

SETH MyHome Plus Down Payment Assistance Program – Conventional DAP Guidelines

PROGRAM DESCRIPTION	<ul style="list-style-type: none"> The Southeast Texas Housing Corporation (SETH) MyHome PlusSM is designed to increase homeownership opportunities for low-to-moderate income individuals and families. No first-time homebuyer requirement All HPML loans must pass Safe Harbor in order to be eligible for closing 	
PROGRAM SPONSOR	<ul style="list-style-type: none"> Southeast Texas Housing Finance Corporation (SETH) <ul style="list-style-type: none"> EIN: 76-0061310 	
DOWN PAYMENT ASSISTANCE	<ul style="list-style-type: none"> Second mortgage of up to 5% of the final first mortgage loan amount Second loan funds can be used towards down payment and/or closing costs Second loan amount must be rounded down to the nearest dollar 10-year term, 0%, no accrued interest <ul style="list-style-type: none"> Second loan repayment obligation for the 10-year option is “forgiven” in equal monthly increments after year 5 and will be 100% forgiven at maturity of note During the second loan term if a borrower were to refinance or sell their home, they will be subject to repayment of the assistance Seconds are not eligible for subordination and are not assumable 	
SERVICER	<ul style="list-style-type: none"> Land Home Financial Services, Inc. (LHFS) 	
ELIGIBLE AREA	<ul style="list-style-type: none"> Program is available throughout the State of Texas except in the cities of El Paso, Grand Prairie, McKinney, and Travis County 	
INTEREST RATES	<ul style="list-style-type: none"> 45-day lock 	
MORTGAGE LOAN TYPES AND TERMS	<ul style="list-style-type: none"> 1st Mortgage – 30-year Term 2nd Mortgage – 10-year Term <p>Agencies:</p> <ul style="list-style-type: none"> Freddie HFA Advantage Fannie Mae HomeReady <p>The following are not allowed:</p> <ul style="list-style-type: none"> Temporary buydowns Prepaid interest credits 	
LOAN PURPOSE	<ul style="list-style-type: none"> Purchase only 	
PRODUCT CODES	FIRST MORTGAGE CODES:	
	TX-SETH MyHome Plus Conv<80% AMI DAP (LPA-HFA)	WC30SETHMYHMHFA80-000
	TX-SETH MyHome Plus Conv>80% AMI DAP (LPA-HFA)	WC30SETHMYHOMEHFA-000
	TX-SETH MyHome Plus Conv HomeReady DAP (DU)	WC30SETHMYHOMEFHR-000
	SECOND MORTGAGE CODE:	
TX-SETH MyHome Plus 2nd Mtg (10-year forgiveness)	WCE10SETHMYHOME2nd-000	

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FEES	Borrower Paid Compensation Only:	2.0% (cannot exceed LPC Agreement with LHFS)
	Disclosed: Admin Fee: Third-Party Processing Fee:	LE must show “Mortgage Broker Compensation – Borrower Paid” \$1,145 May not exceed \$995
LOCK	<ul style="list-style-type: none"> Reasonable and customary fees in accordance with agency guidelines Discount points not allowed 	
ELIGIBLE PROPERTIES	<ul style="list-style-type: none"> DAP funds are reserved when the loan is locked SFR 1–4-unit primary residence PUDs Townhouse Condominiums Manufactured Housing – Singlewide and Leasehold are ineligible 	
OCCUPANCY	<ul style="list-style-type: none"> Borrower(s) must occupy the residence as their primary residence within 60 days of closing. 	
CO-SIGNERS/ NON-OCCUPANT CO-BORROWERS	<ul style="list-style-type: none"> Not permitted 	
INCOME LIMITS	<ul style="list-style-type: none"> Program Income Limits by County <ul style="list-style-type: none"> Freddie Mac (LPA): Access Income limits Table Fannie Mae (DU) HomeReady: HomeReady Income Limits apply Qualifying Income as reported and verified on the 1003 application and used for underwriting may not exceed Program Income Limits by County. Follow Agency guidelines with respect to allowable sources and the calculation methods used in determining the Borrower’s qualifying income. Income from a single source may not be misrepresented. Household income does <u>not</u> apply. 	
MINIMUM CREDIT SCORE	<ul style="list-style-type: none"> Minimum fico 620 Each borrower must have a minimum of one credit score 	
MAXIMUM DTI	<ul style="list-style-type: none"> Per LPA approval 	
LTV/CLTV	<ul style="list-style-type: none"> One-unit primary residences, maximum 97% loan-to-value (LTV) and 105% total loan-to-value (TLTV) ratios. Two- to four-unit primary residences, maximum 95% LTV and 105% TLTV ratios. Manufactured homes: Maximum 95% LTV and 95% TLTV ratios. 	
HOUSING HISTORY	<ul style="list-style-type: none"> Housing Payment History -12 months satisfactory housing payment history required. For borrower(s) without previous housing history, follow specific agency as applicable 	
ASSETS	<ul style="list-style-type: none"> Maximum allowable assets amount is not set by SETH, follow agency guidelines. Gift donors cannot be on title or purchase contract as they do not meet the definition of “Gift” per agency definition. VOD’s are not acceptable for asset documentation alone. Asset Verification methods: <ul style="list-style-type: none"> Direct Verification by an agency approved third party verification vendor of the borrower’s account covering activity for a minimum of 60 days and the date of the data contained in the completed verification is current within 30 days of the date of the verification will be accepted, or 2 months of bank statements for checking accounts are required on primary borrower regardless of cash to close requirements and AUS findings. 	
FIRST-TIME HOMEBUYER	<ul style="list-style-type: none"> Freddie Mac HFA and Fannie Mae HomeReady: No first-time homebuyer requirement for. 	



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<p>HOMEBUYER EDUCATION (HBE)</p>	<ul style="list-style-type: none"> • SETH provides free homebuyer education for borrowers 80% and below AMI (Charter income limits apply). <ul style="list-style-type: none"> ○ Once loan has been locked, email the lock confirmation and the borrower’s email address to: compliance@sethfc.com. SETH will distribute a special code to allow the borrower to register and complete the course at no cost. • SETH requires only one borrower on loan to complete the SETH HBE course. <ul style="list-style-type: none"> ○ Visit: https://www.ehomeamerica.org/sethfc1 • No other Homebuyer Education is allowed. • Borrower's receipt of a SETH homebuyer education Certification of Completion is a condition for the loan closing. • The cost for the course is \$100. Fee cannot be charged on the CD. • Homebuyer Education is not required for a Non-Purchasing Spouse. 				
<p>MORTGAGE INSURANCE</p>	<p>Freddie Mac HFA Advantage (LPA)</p> <ul style="list-style-type: none"> • Below 80% AMI: Lender’s qualifying income must be at or below 80% AMI to be eligible for the reduced MI • Above 80% AMI: Loans that exceed 80% AMI limits are allowed in the program, however, are subject to standard MI <table border="1" data-bbox="370 835 1219 1052"> <thead> <tr> <th>Total annual qualifying income ≤ 80% AMI</th> <th>Total annual qualifying income ≥ 80% AMI</th> </tr> </thead> <tbody> <tr> <td> Charter level Mortgage Insurance: <ul style="list-style-type: none"> • 95.01-97% LTV = 18% Coverage • 90.01-95% LTV = 16% coverage • 85.01-90% LTV = 12% coverage • 80.01-85% LTV = 6% coverage • 80% LTV and lower = Not required </td> <td> Standard Mortgage Insurance: <ul style="list-style-type: none"> • 95.01-97% LTV = 35% Coverage • 90.01-95% LTV = 30% coverage • 85.01-90% LTV = 25% coverage • 80.01-85% LTV = 12% coverage • 80% LTV and lower = Not required </td> </tr> </tbody> </table> <p>Fannie Mae HomeReady (DU)</p> <ul style="list-style-type: none"> • Below 80% AMI: Lender’s qualifying income must be at or below 80% AMI to be eligible for the mortgage insurance. <ul style="list-style-type: none"> ○ 25% MI coverage for LTVs 90.01-97% 	Total annual qualifying income ≤ 80% AMI	Total annual qualifying income ≥ 80% AMI	Charter level Mortgage Insurance: <ul style="list-style-type: none"> • 95.01-97% LTV = 18% Coverage • 90.01-95% LTV = 16% coverage • 85.01-90% LTV = 12% coverage • 80.01-85% LTV = 6% coverage • 80% LTV and lower = Not required 	Standard Mortgage Insurance: <ul style="list-style-type: none"> • 95.01-97% LTV = 35% Coverage • 90.01-95% LTV = 30% coverage • 85.01-90% LTV = 25% coverage • 80.01-85% LTV = 12% coverage • 80% LTV and lower = Not required
Total annual qualifying income ≤ 80% AMI	Total annual qualifying income ≥ 80% AMI				
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<p>MAXIMUM PURCHASE PRICE</p>	<ul style="list-style-type: none"> • SETH does not have purchase price limits; follow agency guidelines 				
<p>MINIMUM BORROWER INVESTMENT</p>	<ul style="list-style-type: none"> • One-unit primary residences do not require a minimum borrower contribution from borrower personal funds. • Two- to four-unit primary residences require a 3% contribution from borrower funds and/or other eligible sources of funds. 				
<p>CASH BACK</p>	<ul style="list-style-type: none"> • Other than reimbursement of earnest money or items paid by the Borrower outside of closing, there can be no cash back to the borrower. Remaining assistance must be applied as a principal reduction 				
<p>**OPTIONAL**</p> <p>HOMEBUYER PAYMENT PROTECTION PLAN</p>	<p>Optional Homebuyer Payment Protection Plan Three-year plan covering the payments due on the First and Second Loans. Premiums covering the 1st, 2nd, and 3rd years will be collected upfront, at closing.</p> <p>Obtain Quote: https://www.appliedassurance.com/pricing-quote</p> <ul style="list-style-type: none"> • The loan amount used is the total of the 1st and the 2nd. • The payment amount used will be the total of PITI of the 1st and 2nd less any HOA dues. • The credit score is the loan credit score, or lowest mid-score of all borrowers. <p>Obtain Invoice & Payment Protection Agreement: https://www.appliedassurance.net/create-invoice</p> <ul style="list-style-type: none"> • Servicer: Land Home Financial Services, Inc. • Quotes will be emailed after completing the cost calculator. Any changes in the loan amount, income, or credit score, a new cost estimator should be prepared. 				



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<p>DISCLOSURES / CLOSING</p>	<ul style="list-style-type: none"> • 1st mortgage follows standard disclosure requirements, both LE and CD • 2nd mortgage, LE and CD not required • Required Second Mortgage Documents: <ul style="list-style-type: none"> ○ Disclosure of Second Loan Terms ○ SETH Second Promissory Note ○ SETH Second Deed of Trust • A non-purchasing spouse is allowed on title to the property as long as they also sign the Second Deed of Trust. They are not required to sign the second Promissory note
<p>UNDERWRITING</p>	<ul style="list-style-type: none"> • LPA approved as HFA Advantage or DU approved as HomeReady Community Lending product • Manual underwrites are not allowed • IRS payment plans: <ul style="list-style-type: none"> ○ IRS repayment plans initiated in the current year are not allowed. ○ IRS repayment plans initiated for multiple consecutive years are not allowed. (pattern of inability to manage finances). ○ For consideration of an exception, request an explanation as to why the borrower owes unpaid taxes, what steps have been taken and put into place to correct the underpayment from occurring in the future, a copy of the IRS agreement, IRS record of account transcripts to confirm date of payment arrangement request and evidence of 3 consecutive timely payments will be required. • Lender should require two months bank statements as part of the underwriting evaluation. While we will allow the down payment to be covered by the DAP and closing costs to be covered by eligible gifts or seller credits, bank statements will still be required as part of the credit evaluation.
<p>PAYOFF DEMAND</p>	<p><u>Payoff Demand for SETH First loan:</u> LHFS Servicing (877) 230-0466 (follow prompts for payoff request)</p> <ul style="list-style-type: none"> • Select Prompt #1 for English <ul style="list-style-type: none"> ○ System will ask for: <ul style="list-style-type: none"> ▪ Loan # (existing/servicing – account number from statement), ▪ Last 4 digits of social security number, and ▪ Property zip code ○ The system will provide the following account information: <ul style="list-style-type: none"> ▪ Balance, and ▪ Last payment received • Select Prompt #4 for payoff demands <ul style="list-style-type: none"> ○ Fax# required for entry ○ Fax will be sent within 4 hours containing payoff information <p><u>Payoff Demand for SETH Second loan:</u> LHFS Special Servicing ATTN: Specialty Department 3611 S. Harbor Blvd, Suite 100 Santa Ana, CA 92704 Phone: 877.557.9042 Email: LHService@LHFS.com</p> <p>Please include the Borrower(s) name and the SETH first loan number with both requests.</p> <ul style="list-style-type: none"> • Optional: Include subject property address

Each loan files layers of risk (i.e., payment shock; gift funds; assets/reserves not verified; multiple layers of risk, etc.) may require additional documentation or explanations above and beyond the AUS requirements (i.e., housing history; budget letters; excessive commute detail, etc.).

Guidelines are for use by mortgage professionals only and subject to change without notice.

URLA DETAIL

Section 4: Loan and Property Information: 4b. Other New Mortgage Loans on the Property

4b. Other New Mortgage Loans on the Property You are Buying or Refinancing

Does not apply

Creditor Name	Lien Type	Monthly Payment	Loan Amount/ Amount to be Drawn	Credit Limit (if applicable)
SETH	<input type="radio"/> First Lien <input checked="" type="radio"/> Subordinate Lien	\$	\$ 11,250	\$
	<input type="radio"/> First Lien <input type="radio"/> Subordinate Lien	\$	\$	\$

- Enter “SETH” as the “Creditor Name”
- Check “Subordinate Lien” under “Lien Type”
- Do not enter a monthly payment amount under the “Monthly Payment” field
- Enter DAP dollar amount under “Loan Amount / Amount to be Drawn”

Section 5: Declarations: 5a. About this Property and Your Money for this Loan

5a. About this Property and Your Money for this Loan

<p>A. Will you occupy the property as your primary residence? If YES, have you had an ownership interest in another property in the last three years? If YES, complete (1) and (2) below: (1) What type of property did you own: primary residence (PR), FHA secondary residence (SR), second home (SH), or investment property (IP)? (2) How did you hold title to the property: by yourself (S), jointly with your spouse (SP), or jointly with another person (O)?</p>	<p><input type="radio"/> NO <input type="radio"/> YES <input type="radio"/> NO <input type="radio"/> YES</p> <p>_____</p> <p>_____</p>
<p>B. If this is a Purchase Transaction: Do you have a family relationship or business affiliation with the seller of the property?</p>	<p><input type="radio"/> NO <input type="radio"/> YES</p>
<p>C. Are you borrowing any money for this real estate transaction (e.g., money for your closing costs or down payment) or obtaining any money from another party, such as the seller or realtor, that you have not disclosed on this loan application? If YES, what is the amount of this money?</p>	<p><input type="radio"/> NO <input checked="" type="radio"/> YES \$ 11,250.00</p>
<p>D. 1. Have you or will you be applying for a mortgage loan on another property (not the property securing this loan) on or before closing this transaction that is not disclosed on this loan application? 2. Have you or will you be applying for any new credit (e.g., installment loan, credit card, etc.) on or before closing this loan that is not disclosed on this application?</p>	<p><input type="radio"/> NO <input type="radio"/> YES <input type="radio"/> NO <input type="radio"/> YES</p>
<p>E. Will this property be subject to a lien that could take priority over the first mortgage lien, such as a clean energy lien paid through your property taxes (e.g., the Property Assessed Clean Energy Program)?</p>	<p><input type="radio"/> NO <input type="radio"/> YES</p>

- 5a, item C - Mark “Yes”
- Enter DAP dollar amount in the blank field

Please Note: The above sections are the only entries needed for DPA. Do not enter amounts in any other sections of the URLA.

INPUTTING INTO LPA - VISUAL AID FOR HFA ADVANTAGE

The screenshot shows the Freddie Mac Loan Advisor interface for creating a loan. The 'Loan and Property Information' section is active. A red box highlights the 'Other New Mortgage Loans on the Property You are Buying or Refinancing' section. Within this section, the following fields are highlighted with red arrows:

- Offer Identifier:** HFA Advantage
- Is the Other New Mortgage an Affordable Second?:** Yes
- Is the Affordable Second Payment Deferred?:** Yes
- Monthly Payment:** \$ 0.00

Enter the following into specified fields:

- **Offer Identifier:** HFA Advantage
- **Is the Other New Mortgage an Affordable Second?:** Yes
- **Is the Affordable Second Payment Deferred?:** Yes

INPUTTING INTO AUS – DU VISUAL AID FOR HOMEREADY

L3. Mortgage Loan Information

Mortgage Type Applied For *
Conventional

Amortization Type *
Please select

Community Lending Product
HomeReady

Community Seconds Repayment Structure ⓘ
Please select

Please select
Deferred Fully Forgiven (repayment deferred for 5 or more years)
Deferred Not Fully Forgiven (repayment deferred for 5 or more years)
Non Deferred (repayment required within 5 years)

Loan Features

Balloon / Balloon Term
 Interest Only / Interest Only Term
 Negative Amortization
 Prepayment Penalty / Prepayment Penalty Term
 Temporary Interest Rate Buydown / Initial Buydown Rate

0 %

Product Description

Loan Term *
0

Mortgage Lien Type *
First Lien

CLEAR ALL VALUES

Cancel Done

Enter the following into specified fields:

- **Community Lending Product:** HomeReady
- **Community Seconds Repayment Structure:**
 - Select “Deferred Not Fully Forgiven (repayment deferred for 5 or more years)”