

SECTION 1 - ELIGIBILITY REQUIREMENTS

1.1 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 Mortgage Revenue Bond program (the "Program"); the Borrower(s) must meet the following criteria:

- Cannot have owned or held an ownership interest in a principal residence at any time during the past three years. See section 1.2.
- Total gross annual family income must be at, or below the income limit established for the county in which the property is located. See section 1.3.
- The acquisition cost of the subject property cannot exceed the published acquisition cost limits for the county in which the property is located. See section 1.4.
- Must agree to occupy and use the residential property as his/her permanent, principal residence within sixty- (60) day's of closing.
- Must not use the loan proceeds to acquire or replace an existing mortgage, except in the case of temporary financing (less than 24 months). Bond refinancing is not permitted.
- Must agree not to rent the property.

1.2 First-Time Home Buyer Requirement:

The Applicant's and persons to be living in the household at time of closing are classified as a first-time homebuyer if they have not owned an interest in a principal residence at any point in the last three (3) years. This requirement does not apply to residences located in Targeted Areas. The following are examples of interests that constitute ownership interest in real property.

- Fee Simple;
- Joint tenancy, a tenancy in common, or tenancy by the entirety;
- The interest of a tenant shareholder in a cooperative;
- A life estate;
- A land contract or bond for deed contract (i.e., a contract pursuant to which possession and the benefits and burdens of ownership are transferred although legal title is not transferred until some later date); and
- An interest held in trust for the Mortgagor (whether or not created by the Mortgagor) that would constitute a present ownership interest if held directly by the Mortgagor.

If the applicant and persons to be living in the household at time of closing can answer YES to any of the above, he/she would not be classified as a first-time homebuyer and therefore would not be eligible to participate in the Mississippi Home Corporation's Single Family Program.

If the Applicant(s) shared an interest in a principal residence with a spouse and divorced, the Quit claiming of a deed would not restore the individual to first-time homebuyer status. Married filing jointly constitutes an ownership interest even if the principal residence was only in the spouse's name. Both parties receive a tax benefit; therefore both parties are considered to have had an ownership interest.

If the Applicant(s) had a joint tenancy, a tenancy in common, or tenancy by the entirety, would constitute ownership interest in real property. If MHC can evidence a possible joint tenancy, documentation will be required to determine the three- (3) year requirement has been satisfied.

Examples of documentation required:

- Copy of a divorce decree evidencing no real property existed and if so, a settlement statement reflecting that the three-year limit has been met (unless in a targeted area).
- Copy of a death certificate and a settlement statement if the real property was sold and that the three-year limit has been met (unless in a targeted area) or copy of lease agreement.
- If a residence other than a principal residence was owned but being leased, a copy of a current lease agreement would be required (the income from the lease would need to be included in the borrower's annual gross income).

Examples of interest that do not constitute present ownership interest and would not result in a Borrower failing to meet the first-time homebuyer requirements are:

- A remainder interest (residence left over);
- A lease with or without an option to purchase;
- A mere expectancy to inherit an interest in a principal residence;
- The interest that a purchaser of a residence acquires on execution of a purchase contract; and
- An interest in other than a principal residence during the previous three years. For example, owning a vacation home or rental property would not disqualify a Borrower.

Procedure for Manufactured Home not affixed to land:

For purposes of prior ownership, a Manufactured Home is not treated as a principal residence if it is not permanently affixed to real property, even if the home is set up on land in which the applicant owns. To verify whether or not the Manufactured Home was permanently affixed to land, the Lender should obtain the following documentation:

- Copy of Bill of Sale, closing statement or Certificate of Title; i.e. the applicant must provide conclusive evidence that the Manufactured Home was not permanently affixed to land.
- Completed signed federal tax returns for the preceding three (3)-years to verify that an applicant did not take a deduction for taxes or interest on a principal residence.

Federal Tax Returns:

To confirm the first-time homebuyer status (required in non-targeted areas only) the Borrower(s) must furnish signed copies of the last three (3)-years Federal income tax returns. If applicable, a Borrowers spouse or live-in must provide tax returns even though they may not be included on the loan. The tax returns should be reviewed by the Lender to determine whether the Borrower(s) claimed a deduction for Real Estate taxes or a deduction for interest paid on a mortgage secured by real property that was the Borrower(s) principal residence. If a review of the tax returns indicates no tax or interest deduction for Real property, the responsibility falls to the Borrower (s) to sign the Borrower's Affidavit and certify that they are first-time homebuyers.

If the Borrower(s) has filed Form 1040, 1040A or 1040EZ but is unable to produce copies of the federal tax returns for the previous three (3)-years, then the Lender can request copies of the most recent tax returns from IRS by completing IRS Form 4506. For Form 1040, certified copies of the tax returns must be obtained by using the IRS Form 4506. In the event no taxes were filed, the Lender must obtain IRS Form 1722 reflecting that the IRS has no record of filing and the individual must execute an original statement clearly stating why returns were not filed.

ELECTRONIC FORMS are not acceptable unless the tax information transmitted is attached.

If the Borrower(s) was not required by law to file a Federal income tax return, they must provide a letter of explanation and rental verification for three- (3) years. In the event a student situation and/or borrower was claimed as a dependant on someone else's federal return, copies of school transcripts or original statement from guardian stating the borrower was being claimed as a dependant must be included in the Compliance package submitted to MHC.

1.3 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 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). The income of a Co-signer would not be used to determine the income eligibility if the co-signer does not intend to live in the property and will not have an ownership interest in the property. When submitting the Loan Application with the Reservation Package, cross through the words Co-Borrower and write Co-Signor to prevent MHC from requesting additional documentation on the loan.

NOTE: A family member helping an applicant buy a home is the only acceptable Co-Signer. However, the non-occupying co-borrower cannot take title to the property and does not sign any of the MRB documents.

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 verification of employment ("VOE") or a verbal verification from each employer must be used for the current tax year. If the pay stub or VOE indicate overtime or bonus, a monthly average (15 months to a 27month period) is determined in order to calculate the annual income. This income is utilized even if, on the prior year section of the VOE, no overtime or bonus is referenced.

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 returns 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 required under the federal guidelines for the Mortgage Revenue Bond Program quite often includes income that is not used to determine qualifying income under the secondary market guidelines. The Borrower's Affidavit includes a section for such other income. Examples 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)

Income Limits:

On the following page is a current listing of the income limits. Please note that these limits are subject to change (per IRS) on an annual basis or in the event of a federally declared disaster.

**MISSISSIPPI HOME CORPORATION – GOZone MRB Program
Target County Income Limits**

Effective w/loan applications as of December 1, 2011

<u>County</u>	<u>One to Two in Family</u>	<u>Three or More in Family</u>
Adams	58,440	68,180
Amite	58,440	68,180
Attala	58,440	68,180
Choctaw	58,440	68,180
Claiborne	58,440	68,180
Clarke	58,440	68,180
Copiah	70,560	82,320
Covington	58,440	68,180
Forrest	60,240	70,280
Franklin	58,440	68,180
George	70,080	81,760
Greene	61,440	71,680
Hancock	65,760	76,720
Harrison	65,760	76,720
Hinds	70,560	82,320
Holmes	58,440	68,180
Humphreys	58,440	68,180
Jackson	70,080	81,760
Jasper	58,440	68,180
Jefferson	58,440	68,180
Jefferson Davis	58,440	68,180
Jones	58,440	68,180
Kemper	58,440	68,180
Lamar	60,240	70,280
Lauderdale	58,440	68,180
Lawrence	58,440	68,180
Leake	58,440	68,180
Lincoln	58,440	68,180
Lowndes	61,440	71,680
Madison	70,560	82,320
Marion	58,440	68,180
Neshoba	58,440	68,180
Newton	58,440	68,180
Noxubee	58,440	68,180
Oktibbeha	60,240	70,280
Pearl River	59,040	68,880
Perry	60,240	70,280
Pike	58,440	68,180
Rankin	70,560	82,320
Scott	58,440	68,180
Simpson	58,440	68,180
Smith	58,440	68,180
Stone	65,760	76,720
Walthall	58,440	68,180
Warren	66,000	77,000
Wayne	58,440	68,180
Wilkinson	58,440	68,180
Winston	58,440	68,180
Yazoo	58,440	68,180

Revised 12-1-11

**MISSISSIPPI HOME CORPORATION – MRB Program
No GOZone Bonds
Non-Target County Income Limits**

EFFECTIVE w/Loan Applications taken as of December 1, 2011

<u>County</u>	<u>One to Two in Family</u>	<u>Three or More in Family</u>
Adams	48,700	56,005
Amite	48,700	56,005
Bolivar	48,700	56,005
Carroll	48,700	56,005
Covington	48,700	56,005
DeSoto	59,100	67,965
Forrest	50,200	57,730
George	58,400	67,160
Hancock	54,800	63,020
Harrison	54,800	63,020
Hinds	58,800	67,620
Issaquena	48,700	56,005
Itawamba	48,700	56,005
Jackson	58,400	67,160
Jones	48,700	56,005
Lafayette	67,800	77,970
Lamar	50,200	57,730
Lauderdale	48,700	56,005
Lee	53,400	61,410
Lincoln	48,700	56,005
Lowndes	51,200	58,880
Madison	58,800	67,620
Marion	48,700	56,005
Neshoba	48,700	56,005
Newton	48,700	56,005
Oktibbeha	50,200	57,730
Pearl River	49,200	56,580
Pike	48,700	56,005
Pontotoc	50,400	57,960
Rankin	58,800	67,620
Scott	48,700	56,005
Sharkey	48,700	56,005
Simpson	48,700	56,005
Smith	48,700	56,005
Stone	54,800	63,020
Tallahatchie	48,700	56,005
Tate	48,700	56,005
Union	48,700	56,005
Warren	55,000	63,250
Wayne	48,700	56,005

Revised 12-1-11

**MISSISSIPPI HOME CORPORATION – MRB Program
No GOZone Bonds
Target County Income Limits**

Effective w/loan applications as of December 1, 2011

<u>County</u>	<u>One to Two in Family</u>	<u>Three or More in Family</u>
Alcorn	58,440	68,180
Attala	58,440	68,180
Benton	58,440	68,180
Calhoun	58,400	68,180
Chickasaw	58,440	68,180
Choctaw	58,440	68,180
Claiborne	58,440	68,180
Clarke	58,440	68,180
Clay	58,440	68,180
Coahoma	58,440	68,180
Copiah	70,560	82,320
Franklin	58,440	68,180
Greene	61,440	71,680
Grenada	57,600	67,200
Holmes	58,440	68,180
Humphreys	58,440	68,180
Jasper	58,440	68,180
Jefferson	58,440	68,180
Jefferson Davis	58,440	68,180
Kemper	58,440	68,180
Lawrence	58,440	68,180
Leake	58,440	68,180
Leflore	58,440	68,180
Marshall	58,440	68,180
Monroe	58,440	68,180
Montgomery	58,440	68,180
Noxubee	58,440	68,180
Panola	58,440	68,180
Perry	60,240	70,280
Prentiss	58,440	68,180
Quitman	58,440	68,180
Sunflower	58,440	68,180
Tippah	58,440	68,180
Tishomingo	58,440	68,180
Tunica	58,440	68,180
Walthall	58,440	68,180
Washington	58,440	68,180
Webster	58,440	68,180
Wilkinson	58,440	68,180
Winston	58,440	68,180
Yalobusha	58,440	68,180
Yazoo	58,440	68,180

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1.4 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 incomplete the reasonable cost of completion (even if these costs are not to be financed in the mortgage loan).
- 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
- Sweat Equity
- Cost of the land if the land has been owned for two years or more

The maximum acquisition cost varies based upon location, whether the principal residence is new or existing or whether the principal residence is in a target or non-target area. The current maximum acquisition cost is as follows:

GOZone Bonds

\$289,705

No GOZone Bonds

Non-Target \$237,031

Target \$289,705

In no event can the maximum loan amount exceed the maximum acquisition cost.

Revision 4/30/08

1.5 Property Types:

The following types of properties may be financed under the Mortgage Revenue Bond Program.

- Single family detached
- Single family attached
- Condominiums or PUD
- DeMinimis Pud
- Manufactured Homes that are permanently affixed to land.

NOTE: Leasehold properties that meet the requirements of HUD and VA may be financed under the Mortgage Revenue Bond Program. In the event of a HUD Repossessed property, the HUD Sales Contract Form (HUD-9548) will take the place of the Original Seller's Affidavit (MRB 004). **Duplexes and Multi-Family units are not eligible.**

1.6 Loan Types:

In order to qualify under the Program, each mortgage loan must be insured or guaranteed, depending upon the loan type by either the Federal Housing Administration ("FHA"), Veterans Administration ("VA"), Rural Housing Guaranteed Loan product ("RHS"), or a Fannie Mae or Freddie Mac 30-year conventional loan Private Mortgage Insurance provider.

In all cases, the mortgage loan must be for the permanent financing of a residence located within the State of Mississippi that is being purchased or constructed by or on behalf of an eligible Borrower and that will remain a owner-occupied residence for the life of the loan.

In the event of a FHA 2/1 buy-down, the buy-down subsidy funds can now Seller or Borrower paid per HUD guidelines.

NOTE: Bond refinancing is not permitted, but market rate refinancing is permitted.

1.7 First and Second Mortgage Loan Terms:

The first mortgage loan shall be a fixed-rate 30-year mortgage set by MHC for a term of thirty- (30) years. The second mortgage loan shall be a fixed-rate 10-year mortgage and the rate will match the first mortgage rate. The borrower is required (**not optional**) to execute an Authorization Agreement for Automatic Payments that is included as a part of the MHC Closing Instructions. The Closing agent is required to have the authorization agreement executed by the mortgagor(s) at closing and the mortgagor(s) are required to provide a voided check for their account or a copy of the their bank statement.

1.8 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:

- If any portion of the Residential Housing Unit is used to produce income, the appraisal must indicate this on the URAR.
- If the Residential Housing Units have additional buildings, such as storage buildings, workshops, etc, the appraisal must indicate the value and certify that no consideration was given.

- The proceeds of a Mortgage Bond loan 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.

1.9 Target Areas:

Target areas are economically distressed areas as determined from the most recent census data.

True Target Counties (May or may not be within the GO Zone declared disaster area):

Alcorn	Greene	Monroe	Washington
Attala	Grenada	Montgomery	Webster
Benton	Holmes	Noxubee	Wilkinson
Calhoun	Humphreys	Panola	Winston
Chickasaw	Jasper	Perry	Yalobusha
Choctaw	Jefferson	Prentiss	Yazoo
Claiborne	Jefferson Davis	Quitman	
Clarke	Kemper	Sunflower	
Clay	Lawrence	Tippah	
Coahoma	Leake	Tishomingo	
Copiah	Leflore	Tunica	
Franklin	Marshall	Walthall	

1.10 Determination by Lender:

The Lender, subject to the final review and determination of MHC 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 Guide. Reasonable efforts should be undertaken to verify the information given. All mortgage loans must be originated in accordance with the provisions of the MRB Origination Agreement and be eligible for inclusion into a Ginnie Mae, Fannie Mae Mortgage Backed Security or Freddie Mac Participation Certificate.

If MHC finds that the applicant(s) does not meet any one of the requirements, the loan will not be approved. If the loan transaction is completed and it is later determined that the applicant(s) did not meet all of the requirements at closing or has caused themselves to become ineligible (misrepresentation, did not occupy the property, etc.) the first mortgage and second mortgage loans will be called due.

1.11 Credit Underwriting Requirement:

The Mississippi Home Corporation does not credit underwrite the loan. MHC is only responsible for the tax compliance on each loan file. The credit guidelines to be followed are the normal guidelines established by FHA, VA and RHS loans as reflected in HUD's 4155.1 Handbook or the Fannie Mae or Freddie Mac Seller/Servicer guides and additional guidelines established by the approved bond loan servicer.

MHC does not have any set credit score limits but the approved bond loan servicer may have set their own requirements. Contact your selected servicer for more details.

SECTION 2 - SUBMISSION PROCEDURES

2.1 Reservation Request:

To reserve funds, fax the Reservation Form (MRB001) to (601) 718-4672 Monday through Friday or via MHC's website, www.mshomecorp.com, Lender Info. tab then select the Internet Loan Reservation system, if MHC has given the approval to use. Upon receipt of a faxed Reservation Form (MRB001), 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. If reserved off the MHC website (if available), the lender must print the Reservation Confirmation under found under the "Forms" and it will be the substitute document in place of the MRB Reservation Form required when submitting the 3-day required MRB Reservation Package. The reservation number must be placed on the MRB Checklist (MRB002) when submitting packages and any follow up documentation to MHC. MHC must receive the 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. If the lender chooses to keep the reservation, there will be a \$25.00 late fee assessed to the Lender for failure to deliver the package within the 3-business day requirement.

Stand-by Reservations/Wait List (Internet Reservation) – In the event funds are unavailable, the lender can continue to fax the Reservation form to MHC or add data to that issue via the Internet, if available, and the loan reservations will be made as soon as funds become available. MHC will assign a Stand-by number and fax the reservation form back to the lender and then the lender can check the website daily see where your loan is in line by accessing MHC's website at www.mshomecorp.com and select "Available Program Funds" then select the "Standby List" link. As funds become available, loans are reserved on a first-come, first-served basis.

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

- MRB with Down Payment Assistance Reservation Form (MRB 001) or Copy of Internet Reservation Confirmation Form, if available
- MRB with Down Payment Assistance Checklist (MRB 002)
- Reservation Fee of \$200, except for HAT/HOYO (*Non-Refundable and No Personal Checks*)
- Copy of Executed Sales Contract or HUD Property Disposition Form 9548 (whichever is applicable)
- Copy of Complete/Executed Loan Application
- Original Executed Notice to Mortgagor Regarding Recapture Tax Form
- Original MRB Assistance and Fee Disclosure Form (MRB/DISC, Excludes HAT & HOYO)
- Copy of Homebuyer Education Certificate (MHC will accept Online Certificates)
- Original HAT Loan Agreement (if applicable)

2.2 Reservation Fee:

A NON-REFUNDABLE reservation fee of \$200.00 will be charged per reservation or is excluded when using HAT/HOYO grant products. The fee can be in the form of certified funds, Money Order, Lender company check, etc., made payable to MHC. No personal checks or cash accepted. If funds are not received within three (3) -business days, MHC reserves the right to cancel the loan and re-allocate the funds to the next loan being reserved.

2.3 Reservation Modification:

A Lender may request a change in the reservation of funds by completing a NOTIFICATION OF CHANGE FORM (MRB 011) and faxing to MHC for prior approval (601) 718-4672. If the loan was reserved via the Internet, if available, the Lender is allowed to modify data as long as MHC has not issued the MRB Conditional Commitment. If data changes after MHC approval, the lender then would fax a Notification of Form and follow up with all other documents related to the change. If the forms required original signatures, the lender can make the change on your copy

document and have the borrower(s) originally initial the document and mail to MHC, otherwise if the document(s) required were only copies, those may be faxed. A request for change will be subject to the following guidelines:

- Decreases in the mortgage amount. Additional changes to be made will be to the Borrowers Affidavit if the Acquisition cost changes and the Affidavit of Seller, the Potential Recapture Tax form and FHA Transmittal Summary, VA Loan Analysis or Fannie Mae 1008 (depending upon product type).
- Increases in mortgage amounts will require prior approval of MHC and will be subject to the availability of Funds. Additional changes to be made will be to the Borrowers Affidavit if the Acquisition cost changes, Affidavit of Seller, Potential Recapture Tax form and FHA Transmittal Summary, VA Loan Analysis or Fannie Mae 1008 (depending upon product type).
- Change to a property address is also acceptable upon prior approval of MHC. Additional changes to be made will be to the Borrowers Affidavit, Affidavit of Seller, and the Potential Recapture Tax, a copy of the new Sales Contract, Appraisal and FHA Transmittal Summary, VA Loan Analysis or Fannie Mae 1008, (depending upon product type).

CHANGES IN LOAN AMOUNTS ARE RESTRICTED TO THE AVAILABILITY OF FUNDS. THE SUBMISSION OF A CHANGE FORM TO INCREASE THE LOAN AMOUNT DOES NOT AUTOMATICALLY ENSURE THAT MHC WILL HAVE THE FUNDS AVAILABLE TO APPROVE THE INCREASE. If the loan amount changes after the second mortgage check and closing documents have been issued, the Lender is subject to a \$25.00 fee to issue a new check and documents. The original check must be returned to MHC prior to a new check being released to the settlement agent.

2.4 Reservation Expiration:

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

- Reservations for existing or new residences (less than one year old and never occupied) will expire forty-five (45) days from the date of the reservation.
- Reservations for loans under construction at the time of reserving the loan would expire one hundred twenty (120) days from the date of the reservation, but not past the official Last Closing Date for the specific bond issue (refer to Bond Issue Program Summary for the schedule of Final Closing dates).

2.5 Extension of Reservation:

A thirty- (30) day extension of the reservation period may be granted on a case-by-case basis at the sole discretion of MHC and as long as the bond issue final closing date is not surpassed. All extensions must be requested prior to the expiration date by completing a NOTIFICATION OF CHANGE FORM (MRB 011) and faxing to (601) 718-4672. A fee of \$50.00 every 30- calendar days will be charged to extend a reservation after the initial 45/120 submission timeframes. See the "Expire date" located on bottom of the MRB Reservation Form that was initially faxed to you by MHC when the loan was originally reserved.

2.6 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 are not qualified for the Program; the reservation of funds will be cancelled.

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 (MRB 011) to (601)718-4672.

- The expiration of the reservation period will cause the reservation to be cancelled unless an extension is requested via the Notification of Change Form (MRB011).

2.7 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 property change or loan amount revision, an updated Sales Contract, Notice to Mortgagor Regarding Potential Recapture Tax form, new FHA Transmittal Summary, VA Loan Analysis or Fannie Mae 1008 (depending upon product type), Borrower's Affidavit Part I (MRB 003), and a new copy of the Appraisal must be submitted to MHC. If loan amount increases, prior approval by MHC is required. This can be accomplished by faxing the Notification of Change Form or modify on the Internet, if available. If calling MHC, please 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.

In the event of a loan being transferred from one lender to another, MHC would require a Notification of Change Form with #6 checked with the name of new lender company name and location faxed to MHC from the first original lender that reserved the loan. The fax number is (601) 718-4672.

2.8 Compliance Package:

The Compliance package is due on or before the Reservation Expiration date that is written on the bottom of the Reservation form. Existing and New properties must be closed within 45-calendar days or up to 120-calendar days on loans under construction from the date the loan was reserved or not past the Final date to Close which can be found on the bond issue's Program Notice Timetable. Failure to do so will cause the reservation to be canceled. MHC will underwrite the loan on based on the Internal Revenue Code 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:

- MRB with Down Payment Assistance Checklist (MRB 002)
- FHA Transmittal Summary or VA Loan Analysis or Fannie Mae 1008 (Dependent upon loan type)
- Verification of Employment(s) and pay stub(s) for ALL *Applicable Household Members*
- MHC Income Calculation Worksheet
- Federal Tax returns-Previous 3 Yr.'s for ALL applicable household member with original signatures of the tax payer(s) on ea. Year's Federal returns (Not applicable for Target Counties)
- Original Borrowers Affidavit Part I (MRB 003)
- Copy of Appraisal (URAR or Conditional CRV)
- Notification of Change Form (MRB 011, *if applicable*)
- Attorney Information Form (MRB 010) and Completed Air Bill (*if applicable*)
- Exception Documentation (*if applicable*)
- Copy of FHA Buydown Agreement (*if applicable*)
- 203(k) Maximum Mortgage Worksheet (*if applicable*)
- Copy of Preliminary HUD-1 (*HAT Only*)

NOTE: An appraisal is required on all files including HUD repossessed properties. If needed, MHC will request additional documents in order to approve the loan file. All loans are underwritten by Single-Family on a first-come, first-served basis. Within five (5) to seven (7) business days of receipt of the Compliance Package, MHC will notify the Lender via fax as to the compliance approval or conditions that may apply. If conditions apply, the condition list will be faxed to the fax number provided by the lender on their MRB Reservation Form. Upon approval, MHC will issue, fax and mail the Conditional Commitment to the contact reflected on the MRB Reservation Form (MRB001).

The Lender is required to submit the following documents to closing:

- Borrowers Affidavit Part II (MRB 007)
- Affidavit of Seller (MRB 004). The affidavit is not required on properties where the seller is HUD, VA, RD, Fannie Mae or Freddie Mac.
- FHA MRB Mortgage Addendum (MRB 008) or VA/RD MRB Mortgage Addendum (MRB 009) or Fannie Mae/Freddie Mac Conventional Mortgage Addendum (MRB 013) and is to be recorded with the original first mortgage Deed of Trust.

Note: MHC must be reflected as Second Mortgagee on the Home Owner's Insurance Declaration Page.

MHC will issue the check for the Second Mortgage, Closing Instructions, Second Mortgage Note, Deed of Trust, Hello Letter, ACH Authorization form, Truth-in-Lending and DPA Disclosure form and send to the Closing Attorney via overnight delivery or if a local agent (Jackson, MS metro-area) is used, the attorney will be called to pick up the package unless MHC is provided a completed air bill.

****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 for loan status updates, etc.**

2.9 Expiration of Conditional Commitment:

Conditional Commitments will be cancelled if the closing date does not occur on or prior to the final closing date reflected on the Bond issue Program Summary and if not sold to the Servicing Lender on or prior to the Final day to sell the loan also reflected on the Bond issue Program Summary.

IF A LOAN IS CLOSED PRIOR TO MHC ISSUING THE CONDITIONAL COMMITMENT, THE BOND APPLICANT WILL BE INELIGIBLE FOR THE SECOND MORTGAGE (DPA LOAN) ASSISTANCE FROM MHC AND THE BOTH LOANS WILL BE CANCELLED.

2.10 Purchase Certification Stage:

The closed loan package must be submitted to MHC on or prior to the earlier of (i) thirty (30) days of the loan closing or (ii) the final date for submission of loans for a Purchase Certification (PC), whichever comes first (refer to Bond Issue Program Summary).

The following documents are required for the purchase certification package:

- MRB with Down Payment Assistance Checklist (MRB 002)
- Original MRB Lenders Closing Certificate (MRB 006)
- Original MRB Borrowers Affidavit Part II (MRB 007)
- Original MRB Affidavit of Seller (MRB 004)
- Copy of Executed HUD-1
- Copy of Executed First Mortgage Note
- Copy of Executed First Mortgage Deed of Trust
- Original DPA Note
- Original Recorded DPA Deed of Trust & Rider
- Original DPA Truth-in-Lending
- Original DPA Disclosure
- Copy of Home Owner's Insurance Declaration

MHC will audit the HUD-1 to verify that the settlement agent correctly disbursed the Second Mortgage. The Second Mortgage funds cannot be used for pre-paid funds or to reimburse the borrower for POC items. The buyer nor the seller can be charged any Discount points and the maximum Origination fee allowed is 1.50% of the sales price. If

the audit reflects that the Second Mortgage funds were improperly disbursed, the Lender will be contacted in writing stating the conditions. The Lender will be required to have the issue resolved before the final date to sell the loan to the Servicer (see Bond Program Summary). The loan must be offered for sale to the Servicer within three (3) business days of receipt of the MHC Purchase Certification. No loan may be pooled by the Lender or sold to the Servicer unless a Purchase Certification has been issued, without prior approval from MHC. If the loan is sold without a Purchase Certification without MHC prior approval, the Originating Lender may be required to repurchase such loan from the Servicer and refund MHC the Premium Cash Advance (see MRB Mortgage Origination Agreement).

Within five (5) business days of receipt of the closed loan package, MHC will issue the Purchase Certification subject to all required Purchase Certification Package loan documents. If the Purchase Certification Package cannot be approved, MHC will respond via fax stating the conditions that exist.

There will be a penalty charged to the lender of \$50.00 every thirty- (30) calendar days for late delivery of the Purchase Certification Package (refer to Bond Issue Program Summary). If conditions exist and have not been satisfied, the Purchase Certification will not be issued and the loan will not be eligible for purchase and pooling by the Loan Servicer. If MHC cannot issue the Purchase Certification by the final date to issue PC (refer to Bond Issue Program Summary) and the Servicer does not securitize the loan for some reason, the Lender may risk suspension from the MRB program indefinitely.

SECTION 3 - POOLING PROCEDURES (Servicer)

3.1 Loan Purchases:

The Servicing Lender will purchase each new mortgage loan at 100% of the unpaid principal balance, plus accrued, but unpaid interest to date of purchase, and the agreed upon servicing release fee, if any on or prior to the Final Day to be sold to the Servicer. The purchase date for each new mortgage loan will be on any such business day agreed upon by the Servicing and Originating Lenders.

3.2 Pooling of New Mortgage Loans:

The Servicing Lender is required to package new mortgage loans into Ginnie Mae I, Ginnie Mae II, Fannie Mae Securities or Freddie Mac PC, whichever is applicable. The Servicer shall prepare the Pool Documentation Package in accordance with Ginnie Mae, Fannie Mae or Freddie Mac guidelines (whichever is applicable). No loan may be pooled unless the Servicing Lender has received a Purchase Certification or received prior written approval from MHC, or has been temporarily waived by MHC. MHC will require a copy of the following documents as soon as the Servicer has prepared the Mortgage Backed Security documentation:

MRB Servicer Submission Certificate (MRB 012), Ginnie Mae 11706, Fannie Mae 2005 or Freddie Mac Form 11 (Schedule of Pooled Mortgages).

Servicer shall pool loan inventory MHC reflects as being closed based on the Trustee's timetable for delivery and purchase which is emailed to applicable parties via the MHC Bond Trustee on a quarterly basis as loan inventory permits. The Servicer will receive via email, a MRB Loan Detail report each month, no later than the 5th of each month from MHC. Government loans are to be pooled according to the Ginnie Mae I or Ginnie Mae II Handbooks (Ginnie Mae 5500.1 and 5500.2) into Ginnie Mae I or Ginnie Mae II Custom Pools. Ginnie Mae changed its program requirements to include a provision that allows for the issuance of a pool with a minimum of one (1) loan if it is transmitted using the updated version of GinnieNet. Conventional loans must be pooled according to the Fannie Mae or Freddie Mac Seller/Servicer Guides. Fannie Mae pools are transmitted via Mornet and Freddie Mac pools are transmitted via Midanet.

Manufactured Housing Loans originated, as single-family loans may be co-mingled with FHA, VA, RD, Fannie Mae Mortgage Backed Security (MBS) or Freddie Mac Participation Certificates (PCs) depending upon applicable loan type.

The Servicing Lender is required to notify the Trustee of the Servicer's intent to submit a Ginnie Mae or Fannie Mae MBS or Freddie Mac PC, whichever is applicable, for purchase by completing the MRB corresponding bond issue Servicer Submission Certificate (MRB012) that is provided to the Servicer by. The Trustee will notify each Servicer of record with the monthly calendar dates for MBS and/or PC trustee notification and delivery dates. The Servicer will notify the Trustee by emailing the Pool numbers that will be delivered. The Servicer will then fax or email to the Trustee of record the Ginnie Mae, Fannie Mae and/or Freddie Mac PC to the Trustee. The following documents must be submitted to the Mississippi Home Corporation Trustee:

- Ginnie Mae Form 11706, Schedule of Pooled Mortgages, Fannie Mae Form 2005 or Freddie Mac Form 11 that outlines the pool, cusip #, LTV, unpaid principal balance, etc.
- A copy of the Ginnie Mae Guaranty Agreement, Fannie Mae Delivery Schedule Form 2014 or Freddie Mac Custodial Form 1034
- A copy of MRB Form 006, Lender's Mortgage Loan Closing Certificate

The Trustee, on behalf of the Mississippi Home Corporation, shall purchase Ginnie Mae or Fannie Mae MBS or Freddie Mac PC from the Servicing Lender at 100% of the unpaid principal balance plus accrued, but unpaid interest to date of purchase. Refer to Bond Issue Program Summary for information regarding the Trustee.

SECTION 4 - RECAPTURE TAX

4.1 Determination of Recapture:

In 1990 Congress passed a law that provides for a "Recapture Tax" on the gain from the sale of a residence financed with Mortgage Revenue Bond Proceeds. The recapture tax applies to all loans closed on or after January 1, 1991. The Recapture Tax is an additional tax liability payable with the homeowner's federal tax in accordance with Internal Revenue Code of 1986.

Generally recapture is due on the sale or disposition of the property, however, no recapture is due if:

- the property is transferred to a spouse or former spouse as a result of divorce,
- the property is transferred as result of the mortgagors death,
- involuntary transfer of property due to destruction by fire or other casualty will not trigger recapture as long as a replacement home is purchased,
- there is no gain on the sale of the property,
- your household income in the year you sell the property does not exceed the modified adjusted gross, or
- sale occurs ten (10) years after the loan was closed.

Why is recapture involved?

The objective of recapture is to enable the federal government to collect (recapture) the subsidy received by the borrower.

NOTE: If the Borrower has in-depth questions on recapture when filing their Federal Tax Return for the year of the sale, they should consult with their tax accountant.

4.2 Calculation of Recapture Tax:

The maximum recapture that can ever be paid is the lesser of 6.25% of the original mortgage amount or 50% of the gain on the sale of the property.

The actual recapture is calculated when the residence is sold within the first 10-years. To calculate the actual recapture tax, you need the following information:

- Original loan amount
- Original borrower income when loan was made
- Program income limit when the loan was made
- Number of years the loan was held
- Borrowers adjusted gross income from tax returns
- Borrowers gain on the sale of the home

Steps in calculating recapture:

- Calculate the maximum recapture by multiplying the original mortgage loan amount by the maximum recapture percentage of 6.25%

Loan amount _____ x 6.25% = _____ (maximum recapture)

- Find the holding period percentage. To do this round **up** the number of years the loan was held, (i.e. if held for 6 years and 2 months, the holding period would be based on 7 years or 60 % of the maximum recapture.

Year's held and appropriate percentages:

<u>Holding Period</u>	<u>Percentage for Holding Period</u>
Year 1	20% of the maximum recapture
Year 2	40% of the maximum recapture
Year 3	60% of the maximum recapture
Year 4	80% of the maximum recapture
Year 5	100% of the maximum recapture
Year 6	80% of the maximum recapture
Year 7	60% of the Maximum recapture
Year 8	40% of the maximum recapture
Year 9	20% of the maximum recapture

Example of Maximum recapture from year 1 - Maximum Potential Recapture x Percentage for holding period percentage) = maximum recapture for holding period.

Adjust the income limit that was in effect at the time the loan was made upward by 105% each year the loan was held. This is referred to as the Modified Adjusted Gross Income.

Example: County Income at the time of purchase for 2 or less in family - \$70,560

Year 0 = Same as County limit at the time of purchase – 70,560
70,560 * 105% = 74,088 - Year 1
74,088 * 105% = 77,792 - Year 2
77,792 * 105% = 81,682 – Year 3 and so on through Year 9

If the program limit at the time you closed your loan was \$70,560 and you held the mortgage for three years, then the modified adjusted gross income would be \$81,682.

- If your actual gross income at the time you sell the property is less than the modified adjusted gross calculation shown above, then you pay no recapture. If your actual gross income exceeds the modified adjusted gross then divide the difference of the income limit at time of purchase and modified adjusted gross by \$5,000 to obtain your income percentage then multiply the Holding Percentage amount by the percentage calculated to obtain the actual Maximum recapture to be paid. This amount must be declared on your Federal Income tax filing for the year sale.

WORKSHEET:

Original Loan Amount: _____

Adjusted Gross Income per Tax Returns: _____

Program Income Limit at time loan closed: _____

Number of year's loan held (round up): _____

Borrowers gain on the sale: _____

_____ (Original Loan Amount) * 6.25% = _____ (maximum recapture)

_____ (Maximum recapture) * _____ (holding period percentage)

= _____ (Maximum recapture for holding period)

To calculate the modified adjusted income multiply the program income limit by 105% for each year loan was held.

No. Of Years	Family Size/Original Limit	
	2 or Less	3 or more
0	_____	_____
1	_____	_____
2	_____	_____
3	_____	_____
4	_____	_____
5	_____	_____
6	_____	_____
7	_____	_____
8	_____	_____
9	_____	_____

Enter adjusted gross income from tax returns: _____

Minus modified adjusted income: _____

= _____

Divide results by \$5000 to obtain income percentage: _____

Multiply the maximum recapture for the holding period by income percentage to obtain the Maximum recapture to be paid. _____

IN NO EVENT MAY THE AMOUNT OF RECAPTURE EXCEED 50% OF THE GAIN ON THE SALE OR DISPOSITION OF THE PROPERTY!

SECTION 5 - TRANSFER OF OWNERSHIP

5.1 Assumptions:

MHC follows the assumption policies of FHA, VA, RD, Fannie Mae or Freddie Mac. However, in addition to these regulations the Borrower(s) must meet the program requirements to be an eligible Borrower. Mortgage loans may be assumed only as provided in the Servicing Agreement. Assumptions are permitted only upon the following conditions:

- The assuming Borrower enters into an assumption agreement, if applicable.
- The assuming Borrower and Co-Borrower must meet the first-time homebuyer requirement.
- The assuming Borrower and Co-Borrower's income must meet the current income requirement of the county in which the residence is located. Income Guidelines are usually updated on an annual basis.
- The mortgage loan and property must continue to be guaranteed or insured under any applicable insurance policies.
- The assuming Borrower and Co-Borrower must occupy the residence as his or her principal residence within sixty (60) days of such assumption.
- The acquisition cost of the assuming Borrower does not exceed the maximum permissible acquisition cost for existing residence at the time of the assumption.
- The assuming Borrower and Co-Borrower must execute the applicable affidavits under the program.
- The interest rate and the term of the mortgage loan must not be modified in connection with the assumption.
- The servicing lender must obtain prior written approval from MHC.

5.2 Leasing/Renting

A residence secured by a loan financed with tax-exempt mortgage revenue bond proceeds is prohibited from being leased or rented so long as the mortgage is in force. This provision will be enforced, with exceptions made only in cases of extreme hardship caused by extenuating circumstances. MHC will consider on a case-by-case basis requests for the leasing or rental of a residence financed with bond proceeds. The following conditions must be met in order for a request to be considered:

- The Borrower must have satisfied the principal residence test by occupying the property within sixty (60) days of loan closing with the intention of using the property as his principal and permanent residence.
- The Borrower must be able to demonstrate a material change in either economic or personal conditions requiring a move out of the residence.
- The Borrower must provide written evidence of good faith efforts to sell the property, including retention of a realtor and active listing of the property.
- The proposed rental rate cannot exceed the Borrower's obligation under the mortgage loan.
- Economic hardship on the part of the Borrower in absence of a lease or rental agreement.
- Written approval from MHC must be obtained prior to the property being leased or rented.

The servicing lender is required to obtain the necessary documentation and make their recommendations to MHC. During any such lease or rental period, the property must remain active on the market. The mortgage must remain current, applicable insurance requirements must be honored, and taxes must continue to be carried in the name of the original Borrower.

IT IS THE RESPONSIBILITY OF THE SERVICING LENDER TO MONITOR THE PROPERTY TO ENSURE COMPLIANCE WITH THE BOND GUIDELINES IS BEING MAINTAINED.

GUARANTEED RURAL HOUSING PROGRAM (GRH)

SELLING POINTS OF THE RURAL DEVELOPMENT SINGLE FAMILY GUARANTEED LOAN PROGRAM

This program is another source of credit that will complement the Lenders VA-FHA loan portfolio.

1. Loans have Fannie Mae/Ginnie Mae acceptability on the secondary market.
2. Fannie Mae will buy without recourse.
3. Accepted by Ginnie Mae I and II pools and Fannie Mae in the secondary market.
4. Lenders will be able to target a much broader market since this program will reach people who would not qualify for other lending programs.
5. Loans can be for 100% of loan to value.
6. Thermal Requirement costs for an Existing residence can be covered under the MHC Second Mortgage Assistance as an allowable closing cost.
7. Closing costs are eligible for financing.
8. Guarantee fee of 2 percent.
9. No downpayment required.
10. No private mortgage insurance required.
11. Debt to income Ratios, follow Rural Development guidelines.
12. No limit on seller contributions.
13. Competitive current market interest rates are offered.
14. Rural Development provides local representation.
15. Rural Development has a 48-hour turnaround for Rural Development evaluation.
16. There is minimal paperwork involved.
17. The GRH program can assist lenders with meeting their obligations under the Community Reinvestment Act.

Rural Development guidelines are subject to change. Contact your local RD office for current details.

AN OVERVIEW

Rural Development Guaranteed Housing Loans

Eligible Mississippian's can obtain Rural Housing Service (RHS) loans made by conventional lenders and guaranteed by Rural Development.

These loans are for persons who have an income not exceeding the modest income limit for their county. The income limits vary from county to county.

Under the RH Guaranteed Loan Program, rural areas are defined as rural towns and communities of 25,000 or less population that are not closely associated with a larger urban area.

These loans are for the acquisition of a primary residence only. Refinancing of existing housing loans and acquisition of second homes is not authorized. No square footage or design feature limitations are placed on the dwellings. Homes with in ground swimming pools and homes that have a portion being used as a business are excluded from participation under this program. Modest housing will be determined by the amount of indebtedness that can be afforded by the borrowers.

These guaranteed loans can be made for 100 percent of market value. The loan term will be 30 years with competitive market interest rates.

All loan guarantees cover 90 percent of the actual loan amount. The amount of the loss payment under the guarantees is the lesser of 90 percent of the principal amount actually advanced to the borrower.

Prior to issuing a guarantee, Rural Development will review the loan file prepared by the lender. The lender may use its customary forms. A commitment for a guaranteed loan will be issued and, when the conditions of the commitment are met, the actual guarantee will be issued. Rural Development is required to provide a ten-day turnaround on lender requests.

A guarantee fee of 2 percent of the loan guaranteed will be assessed to the lender. The lender may pass on the guarantee fee to the borrower.

Before a lender can receive a commitment for a guarantee, the lender is to be approved as a Rural Development Rural Housing (RH) lender.

Eligible lenders include:

1. Any lender approved as a supervised or non-supervised mortgagee for the Federal Housing Administration (FHA).
2. Any lender approved by the Federal National Mortgage Association (Fannie Mae).
3. Any lender approved by the Federal Home Loan Mortgage Corporation (Freddie Mae).
4. A broker or 3rd party lender who has loans underwritten and sells loans to an approved FHA, Rural Development, Fannie Mae or Freddie Mac conventional approved lender.
5. Farm Credit System institutions with direct lending authority.
6. Any lender participating in other Rural Development guaranteed loan programs.

To become a Rural Development approved RH lender; the lender must request a determination of eligibility in order to participate as an originating lender in the program.

The following information is submitted for an eligibility determination:

1. The lender's FHA ID number and the criteria of eligibility under which the lender fails: (FHA, Fannie Mae, Freddie Mae, etc.)
2. The name of an official who will serve as the lender's contact regarding the guaranteed loans.
3. A list of names, titles, and responsibilities of the lender's principal officers.
4. Copies of financial statements, budgets, loan agreements, analysis sheets, record keeping methods, and other forms used in a borrower's file.
5. An outline of the lender's internal loan criteria for assessing credit history and repayment ability.

Rural Development will review the lender's request, and if accurate and complete, issue a letter of eligibility within 15 days.

Rural Development guidelines are subject to change. Lender is responsible for underwriting the loan based on current Rural Development guidelines.

For questions concerning the GRH programs please contact your local Rural Development office.