MDA) regulations and MHC guidelines to determine whether the mortgage loan qualifies for the Program. The following documents must be submitted in the order shown below

1. HLP Checklist (HLP 002)
2. Copy of Home Buyer's Education Counseling Certificate for each person to execute the Deed of Trust
3. FHA Transmittal, Fannie Mae 1008 or VA Loan Analysis (depending upon conforming loan type)
4. Original signed Lender/Broker Statement of Loan Approval on Company Letterhead or Habitat for Humanity Affiliate or copy of Rural Development Commitment (RD Guaranteed Loan Only (depending upon loan type)
5. Original MDA Appendix B executed by originating Lender/Broker
6. Copy of Social Security card(s) or Copy of Alien Registration card(s)

7. Copy of Driver's license(s), State I.D. or Birth Certificate(s)
8. Most recent two (2) months bank statements on all bank accounts (including IRA, Stocks, etc.). If assets exceed \$5,000 – copy of previous 6 mos. Bank statements are required.
9. Verification of Employment(s) and most recent pay stub(s). If Self-employed two most recent complete Federal Tax returns & MDA Verification of Income from Business form and it must be originally signed by the preparer and tax payer(s).
10. Copy of most recent complete signed Federal Tax Return Form 1040 Tax Return for ALL household members
11. Copy of the complete Appraisal (URAR). Must clearly state the property meet's HUD Minimum Property Standards
12. Wiring Instructions & Attorney Information Form (HLP 003)
13. Copy of Preliminary HUD-1
14. Historical Review Approval Letter (MHC to Order)
15. Copy of Certificate of Occupancy
16. Copy of Certified Home Inspection Report
17. Original signed Property Inspection Clearance Letter
18. Copy of Lead Based Paint Inspection, if applicable for homes built prior to 1978
19. Original signed MDA Certified Lead-Based Paint Clearance Form, if applicable
20. Copy of Final Home Inspection Report, if repairs were required
21. Miscellaneous Documents
22. Notification of Change Form (HLP 004, if applicable)
23. MRB/MCC/HAT/HBA Forms, if applicable

NOTES:

- Lenders may accept homebuyer education certificates issued within twelve months of the date an individual applies for a mortgage loan under the Home Loan Plus Program.
- All loans are underwritten by Single-Family on a first -come first-served basis. Within 5 to 7 business days of receipt of the Compliance Package, MHC will notify the Lender via fax as to the compliance approval or of any conditions that may apply. Upon approval in lieu of MDA approval, MHC will issue, fax and mail the Conditional Commitment to the contact reflected on the HLP Reservation Form (HLP 001).

The Lender is required to submit the following document with the closing package:

- **RECAPTURE DEED RESTRICTION – Must be recorded with the Warranty Deed.**

MHC will call the lender to verify a closing date and then wire the HLP grant funds to the Closing Agent and MHC will fax or email the HLP Closing Instructions to the Closing Agent upon MDA's loan approval.

****NOTE: THERE WILL BE NO EXPEDITED CASES and under no circumstances is the Lender to have a Borrower, Realtor or Seller contact the MHC Single Family staff to plead a case if the loan is denied by MHC.**

2.07 Expiration of Conditional Commitment:

Conditional Commitments will be cancelled if the closing does not occur on or prior to the final closing date reflected on the HLP Conditional Commitment.

IF A LOAN IS CLOSED PRIOR TO MHC ISSUING THE CONDITIONAL COMMITMENT AND MDA'S APPROVAL, THE HLP APPLICANT WILL BE INELIGIBLE AND THE HLP LOAN WILL BE CANCELLED AND GRANTS FUNDS WOULD BE RECAPTURED.

2.08 Post Closing Package:

The closed loan package must be submitted to MHC on or prior to the earlier of (i) thirty (30) days of the loan closing.

The following documents are required for the post closing package:

1. HLP Checklist (HLP 002)
2. Copy of the Executed Note
3. Copy of the Recorded Deed of Trust
4. Copy of Final Executed HUD-1
5. Copy of Recorded Warranty Deed and Deed Restriction (recorded as one document)
6. Copy of Homeowners Insurance Declarations Page
7. Copy of Title Policy
8. Copy of Occupancy Statement
9. Mortgagees Assurance of Completion, if applicable
10. MRB/MCC/HAT Forms, if applicable

MHC will audit all closing documents and the HUD-1 to verify that the closing agent correctly disbursed the HLP funds. If the audit reflects that the HLP funds were improperly disbursed the Lender will be contacted in writing stating the conditions. If conditions aren't met, the Lender will be suspended from reserving funds under this program.

SECTION 3 - PERIOD OF AFFORDABILITY

3.01 Period of Affordability

If the house does not continue to be the principal residence of the family for the duration of the period of affordability or if the house is sold or if a Cash-out Refinance is done prior to the end of the affordability period to a purchaser not meeting the requirement below, the subsidy attributable to the site is repayable upon sale to the extent that the proceeds from the sale allow and may be reduced pro-rata based on the time the borrower owned and occupied the residence.

Requirement - The home is offered at a price that provides the owner with a fair return on investment, including any improvements, but also remains within a price range which is affordable to a purchaser who is eligible and who can also credit qualify for the appropriate first mortgage loan. This should be done in the form of a deed restriction. The deed restriction must identify the Recipient and MDA as parties to be notified in case of sale or foreclosure. Once recorded, MHC must provide a copy of the recorded Deed of Trust.

3.02 Recapture of Grant Funds Calculation

1. Pro Rata Basis calculation

Pro rata basis = (# of full months owner lives in property / # months in Period of Affordability)

e.g. Owner received \$14,999 and has 5 years (60 months) Period of Affordability obligation to live in property. But owner lives in property just 24 months. $(24/60) = .4$

2. Maximum Recapture Amount calculation

$\$14,999 * (1-.4) = \$8,999$

The maximum Recapture Amount figure is used in the Shared Net Proceeds Basis calculation below.

3. Shared Net Proceeds Basis calculation

a. Assume the owner did not make any additional capital improvements

$\$14,999 / (\$14,999 + \$0) = 1.00$

The state would recapture up to (\$8,999 from the Net Proceeds)

b. Assume the owner invests \$1,000 in additional documented capital improvements

$\$14,999 / (\$14,999 + \$1,000) = .937$

The state would recapture up to $(\$8,999 * .937) = \$8,426$ from Net Proceeds.

The state recaptures funds from the Net proceeds up to its Maximum Recapture Amount. If the Net Proceeds are less than \$8,999, the state receives all of the New Proceeds but does not fully recover its Maximum Recapture Amount. The owner receives no gain from the sale of the property, but doesn't owe the state anything.

If the Net Proceeds from the sale are more than \$8,999, the state receives all of its Maximum Recapture Amount first and the owner receives the balance of the Net Proceeds.

It is to the owner's benefit to stay in the property through the Period of Affordability and to make capital improvements to the property. Both of these actions will reduce the amount the state will recapture upon sale of the property.

SECTION 4 - TRANSFER OF OWNERSHIP

4.01 Leasing/Renting

A residence secured by a loan financed with HLP loan proceeds is prohibited from being leased or rented during the affordability period.

- Property must be owner-occupied during the affordability period.

SECTION 5 – PROGRAM FORMS

See www.mshomecorp.com. Link on Home Loan Plus on the home page, select “Program Forms to view or print HLP program forms.