



# Correspondent Lending Guide

## VERSION 6.1

# Correspondent Lending Guide

## Suite of Updates

### 7/15/19

**Note:** *We have recently created a more user-friendly approach to searching for guideline questions, researching program and policy information and utilizing simple 'look-up' features. The majority of CBC Mortgage Agency program highlights and basic underwriting guidelines can now be found in our Program Matrix, which is a stand-alone document that can be found on our website. Also, we have separated out our new Manufactured Home guidelines into a stand-alone matrix as well, along with our general matrix of overlays. Lastly, our Correspondent Seller's Guide still remains but now is a more consolidated tool to use for questions not directly related to general program guidelines, or program overlays and highlights.*

**New!** Fannie Mae's DU Risk Assessment Policy.....pg.8

**New!** CBC Mortgage Agency Policy on MIC Delivery .....pg.12

---

**CBC MORTGAGE AGENCY  
CORRESPONDENT LENDING GUIDE**

**TABLE OF CONTENTS**

<a href="#"><u>Overview</u></a>	7
<a href="#"><u>Fannie Mae’s HomeReady®* Program</u></a>	8
<a href="#"><u>-Income Eligibility</u></a>	8
<a href="#"><u>-Homeownership Education</u></a>	9
<a href="#"><u>-Mortgage Insurance</u></a>	10
<a href="#"><u>Conventional Standard 97 Program*</u></a>	10
<a href="#"><u>-Income Eligibility</u></a>	10
<a href="#"><u>-Borrower Eligibility</u></a>	11
<a href="#"><u>-Property and Occupancy</u></a>	11
<a href="#"><u>-Homebuyer Education</u></a>	11
<a href="#"><u>-Mortgage Insurance</u></a>	11
<a href="#"><u>-Minimum Borrower Contribution for Purchase Transactions</u></a>	11
<a href="#"><u>FHA Program</u></a>	12
<a href="#"><u>-Manufactured Housing Program – New!</u></a>	12

<a href="#"><u>-Doing Business with CBC Mortgage Agency and FHA</u></a>	13
<a href="#"><u>-Eligibility</u></a>	13
<a href="#"><u>-Maintaining Eligibility</u></a>	14
<a href="#"><u>Correspondent Recertification</u></a>	15
<a href="#"><u>Correspondent Performance</u></a>	15
<a href="#"><u>Audits</u></a>	16
<a href="#"><u>Website and Client Site</u></a>	17
<a href="#"><u>Limitation of Liability</u></a>	18
<a href="#"><u>Fair Lending Policy</u></a>	19
<a href="#"><u>Adherence to Fair Lending Standards</u></a>	20
<a href="#"><u>Privacy of Consumer Financial Information</u></a>	21
<a href="#"><u>Chenoa FHA DPA Program Guidelines Overview</u></a>	23
<a href="#"><u>Calculating Area Median Income</u></a>	25-27
<a href="#"><u>Homebuyer Education – DPA Edge Program</u></a>	28-29
<a href="#"><u>Registration</u></a>	30
<a href="#"><u>Lock Policy</u></a>	30
<a href="#"><u>Delivery</u></a>	31
<a href="#"><u>Documentation Requirements</u></a>	32
<a href="#"><u>2<sup>nd</sup> Lien Loan Documentation Requirements</u></a>	33

<a href="#"><u>Pre-Funding Quality Assurance</u></a>	34
<a href="#"><u>Regulatory Compliance</u></a>	34
<a href="#"><u>Collateral Package</u></a>	35
<a href="#"><u>Purchase Review Status</u></a>	36
<a href="#"><u>Early Payment Default</u></a>	37
<a href="#"><u>Early Payoffs</u></a>	37
<a href="#"><u>Indemnification</u></a>	38
<a href="#"><u>Transfer of Servicing</u></a>	38
<a href="#"><u>Mortgage Electronic Registration System (MERS)</u></a>	40
<a href="#"><u>Loss Payee Change</u></a>	40
<a href="#"><u>FHA Connections</u></a>	41
<a href="#"><u>Trailing Docs</u></a>	41
<a href="#"><u>Origination Through Closing</u></a>	41
<a href="#"><u>Allowable Mortgage Parameters</u></a>	43
<a href="#"><u>QM Points and Fees</u></a>	43
<a href="#"><u>Seller and Lender Credits and QM Points and Fees</u></a>	45
<a href="#"><u>Hazard Insurance</u></a>	48
<a href="#"><u>Mortgage Insurance Premiums</u></a>	54
<a href="#"><u>The Loan Estimate</u></a>	55

<a href="#"><u>The Closing Disclosure</u></a>	58
<a href="#"><u>Projected Escrows</u></a>	70
<a href="#"><u>Estimating Real Estate Taxes</u></a>	70
<a href="#"><u>Real Estate Taxes Due the Following Month After Loan Purchase</u></a>	72
<a href="#"><u>Principal Reductions</u></a>	72
<a href="#"><u>Important CBC Contacts and Addresses</u></a>	80
<a href="#"><u>Exhibit A – CBC Secondary Financing Disclosure</u></a>	82-83
<a href="#"><u>Exhibit B – Letter from the President</u></a>	84-89
<b>(Consolidated)</b>	
<a href="#"><u>Exhibit C – Addendum Regarding Seller or Lender Contributions</u></a>	90-91

## OVERVIEW

This section of the Correspondent Lending Guide is intended to provide our clients with an overview of CBC Mortgage Agency or any trade name under which it may conduct business (collectively, "CBC Mortgage Agency").

CBC Mortgage Agency is a subsection of Cedar Band Corporation, a federal corporation created by the US government through the Bureau of Indian Affairs for the Cedar Band of Paiutes of the Paiute Indian Tribe of Utah, a constituent band of the Paiute Indian Tribe of Utah, a Federally recognized Native American Tribe as contemplated by 25 U.S.C. §477 and 48 Stat. 984 under the Indian Reorganization Act of 1934 ("IRA"). The Band's council authorized CBC Mortgage Agency as an arm of the Band's government.

CBC Mortgage Agency's vision is to increase affordable and sustainable homeownership opportunities for credit worthy individuals who lack down payment funds. To accomplish this, CBC strives to build long term loyalty with our business partners by dedicating ourselves to their success. CBC Mortgage Agency focuses on the development of market leading, secondary mortgage loan products delivered with an ease of process and outstanding customer service.

## **Conventional Program Overview**

***\*Neither Chenoa Fund, CBCMA nor any of their products are approved by or affiliated with Fannie Mae®. It is the originating lender's responsibility to ensure that the use of CBCMA second mortgages, the CBCMA first mortgage, and combination of the CBCMA first and second mortgages are compliant with Fannie Mae® requirements. All other program notes or posted guidelines are overlays of Chenoa Fund, CBCMA.***

CBC Mortgage Agency offers 97% LTV conventional mortgage financing under Fannie Mae's® HomeReady® program for low to moderate income borrowers, with expanded eligibility for homes in low-income communities. For those borrowers who do not fit the HomeReady criteria but may not have the resources for a larger down payment on a home purchase, CBC Mortgage Agency offers a conventional standard 97% loan-to-value program.

### **Fannie Mae DU Eligibility Assessment - New! Effective 7/20/19 - Note from Fannie Mae:**

***As part of normal business operations, we regularly review DU to determine whether its risk analysis and eligibility assessment are appropriate based on the current market environment and loan performance information. As a result of our most recent review, we will be updating the DU eligibility assessment to better align the mix of business delivered to Fannie Mae with the composition of business in the overall market. As a result, certain new loan casefiles submitted to DU on or after July 20, 2019 will receive an Ineligible recommendation when multiple high-risk factors are present.***

### **The HomeReady® Program**

Except for exclusions noted under the CBC Mortgage Agency Overlay Matrix, adhere to Fannie Mae® Selling Guide and all DU® findings for borrower underwriting and property eligibility requirements - [Fannie Mae® Selling Guide HomeReady® Underwriting Options](#)

### **Income Eligibility**

**For the HomeReady® program, the income eligibility requirement is 80 percent of the area median income (AMI) for the property's location or no income limit (for low-income census tracts)**

Use Fannie Mae's® Income Eligibility Lookup tool to look up census tract income eligibility by property address or by entering the 11-digit Federal Information Processing Standards (FIPS) code. Eligibility by census tract is shown in the Income Eligibility by Census Tract Lookup and income eligibility is identified in Desktop Underwriter® (DU®)\*.

For loan case files underwritten through DU®, income eligibility is determined by DU®. A field on the Additional Data screen in Desktop Originator® (DO®) User Interface provides the ability to enter census tract information if DU is unable to standardize the property address.

When determining whether a mortgage is eligible under the borrower income limits, lenders must count the income from all borrowers listed on the mortgage note whose income is considered in evaluating creditworthiness for the mortgage loan.

The HomeReady® Income Eligibility Lookup tool provides a quick and easy way to determine potential borrower eligibility for HomeReady®.

*\*Desktop Underwriter® and DU® are registered trademarks of Fannie Mae®*

### **Homeownership Education**

At least one borrower on each HomeReady®\* purchase mortgage must do one of the following:

- Complete the Framework® Homeownership Education Course (\$75 fee paid by the borrower to Framework®) prior to closing; or
- Complete a CBC Mortgage Agency approved homeownership education course prior to closing; or
- Receive housing counseling from a HUD-approved non-profit housing counseling agency (as evidenced by a signed Certificate of Completion of Housing Counseling (Form 1017) prior to the borrower signing a purchase contract, or
- Have already completed housing counseling (as evidenced by a completed Fannie Mae Form 1017).

Lenders may choose to provide a credit against closing costs for the \$75 Framework fee in accordance with Fannie Mae® guidelines (Seller guide section B3-4, 1-02 – Lender Incentives for Borrowers).

Note: Homeownership Education certificate or Form 1017 must be retained in the mortgage file.

Online education may not be appropriate for all potential home buyers. The presence of a disability, lack of internet access, and other issues may indicate that a consumer is better served through other education modes (e.g., in-person classroom education, telephone conference call, etc.). In these situations, consumers should be directed to Framework's® toll-free customer service line from which they can be directed to a HUD-approved counseling agency that can meet their needs. The counseling agency that handles the referral must provide a certificate of completion, and the lender must retain a copy of the certificate in the loan file.

*\*Neither Chenoa Fund, CBCMA nor any of their products are approved by or affiliated with Fannie Mae®. It is the originating lender's responsibility to ensure that the use of CBCMA second mortgages, the CBCMA first mortgage, and combination of the CBCMA first and second mortgages are compliant with Fannie Mae® requirements.*

### **Mortgage Insurance**

Standard MI coverage is required on HomeReady® loans with LTV ratios at or below 90%, and 25% coverage is required for LTV ratios exceeding 90%.

### **The Conventional Standard 97% LTV Program**

**Except for exclusions noted under the CBC Mortgage Agency Overlay Matrix, adhere to Fannie Mae®\* Selling Guide and all DU findings for borrower underwriting and property eligibility requirements – [Fannie Mae® Selling Guide](#)**

***\*Neither Chenoa Fund, CBCMA nor any of their products are approved by or affiliated with Fannie Mae®. It is the originating lender's responsibility to ensure that the use of CBCMA second mortgages, the CBCMA first mortgage, and combination of the CBCMA first and second mortgages are compliant with Fannie Mae® requirements. All other program notes or posted guidelines are overlays of Chenoa Fund, CBCMA.***

### **Income Eligibility**

*There are no income limits under the Standard 97% LTV program.*

## **Borrower Eligibility**

Under the Standard 97% LTV program, at least one borrower must be a first-time homebuyer.

A first-time home buyer is an individual who 1. Is purchasing the security property; 2. Will reside in the security property as a principal residence; and 3. Had no ownership interest (sole or joint) in a residential property during the three-year period preceding the date of the purchase of the security property. In addition, an individual who is a displaced homemaker or single parent also will be considered a first-time home buyer if he or she had no ownership interest in a principal resident (other than a joint ownership interest with a spouse) during the preceding three-year time period.

## **Property and Occupancy**

One-unit principal residence (includes Condos and PUDs). Manufactured housing is not permitted.

## **Homebuyer Education**

Homebuyer education is not required under the Standard 97% LTV program.

## **Mortgage Insurance**

The Standard MI coverage requirement is 35% for LTV ratios of 95.01-97.00; or Minimum MI coverage may be used, subject to LLPA for Minimum MI.

## **Minimum Borrower Contribution for Purchase Transactions**

For transactions that contain approved CBCMA second mortgages:

1 Unit principal residence: a minimum borrower contribution from the borrower's own funds is not required. All funds needed to complete the transaction can come from a CBCMA approved second lien.

## **FHA Program Overview**

CBC Mortgage Agency offers two different down payment assistance programs that pair with an FHA insured loan. These two different programs offer three different types of FHA second mortgages.

The **DPA Edge program allows for a soft, forgivable second (for borrowers with income at or below 115% of AMI) or for borrowers with income exceeding 115% of AMI, two different varieties of repayable second mortgages, either a 10-yr term with a 0% interest rate or a 30-yr term with a 5% interest rate.**

The **Rate Advantage program requires borrower income not to exceed 115% AMI and is coupled with a 10-yr term, 8% interest rate.** If you would like more information about the differences between these three products, please review the Product Matrix at the front of the Guidelines.

### **Mortgage Insurance Certificates - New as of 7/15/19**

**Effective 9/1/19, all Mortgage Insurance Certificates for all FHA loans will be required to be delivered to CBC Mortgage Agency within 30 days of the NOTE DATE. (MF Home program - MIC is required prior to purchase) This will help us better align with industry standards for mitigating risk and preventing secondary delivery delays. There will be fees assessed if delivery dates are not met. For more information, see your Corporate Account Director or contact the Scenario Desk - [scenariodesk@chenoafund.org](mailto:scenariodesk@chenoafund.org).**

### **Manufactured Homes – New as of 5/15/19**

**A manufactured home (MH) is a home that is built in a factory, transportable in one or more sections, designed and constructed to the Federal Manufactured Home Construction and Safety Standards (FMHCSS), and so labeled regarding conformance with the MHCSS.**

Manufactured homes are eligible for FHA financing provided all the following requirements are met:

- Home was built on or after June 15, 1976 as evidenced by the HUD Data Plate, the appraisal or title policy.
- Home must have been built to the FMHCSS as evidenced by having a HUD Certification Label/Tag attached to the MH or if the HUD Tag is missing, a HUD Tag Letter of Verification

from the Institute for Building Technology and Safety (IBTS). See HUD Certification Label/Tag for additional details.

- Home must be permanently affixed to the subject property in accordance with FHA requirements.
- Subject must be legally classified by the state as real property prior to closing.
- Subject is a single-family dwelling.
- Loan is underwritten in accordance with requirements of the applicable Loan Program Guide.
- Mortgage must cover both the home and the land

***ALL SECONDARY FINANCING IS ISSUED IN STRICT COMPLIANCE WITH FHA GUIDELINES TO HOMEBUYERS QUALIFIED FOR AN FHA INSURED LOAN, WHETHER TRIBAL MEMBERS OR NOT. IN ADDITION TO ALL FHA GUIDELINES, THIS DOCUMENT CONTAINS REQUIREMENTS THAT APPLY TO EACH LOAN ISSUED. ALL FIRST MORTGAGE LOANS FUNDED IN CONJUNCTION WITH ONE OF CBCMA'S DOWN PAYMENTS MUST FULLY COMPLY WITH FHA GUIDELINES REGARDING SECONDARY FINANCING FROM A GOVERNMENT ENTITY FOUND IN HUD HANDBOOK 4000.1.***

## **DOING BUSINESS WITH CBC MORTGAGE AGENCY AND FHA**

***For guidance with this section and Doing Business with FHA, follow applicable published FHA Handbooks, Mortgagee Letters, or Announcements***

### **CORRESPONDENT ELIGIBILITY**

To be eligible to sell FHA Mortgage Loans to CBC Mortgage Agency, the Correspondent must meet the specific eligibility requirements as determined by FHA authority: FHA Direct Endorsed (DE) Program Eligibility Requirements (Revised 05/23/2016)

- Meet all other CBC Mortgage Agency eligibility requirements, as applicable
- Meet HUD's minimum loan insurance requirements as defined by FHA Single Family Housing Policy Handbook HUD 4000.1 'Doing Business with FHA' requirements

- Be issued Direct Endorsement (DE) approval through HUD and provide HUD approval documentation to CBC Mortgage Agency
- Have a sufficient number of DE underwriters on staff for its production volume and must provide CBC MORTGAGE AGENCY with resumes for DE underwriters
- Be in good standing with HUD and other applicable agencies
- Maintain a HUD compare ratio of less than or equal to 150% (Correspondents with a compare ratio greater than 150% may be considered on an exception basis.
- Be issued Direct Endorsement (DE) approval thru HUD and provide HUD approval documentation to CBC MORTGAGE AGENCY
- No longer have DE underwriter(s) connected to FHA ID in FHA Connection
- Provide written QC plan to include pre-closing audit process and minimum of two months of management reporting as described in Quality Control, Oversight and Compliance section in FHA Single Family Housing Policy Handbook 4000.1
- Have a minimum of 2 years of experience in FHA originations
- Meet all state license, registration or equivalent approval requirements for the states in which they originate (if applicable)
- Meet the following net worth requirements
  - \$2.5 million net worth
  - Audited financials in accordance with GAAP or Call Reports
  - Have a primary business location in a commercial location
  - Independent Auditor's Report for FHA Originators. Correspondents approved by FHA to originate FHA Mortgage Loans must provide an independent auditor's report on internal controls over compliance for HUD assisted programs, regardless of whether or not the Correspondent is approved to sell or actively sell FHA Mortgage Loans to CBC MORTGAGE AGENCY. The report must include all applicable HUD letters and the computation of HUD Net Worth statement showing compliance with HUD's net worth requirements.

Note: Any government loan not insured within 60 days of loan closing may be subject to repurchase by Correspondent.

#### **MAINTAINING ELIGIBILITY**

To remain an approved Correspondent in good standing, the Correspondent must:

Maintain eligibility and be in full compliance with all terms and requirements detailed in the Eligibility section of the Guide.

Actively participate in the programs described in the Guide.

Complete and submit, within required timeframes, all requested documents by CBC MORTGAGE AGENCY as part of the Recertification Process or Quality Control request. Documents may not be older than 90 days at time of application.

Remit any fee and payment due CBC MORTGAGE AGENCY with the requested timeframe.

---

### **CORRESPONDENT RECERTIFICATION**

To ensure approved Correspondents continue to meet eligibility criteria, a recertification review will be performed periodically. The recertification review will consist of two parts:

Updated financial and lender documentation as requested by CBC MORTGAGE AGENCY  
Review of Correspondent's performance and over-all track record and history with CBC MORTGAGE AGENCY.

#### *Recertification Process and Requirements*

The recertification review occurs around the anniversary date of the Correspondent's original approval or the last completion date of the Correspondent's most recent recertification. However, CBC MORTGAGE AGENCY reserves the right to perform the review at any time. Correspondents will be notified via Comergerence of the review. The Comergerence notification will include a request for any documentation necessary to complete the recertification process. Correspondents must provide the necessary documentation within 60 days of the request. Failure to provide the information within the required timeframe may result in a suspension or termination.

---

### **CORRESPONDENT PERFORMANCE**

The Correspondent's performance will be reviewed to ensure:

- Compliance with all terms of the Loan Purchase and Sale Agreement, and adherence to all applicable federal, state and local legal and regulatory requirements

- Adherence to CBC MORTGAGE AGENCY guidelines and loan parameters as outline in the Guide
  - Continued adherence to the most current Client Eligibility standards set forth by CBC MORTGAGE AGENCY
  - Acceptable pull through rates have been met
  - Acceptable payment of all fees and payments due CBC MORTGAGE AGENCY
  - Acceptable and timely response to any inquiries by CBC MORTGAGE AGENCY
- 

## **TERMINATED CORRESPONDENTS**

Correspondents who do not comply with the terms of their executed Loan Purchase and Sale Agreement, the terms of the Guide and Loan Purchase and Sale Agreement, or when substantive issues have been discovered (i.e., fraud, unacceptable loan delivery performance, etc.) may have their status as an approved Correspondent terminated. Notification of termination will be issued in writing and delivered by email service. Once terminated for cause, a Correspondent may not be eligible for re-approval by CBC MORTGAGE AGENCY. In addition, if the reason for termination was the result of misrepresentation or any other serious concern, the Correspondent will be placed on the CBC MORTGAGE AGENCY exclusionary list. In addition, in cases of misrepresentation and/or any breaches in representation, warranty or covenant, CBC MORTGAGE AGENCY reserves the right to pursue any and all remedies to which CBC MORTGAGE AGENCY may be entitled, in accordance with the Loan Purchase and Sale Agreement.

## **HUD Termination**

Correspondents who are terminated by HUD from participating in the FHA program (based on Credit Watch or otherwise) will not be permitted to participate in the CBC MORTGAGE AGENCY Down Payment Assistance program.

---

## **AUDITS**

Correspondent must deliver to CBC MORTGAGE AGENCY, within 15 business days of receipt, copies of any adverse audit report issued by a state or federal regulator, government

16

agency, or government sponsored entity. If disciplinary action is taken by any such regulator, agency or enterprise agency, including any formal enforcement action, suspension or termination of the Correspondent's selling or servicing rights, the Correspondent must notify CBC MORTGAGE AGENCY within three business days of such action.

---

#### **WEBSITE AND CLIENT SITE CONTENT AND MATERIALS**

The information on the website and Client Site is for information purposes only. It is believed to be reliable, but CBC MORTGAGE AGENCY does not warrant its completeness, timeliness or accuracy. The information on the website and the Client Site is not intended as an offer or solicitation for the purchase of any security or any financial instrument.

The information and materials contained on the website and Client Site, and the terms and conditions of the access to and use of such information and materials, are subject to change without notice. Products and services described, and associated fees, charges, interest rates, and balance requirements may differ among geographic locations. Not all products and services are offered in all states.

The CBC MORTGAGE AGENCY website may have separate and/or additional terms and conditions from the Terms and conditions governing access to the website and the Client Site. In the event of a conflict, the additional terms and conditions will govern for those sections or pages. In addition, certain portions or pages of the website or Client Site may be subject to additional disclosures and disclaimers. In the event of a conflict between those disclosures and disclaimers, and these terms and conditions, the additional disclosures and disclaimers will govern for those portions or pages.

Correspondent agrees that (i) Correspondent will not engage in any activities related to the website or Client Site that are contrary to applicable law, regulation or the terms of any agreement Correspondent has with CBC MORTGAGE AGENCY or its affiliates, and (ii) where the website or Client Site requires identification for access or to perform transactions or processes, you will establish commercially reasonable security procedures and controls to limit access to Correspondent passwords or other identifying information to authorized individuals.

CBC MORTGAGE AGENCY or its suppliers may discontinue or make changes in the information, products or services described herein at any time without prior notice to Correspondent and without any liability to Correspondent. Any dated information is published as of its date only, and CBC MORTGAGE AGENCY does not undertake any obligation or responsibility to update or amend any such information. CBC MORTGAGE AGENCY reserves the right to terminate any or all website offerings or transmissions without prior notice to the user. By offering information, products and services via the website or the Client Site, no distribution or solicitation is made by CBC MORTGAGE AGENCY to any person to use the website or Client Site or such information, products or services in jurisdictions where the provision of the website or Client Site and such information, products or services is prohibited by law.

---

#### **LIMITATION OF LIABILITY**

Because of the possibility of human and mechanical error as well as other factors, the website (including all information and materials contained on the website) and the Client Site (including all information and materials contained on the Client Site) is provided "as is" and "as available". CBC MORTGAGE AGENCY and third-party data providers are not providing any warranties and representations of any kind with regard to the website or Client Site, including any implied warranties of merchantability, non-infringement of third-party rights, freedom from viruses or other harmful code, or fitness for any particular purpose. Further, CBC MORTGAGE AGENCY will not be liable for any delay, difficulty in use, inaccuracy of information, computer viruses, malicious code or other defect in the website or the Client Site, or for the incompatibility between the website and Client Site files and the user's browser or other site accessing program. Nor will CBC MORTGAGE AGENCY be liable for any other problems experienced by the user due to causes beyond the control of CBC MORTGAGE AGENCY. No license to the user is implied in these disclaimers.

Under no circumstances will CBC MORTGAGE AGENCY be liable for any lost profits, lost opportunity or any indirect, consequential, incidental, special, punitive, or exemplary damages arising out of any use of or inability to use the website or Client Site or any portion thereof, regardless of whether CBC MORTGAGE AGENCY has been apprised of the likelihood of such damages occurring and regardless of the form of action whether in contract, warranty, tort (including negligence), strict liability or otherwise.

### Severability, Enforceability and Governing Law

In the event any of the terms or provisions of these Terms and Conditions shall be held to be enforceable, the remaining terms and provisions shall be unimpaired and the unenforceable terms or provision shall be replaced by such enforceable term or provision as comes closest to the intention underlying the unenforceable term or provision. These Terms and Conditions shall be subject to any other agreements Correspondent has entered into with CBC MORTGAGE AGENCY. The user's access to and use of the website and the Client Site, and terms of this disclaimer are governed by the laws of the State of Utah.

---

### **FAIR LENDING POLICY**

CBC MORTGAGE AGENCY is committed to making available meaningful mortgage credit services to all of our customers and potential customers within each of our diverse communities on a fair and equitable basis. We will provide every customer and potential customer an equal opportunity to apply for each of our available mortgage services. We believe that our commitment to fair lending is a good and sound business practice that allows us to serve all of our customers and communities. We believe that our success at serving a wide range of consumer and business credit customers is essential to the economic vitality of CBC MORTGAGE AGENCY.

CBC MORTGAGE AGENCY will not tolerate discrimination in its lending or business practices by any of our officers, employees, or approved mortgage companies in serving our customers and potential customers. CBC MORTGAGE AGENCY will always strive to lead by example in assuring that fair lending principles are fully integrated into all of our corporate policies and procedures, our marketing efforts and our relationships with third parties involved in the credit process.

We believe that our commitment to fair lending is strengthened and reinforced by our equally strong commitment to the creation of a diverse workforce which will continue to reflect the values, aspirations and spirit of our multi-cultural communities, and thereby allow us to better understand and respond to the legitimate multi-faceted credit needs of our communities.

In order to fulfill our commitment, we have empowered each of our officers and employees to use their best personal and professional efforts and resources to continue to make

available meaningful services to all of our customers and communities on a fair and equitable basis.

---

#### **ADHERENCE TO FAIR LENDING STANDARDS**

Correspondent understands and acknowledges that CBC MORTGAGE AGENCY is fully committed to the principles of Fair Lending and requires each of its business partners, including Correspondents, to follow similar principles and to request that Correspondent and each of its owners, officers, partners, agents and employees are all adequately trained in Fair Lending policies and procedures. Correspondent hereby acknowledges that Correspondent has received and reviewed the Fair Lending Policy adopted by CBC MORTGAGE AGENCY and that Correspondent has taken and will continue to take action to ensure that Correspondent and each of its owners, officers, partners, agents, and employees are adequately trained in and follow generally recognized Fair Lending policies and procedures. The Fair Lending Policy of CBC MORTGAGE AGENCY follows

CBC MORTGAGE AGENCY is committed to making available meaningful mortgage credit services to all our customers and potential customers within each of our diverse communities on a fair and equitable basis. We will provide every customer and potential customer an equal opportunity to apply for our available down-payment assistance programs. We believe that our commitment to fair lending is a good and sound business practice that allows us to serve all our customers and communities. We believe that our success at serving a wide range of consumers is essential.

CBC MORTGAGE AGENCY will not tolerate discrimination in its lending or business practices by any of our officers, employees, or approved mortgage companies in servicing our customers and potential customers. CBC Mortgage Agency will always strive to lead by example in assuring that fair lending principles are fully integrated into all our corporate policies and procedures, our marketing efforts and our relationships with third parties involved in the credit process.

We believe that our commitment to fair lending is strengthened and reinforced by our equally strong commitment to the creation of a diverse workforce which will continue to reflect the values, aspirations and spirit of our multi-cultural communities, and thereby allow us to better understand and respond to the legitimate needs of our communities.

20

---

### **EQUAL CREDIT OPPORTUNITY ACT**

The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act.

CBC MORTGAGE AGENCY requires all correspondence to be in strict compliance with the Equal Credit Opportunity Act.

---

### **PRIVACY OF CONSUMER FINANCIAL INFORMATION**

All capitalized terms used in this section and not otherwise defined shall have the meanings set forth in 12 C.F.R. Part 332 ("Privacy of Consumer Financial Information"), as amended from time to time (the "Privacy Regulation"), issued pursuant to Section 504 of the Gramm-Leach-Bliley Act (15 U.S.C. § 6801 et seq.).

#### Safeguards

Correspondent and CBC MORTGAGE AGENCY will maintain safeguards and take technical, physical and organizational precautions to ensure consumer information against destruction, loss, alteration, unauthorized access by or disclosure to third parties while in the possession or under the control of Correspondent, Correspondent agents, CBC MORTGAGE AGENCY or CBC MORTGAGE AGENCY agents. The objective of each such precaution will be to (i) ensure the security and confidentiality of Consumer Information, (ii) protect against any anticipated threats or hazards to the security or integrity of Consumer Information, and (iii) protect against unauthorized access to or use of Consumer Information that could result in substantial harm or inconvenience to any customer.

#### Unauthorized Access to Consumer Information

Correspondent and CBC MORTGAGE AGENCY will maintain sufficient procedures to detect and respond to any unauthorized possession, disclosure, use, or other security breaches involving Consumer Information.

#### Notification of Unauthorized Access

Correspondent and CBC MORTGAGE AGENCY will, as soon as reasonably practicable, notify the other party of any unauthorized or attempted possession, disclosure, use or knowledge of Consumer Information when it becomes aware of it, including any material breach or potential material breach of security, on a system, LAN or telecommunications network which contains or processes Consumer Information.

#### Furnishing Details of Unauthorized Access

Correspondent and CBC MORTGAGE AGENCY will, as soon as reasonably practicable, furnish to the other party full details of the unauthorized or attempted possession, disclosure, use or knowledge of Consumer Information, and use reasonable efforts to assist the other party in investigating or preventing the recurrence of any unauthorized or attempted possession, use or knowledge, of Consumer Information.

#### Cooperation

Correspondent and CBC MORTGAGE AGENCY will cooperate to correct any unauthorized possession, disclosure, use, or other security breaches, and in any litigation and investigation deemed necessary to protect Consumer Information.

#### Recurrence

Correspondent and CBC MORTGAGE AGENCY will use all reasonable efforts to prevent a recurrence of any unauthorized possession, use or knowledge of Consumer Information.

#### Confidentiality – Standard of Care

Each Party will protect all Consumer Information with the same degree of care as it uses to avoid unauthorized use, disclosure, publication or dissemination of its own confidential information, but in no event, less than a commercially reasonable degree of care.

### Restricted Disclosure

Correspondent and CBC MORTGAGE AGENCY may disclose Consumer Information to its agents, accountants, attorneys, and affiliates or subsidiaries (respectively, each party's "Third Party Recipients") if reasonably necessary in performing its duties. Correspondent and CBC MORTGAGE AGENCY agree that it will not disclose, release, or otherwise make available to any third party any Consumer Information without the other party's prior written consent; provided; however; that Correspondent and CBC MORTGAGE AGENCY are each responsible for any violation of these confidentiality obligations by its Third-Party Recipients and will ensure that these individuals or entities are aware of these confidentiality obligations.

### Consumer Privacy and Mortgage Loan Documents

Correspondents must fully comply with all provisions of the Gramm-Leach-Bliley Act (GLBA), including without limitation the Safeguards Rule which requires Correspondents to ensure the security and confidentiality of customer records and personal information, and the Consumer Financial Privacy Rule which prohibits the Correspondent from disclosing Non-public Personal Information about a consumer unless it has satisfied various notice and opt-out requirements, and the consumer has not elected to opt out.

---

## **CHENOA FHA DPA PROGRAM GUIDELINES OVERVIEW**

Chenoa Fund secondary financing assists homebuyers in meeting their down payment requirement when purchasing an FHA insured, owner occupied, single family, primary residence only. Non-occupant co-borrowers are allowed under CBC Mortgage Agency's Edge program only as long as one of the borrowers occupies the property (Non-occupant borrowers are not permitted under the Rate Advantage program). All buyers must sign the Note and Deed of Trust (or Mortgage in applicable states) for the secondary financing.

The down payment assistance provided will be 3.5% of the sales price or appraised value, whichever is less, rounded up to the nearest whole dollar. When secondary financing is issued, the assistance must be in second lien position, but any assistance (gift or secondary financing) may be combined with other assistance programs as long as the underlying FHA insured loan is sold to CBC Mortgage Agency and any CBC lien is in second position. The only fees chargeable to the borrower in conjunction with the secondary financing are

pre-paid interest, recording fees for the Deed of Trust, reasonable title closing fees and a courier fee to return the signed documents to the Lender

First mortgage loans must be a fixed rate and conform to standard FHA guidelines. High balance loans are acceptable.

Eligible loan programs:

- FHA 203(b) 1-2 units, primary residence only
- FHA 234(c) condominium unit, primary residence only

When secondary financing is used, a second lien loan application must be completed and executed by borrowers. The second lien loan application must identify the source of funds as CBC Mortgage Agency, including accurate loan amount and repayment terms of the secondary financing. Additionally, the source of funds for secondary financing must be reflected in the first mortgage application as coming from CBC Mortgage Agency.

In all cases, first mortgage loans submitted to CBC MORTGAGE AGENCY must be investment quality and saleable on the Secondary Market. Origination partners must be fully delegated by the FHA and are expected to prudently underwrite all loans and ensure the file contains adequate documentation to support information represented in the Borrower's loan application and data elements entered into automated underwriting systems. The mortgage loan and the funding thereof must meet, or be exempt from, applicable state and federal laws, regulations, and other requirements pertaining to usury, fees, and expenses incurred in the making of a mortgage loan.

### **LTV**

Borrowers may increase their minimum required investment (down payment) by putting down additional funds above and beyond the assistance received from Chenoa Fund as long as the Loan-to-Value ratio does not go below 90%.

### **CLTV**

Borrowers may utilize other forms of down payment assistance in conjunction with the assistance received from Chenoa Fund even if the additional assistance creates additional liens on the property. In cases where secondary financing is received from Chenoa Fund, the Chenoa Fund lien must be in a second lien position and the first mortgage must be sold to CBC Mortgage Agency. The CLTV is only limited by FHA guidelines.

### **Calculating Area Median Income**

Whether a borrower qualifies for the forgivable second mortgage or fully amortizing mortgage will depend upon the borrower's area median income ("AMI"). When calculating the borrower's AMI, go to the HUD Area Median Income Site (using other sites or methods may not correspond to CBC Mortgage Agency's calculation, and therefore, may disqualify the income calculation used): The HUD Area Median Income site can be found online at: <https://www.huduser.gov/portal/datasets/il.html>

**An example of how to calculate Area Median Income can be found on the following pages.**

# Calculating Area Median Income

- Go to the HUD Area Median Income Site.

<https://www.huduser.gov/portal/datasets/il.html>

- Select the **most recent** fiscal year.
- Then “Click Here for FY [most recent year] IL Documentation”

**INCOME LIMITS**

Other Datasets -

The Department of Housing and Urban Development (HUD) sets income limits that determine eligibility for assisted housing programs including the Public Housing, Section 8 project-based, Section 8 Housing Choice Voucher, Section 202 housing for the elderly, and Section 811 housing for persons with disabilities programs. HUD develops income limits based on Median Family Income estimates and Fair Market Rent area definitions for each metropolitan area, parts of some metropolitan areas, and each non-metropolitan county.

2019 2018 2017 2016 2015 Year -

Query Tool Data FAQs

Effective April 24, 2019.

Access Individual Income Limits Areas

This system provides complete documentation of the development of the FY 2019 Income Limits (ILs) for any area of the country selected by the user. Official ILs, available in pdf and excel formats at this link, may differ slightly from those calculated in the documentation system, and should be used for ALL official purposes.

[Click Here for FY 2019 IL Documentation](#)

NOTE: Due to the Housing and Economic Recovery Act of 2008 (Public Law 110-289) the data presented in this system may not be applicable to projects financed with Section 42 Low Income Housing Tax Credits (LIHTC) or section 142 tax exempt private equity bonds. These projects should use the Multifamily Tax Subsidy Project Income Limits available at Multifamily Tax Subsidy Project Income Limits

**FY 2018 INCOME LIMITS DOCUMENTATION SYSTEM**

**First select a state:**

- Alabama - AL
- Alaska - AK
- American Samoa - AS
- Arizona - AZ
- Arkansas - AR
- California - CA
- Colorado - CO
- Connecticut - CT
- Delaware - DE
- District of Columbia - DC

**Then select a county:**

- Apache County, AZ
- Cochise County, AZ
- Cocconino County, AZ
- Gila County, AZ
- Graham County, AZ
- Greenlee County, AZ
- La Paz County, AZ
- Maricopa County, AZ
- Mohave County, AZ
- Navajo County, AZ

[View County Calculations](#)

- Select the state.
- Select the county.
- Click “View County Calculations.”

*Note: This is a third party site. CBCMA State Restrictions still apply, even if you see the option here.*

# Calculating Area Median Income: Primary Method

- For the primary method, you'll want to pull the number from the "Median Family Income" column. This is outlined in red.
- You determine the AMI by multiplying the Median Family Income by 115%.

Example:  $\$69,100 \times 115\% = \$79,465$

Note: Pick the method that will best match your borrower to their desired program!

**HUD USER** FY 2018 INCOME LIMITS DOCUMENTATION SYSTEM  
HUD.gov HUD User Home Data Sets Fair Market Rents Section 8 Income Limits MTSP Income Limits HUD LIHTC Database

FY 2018 Income Limits Summary

Selecting any of the buttons labeled "Explanation" will display detailed calculation steps for each of the various parameters.

FY 2018 Income Limit Area	Median Family Income <a href="#">Explanation</a>	FY 2018 Income Limit Category	Persons in Family							
			1	2	3	4	5	6	7	8
Phoenix-Mesa-Scottsdale, AZ MSA	\$69,100	Very Low (50%) Income Limits (\$) <a href="#">Explanation</a>	24,200	27,650	31,100	<b>34,550</b>	37,350	40,100	42,850	45,650
		Extremely Low Income Limits (\$) * <a href="#">Explanation</a>	14,550	16,600	20,780	<b>25,100</b>	29,420	33,740	38,060	42,380
		Low (80%) Income Limits (\$) <a href="#">Explanation</a>	38,750	44,250	49,800	<b>55,300</b>	59,750	64,150	68,600	73,000

## Alternative Method

There is an alternative calculation method allowed within the UW comments on the 1008.

- First, locate the appropriate family size underneath the "Persons in Family" column, in the "Very Low (50%) Income Limits" row.
- Find the appropriate income limit, and then multiply that number by two.
- Then, multiply that number by 115%.

Example, using a family of 6:  $\$40,100 \times 2 = \$80,200 \times 115\% = \$92,230$

Note: Pick the method that will best match your borrower to their desired program!

**HUD USER** FY 2018 INCOME LIMITS DOCUMENTATION SYSTEM  
HUD.gov HUD User Home Data Sets Fair Market Rents Section 8 Income Limits MTSP Income Limits HUD LIHTC Database

FY 2018 Income Limits Summary

Selecting any of the buttons labeled "Explanation" will display detailed calculation steps for each of the various parameters.

FY 2018 Income Limit Area	Median Family Income <a href="#">Explanation</a>	FY 2018 Income Limit Category	Persons in Family							
			1	2	3	4	5	6	7	8
Phoenix-Mesa-Scottsdale, AZ MSA	\$69,100	Very Low (50%) Income Limits (\$) <a href="#">Explanation</a>	24,200	27,650	31,100	<b>34,550</b>	<b>37,350</b>	<b>40,100</b>	<b>42,850</b>	<b>45,650</b>
		Extremely Low Income Limits (\$) * <a href="#">Explanation</a>	14,550	16,600	20,780	<b>25,100</b>	29,420	33,740	38,060	42,380
		Low (80%) Income Limits (\$) <a href="#">Explanation</a>	38,750	44,250	49,800	<b>55,300</b>	59,750	64,150	68,600	73,000

---

## HOMEBUYER EDUCATION REQUIREMENTS

CBC Mortgage Agency offers pre-purchase counseling through Hope Loan Port, also known as Money Management International. Course access and information can be found here:

<https://www.borrowersuccess.org/prepurchase>

This pre-purchase counseling is an FHA program requirement and is provided for any and all borrowers with a mid-FICO score range from 620 to 639. ***Please note: this counseling is only required for our DPA Edge products and is not intended for any borrower with a 640 + qualifying score.***

Also note: if borrowers without the proper FICO score attempt to access this course, they will be turned away, which can be confusing and frustrating for borrowers.

For your borrowers that DO have a FICO score of 620 to 639, note that they will not be able to access the course until ...

- 1) They have been registered and/or locked in CBC Mortgage Agency's portal.
- 2) They have allowed for 24 hours to pass after the LO receives the relevant confirmation letter.

As this is a CBC Mortgage Agency requirement, we also require this specific course to be taken prior to closing. If you wish to request an exception due to the fact the Homebuyer Education Course was either: taken with another course provider in error, or not completed prior to closing, we may consider this exception – provided that:

1. The course must be provided through a HUD approved agency;
2. The course must be administered by a Counselor, in one-on-one sessions only;
3. The course must provide an income analysis, completion of a financial / budgeting plan that is specific to expenses related to the new home purchase.
4. Provide a letter of explanation on company letterhead that addresses the following:

28

- a. Cover what happened, what process changes, hard stops and/or fixes are in place to ensure the error does not reoccur.
- b. The LOE signed by an officer of the company, i.e.: CEO, COO or Operations Manager.



## REGISTRATION – PROCEDURAL OVERVIEW

When registering a loan, the Correspondent will access CBC MORTGAGE AGENCY's Client Site. [CBC Mortgage Agency Client Site](#)

- Select 'Client Portal Login' at the top center of the webpage
- Enter Login credentials
- Select Loan Registration/Lock/Pricing from the side bar menu
- Select Add New Loan from the left side bar menu

---

### LOCK POLICY

***Please note that our Lock Policy has been updated, effective immediately. (3/15/19)***

Loan locks must be valid through the date of 'Good Delivery'. Good Delivery refers to the moment the complete loan images (credit and closing package) are uploaded for purchase review and CBCMA has received collateral. Locks must be extended by the correspondent if they will expire prior to Good Delivery. Locks that expire prior to Good Delivery will be subject to a .375 lock reinstatement fee (this is the cost of returning the loan to our hedge) plus the required extension fee to extend the lock through the day of Good Delivery.

Upon complete loan image upload, loans will be reviewed by both Evolve Mortgage Services (our due diligence review company) and our takeout investor simultaneously. Conditions from both parties will be released at the same time. Once conditions are released, correspondents will have 7 calendar days to satisfy the conditions. If all loan conditions are not cleared within the 7 calendar-day period, roll fees will accrue at .025 per day (.175 per week) and will be added to any extension fees from the period prior to Good Delivery (if applicable).

Locks that are canceled or that expire and remain canceled or expired for 30 days or more are eligible for relock at the current day pricing. If a loan is locked, then canceled (or

30

expire), and then a relock request is received within 30 days of the original lock, the loan pricing will be the worse-case of the current day pricing for the remaining period of the original lock less .375 OR the original lock less .375 and the lock period will be the remaining time on the original lock.

---

## **DELIVERY**

The mortgage loan must be delivered to CBC MORTGAGE AGENCY in purchasable condition on or before the lock expiration date.

A delivered loan is considered in purchasable form if it meets all the following requirements:

- Product and program parameters
- Federal, state and local laws and regulations
- Industry standards, insuring requirements of FHA and secondary market investor guidelines
- This Guide, including any updates, and the Correspondent Agreement
- CBC Mortgage Agency specific documentation and CBC Stacking Order Checklist

A closed mortgage loan submitted in non-purchasable form is considered incomplete and may be subject to relocking or re-pricing for a lock extension. Refer to the Lock Policy section of this guide for pricing details.

Loans must be uploaded in accordance with CBC Mortgage Agency's specific stacking order (see CBC Mortgage Agency Stacking Order and Checklist) and will be reviewed by CBC MORTGAGE AGENCY's due diligence team in a timely manner after receipt and the

correspondent will be notified of any issues which impact CBC MORTGAGE AGENCY's ability to purchase the mortgage loan through the posting of conditions on the Client Site.

Deficiencies may include, but are not limited to, any issues which impair CBC MORTGAGE AGENCY's ability to service or sell the mortgage loan.

### **Loans Where Property Taxes Are Due the Following Month After Purchase**

***If a property tax payment is due in the month following the date of our loan purchase or before, CBCMA must have proof taxes were paid before we will purchase the loan. (Updated & Revised 12/15/18)***

*Exceptions to this rule may apply, if:*

- *The county has not opened up the tax period or released updated tax due and payable;*

### **Interest Credit Option**

Loans disbursed up to the seventh day of the month may use an interest credit option.

### **Documentation -General Requirements**

CBC MORTGAGE AGENCY requires that each loan conforms to and complies with all applicable HUD/FHA underwriting, lending, selling and servicing requirements, and all Ginnie Mae requirements for the inclusion of the mortgaged loan in a Ginnie Mae MBS pool. In addition to all FHA credit qualifying and documentation requirements, the loan must also include:

- An electronic fraud detection report covering standard areas of quality control, i.e., borrower validation, social security validation, property information and MERS verification
- Compliance testing for adherence to QM/ATR, APR, Points and Fees
- Evidence of borrowers enrolled in a credit monitoring service through closing with the results or, alternatively, a soft-pull credit report within ten (10) days of closing
- The Deed of Trust must be stamped as "True and Certified" by the Settlement Agent
- Completed Tax Information Sheet

32

- 4506-T address must match the last filed tax transcripts
- Verbal verification of employment within ten (10) days of closing per agency guidelines and independently obtained phone number or address for employer with source documented.
- Evidence the FHA UFMIP has been paid
- W-9 where borrowers have selected a Federal Tax Classification
- Life of Loan flood certificate – in some cases we will require the originator to transfer this certificate. If required, this will be found in the due diligence conditions prior to purchase.
- The loan must be fully eligible for FHA insurance, and is insured, or within 60 days of the purchase date by CBC MORTGAGE AGENCY, will be fully insured by HUD.
- Soft-pull credit report within 10 days of the Note date

## **2<sup>nd</sup> Lien Loan Documentation Requirements**

The following documents are required for all 2<sup>nd</sup> lien loans:

- 2<sup>nd</sup> Lien Loan Application
- 2<sup>nd</sup> Lien Loan Estimate
- 2<sup>nd</sup> Lien Closing Disclosure
- 2<sup>nd</sup> Lien First Payment Letter (Repayable 2nds ONLY) – reflecting CBCMA servicing address:

**Statebridge Company, LLC**  
**Attn: Payment Processing**  
**P.O. Box 173313**  
**Denver, CO 80217-3313**

- 2<sup>nd</sup> Lien Note – payment address for repayable 2nds must reflect CBCMA servicing address shown above.
- 2<sup>nd</sup> Lien Mortgage/Deed of Trust
- CBC Mortgage Agency Secondary Financing Disclosure – see Exhibit A
- CBC Mortgage Agency Letter from the President
  - o Letter from the President #1 – Loans with AMI <115% - see Exhibit B
  - o Letter from the President #2 – Loans AMI >115% - see Exhibit C
- CBC Mortgage Agency Quality Control Release form
- Addendum Regarding Seller or Lender Contributions (if applicable – applies to loans with seller-paid borrower origination charges) – see Exhibit D

- Notice of Transfer of Servicing for 2<sup>nd</sup> Lien
- 

#### **PRE-FUNDING QUALITY ASSURANCE BY CORRESPONDENT**

CBC MORTGAGE AGENCY requires correspondents to establish and maintain Quality Control standards and procedures that comply with FHA Quality Control for Single Family Originations (4060.1 REV 2, Chapter 7) for mortgage loans with case number assigned prior to 9/14/15. FHA Mortgage Loans with case numbers assigned on or after 9/14/15 must adhere to Quality Control standards of FHA Single Family Housing Policy Handbook 4000.1

Correspondents must provide CBC MORTGAGE AGENCY with a copy of their Quality Control Plan, [Fair Lending and AIR policy prior to becoming an approved correspondent with CBC Mortgage Agency and updates to policies upon request thereafter.](#)

---

#### **REGULATORY COMPLIANCE**

Correspondent has complied with, and each loan shall comply with, all applicable requirements, including federal, state and local laws and regulations, as applicable. Each loan presented to CBC MORTGAGE AGENCY for purchase, from loan application to the funding thereof, meets, or is exempt from, applicable state and federal laws, regulations and other requirements pertaining to usury, fees, and expenses, incurred in the making of that loan. Additionally, the loans have funded according to state law requirements regarding the Correspondent's money being available for proper funding. Each loan shall comply with applicable federal laws and regulations in all respects, including, but not limited to the following:

- Real Estate Settlement Procedures Act
- Flood Disaster Protection Act
- Federal Consumer Credit Protection Act
- Truth-in-Lending Act
- Equal Credit Opportunity Act
- eSign Act

- Federal Fair Housing Act
- Home Ownership and Equity Protection Act
- Gramm-Leach-Bliley Act
- Housing and Economic Recovery Act
- Anti-Money Laundering Act/Bank Secrecy Act
- OFAC
- Fair Credit Reporting Act
- Home Mortgage Disclosure Act
- Regulation X
- Regulation Z
- Regulation B
- Uniform Electronic Transaction Act
- Commitment to Fair and Responsible Lending
- Loan Originator Compensation
- Homeowners Protection Act
- SAFE Act
- Appraiser Independence Rule
- Consumer Finance Protection Bureau Rules
- Any applicable law governing fraud, fair lending, lack of consideration, unconscionability, consumer credit transactions, consumer protection and consumer privacy, interest or other charges, licensing or mortgage brokers, lenders, servicers, and loan officers, and mortgage insurance providers.

---

#### **COLLATERAL PACKAGE DOCUMENTS**

CBC MORTGAGE AGENCY requires the original final Collateral Documents, with exception of Mortgages (Deeds) that are pending recordation in the appropriate jurisdiction, for which a Certified True Copy shall be provided.

The original collateral package is reviewed by CBC MORTGAGE AGENCY prior to the Mortgage Loan being approved for purchase. Any deficiencies are noted as Loan Conditions in the Client Site. Collateral conditions for corrected or additional original documents should be sent to CBC Mortgage Agency and a copy of the document uploaded to the Client Site.

**Each loan purchased by CBC MORTGAGE AGENCY requires that all final closing documents must be aged and delivered no greater than 85 days (60 days for FHA MIC) of the purchase of such mortgage loan. If complete documentation is not**

35

**received within 85 days (60 days if FHA MIC) period, CBCMA may require Seller to incur a delivery fee and / or repurchase the mortgage loan – (New as of 5/15/19)**

CBC MORTGAGE AGENCY advises Correspondents to utilize express shipping service to track shipments and ensure timely delivery of the original Note, collateral package, and trailing documents.

Shipping for Collateral and Trailing Docs:

CBC MORTGAGE AGENCY  
912 W. Baxter Drive, Suite 150  
South Jordan, UT 84095

Email Contact: [http://finaldocs@chenoafund.org](mailto:finaldocs@chenoafund.org)

---

### **PURCHASE REVIEW STATUS**

Correspondents can access the status of their loans through CBC MORTGAGE AGENCY's Client Site, <http://chenoafund.org>.

Loans uploaded to the Client Site are reviewed by the CBC MORTGAGE AGENCY's due diligence team concurrently with its Partner Investors to whom loans are ultimately sold.

Once due diligence reviews are completed by CBC MORTGAGE AGENCY and Investor, Correspondents will be notified via email by CBC MORTGAGE AGENCY's Purchase Clearing Team and all conditions will be available for viewing on the Client Site.

Correspondents have the ability to directly communicate with the CBC MORTGAGE AGENCY's due diligence reviewers to obtain clarification or dispute specific conditions using the Escalation Process on the Client Site.

The CBC MORTGAGE AGENCY's Purchase Clearing Team's priority and primary function is to assist and expedite the purchase of Correspondent's loans. While the Purchase Clearing Team does not have the ability to waive or clear conditions, they are a critical conduit and act as personal liaison to the Correspondent for due diligence and investor communications.

While the purchase clearing team is a great resource, they do not set the conditions nor can they clear most conditions. The fastest method to address questions regarding conditions

36

or to request expedited reviews, waiver of outstanding conditions or to request information from the reviewer is to utilize the Escalation Log found on the website inside each individual transaction.

Contact for CBC MORTGAGE AGENCY's Purchase Clearing Team:

<http://purchaseclearing@chenoafund.org>

---

### **EARLY PAYMENT DEFAULT**

An early payment default for the purpose of the Agreement between Correspondent and CBC MORTGAGE AGENCY is defined as any of the first six (6) payments due on the Mortgage Note that becomes thirty (30) calendar days or more delinquent from the date of purchase by CBC MORTGAGE AGENCY. A payment is considered delinquent if a payment is not received on or before the due date designated on the Mortgage Note.

### **EARLY PAYOFF**

In addition to the other obligations of the Seller, and the other remedies available to the Purchaser under this Agreement, if a Mortgage Loan is prepaid in full, other than by a refinancing by the Purchaser, on or before making the seventh (7<sup>th</sup>) Monthly Payment (due to Purchaser or its assigns) following the Closing Date, the Seller shall:

- I. Refund to the Purchaser the Premium paid by the Purchaser to the Seller (the term "Premium" shall mean the portion of the amount paid by Purchaser to Seller for the applicable Mortgage Loan that exceeds the principal balance of such Mortgage Loan) and

- II. If a grant or gift has been provided through Purchaser in connection the Mortgage Loan, the Seller shall also refund the amount of the grant or gift.
- 

#### **INDEMNIFICATION**

At the sole discretion of CBC MORTGAGE AGENCY, the Remedy of Indemnification against loss may apply to a Mortgage Loan that is otherwise subject to a Repurchase Remedy upon the occurrence of a Repurchase Event of Default per the terms of the Agreement. The terms and conditions of the Indemnification may vary with circumstances relevant to each Mortgage Loan, but at CBCMA's discretion may include a return to CBC MORTGAGE AGENCY by Correspondent of the amount of the Purchase Price that exceeds par, which includes without limitation any SRP and pricing premium paid to the Correspondent and the down payment assistance provided to the borrower. Par is 100% of the unpaid principal balance that was purchased by CBC MORTGAGE AGENCY.

In addition, the Indemnification may require payment of the estimated loss CBC MORTGAGE AGENCY reasonably believes it may incur or actual loss it has incurred as a result of the Event of Default that gave rise to the Indemnification Remedy, including without limitation any marketing loss upon sale of an impaired Mortgage Loan at a reduced market price, loss due to indemnification, repurchase or make-whole required of Correspondent.

---

#### **TRANSFER OF SERVICING**

After purchase of the loan by CBC Mortgage Agency, the Correspondent must immediately notify (within 5-days) each Borrower and HUD of the sale of the (1st) mortgage loan. All disclosures and notifications to the Borrowers must meet current applicable federal, state, local and regulatory law requirements.

Correspondent must issue all Borrower notifications after purchase of the loan and no less than 15 days before the effective date of the transfer of servicing duties.

Notifications must:

Indicate the date on which the servicing duties are to be transferred, which shall be the same date as the date on which payments are to commence to CBC Mortgage Agency or its designated servicer.

Identify the date Correspondent will no longer accept payments on the mortgage loan.

Identify the date on which payments are to commence to CBC Mortgage Agency or its designated servicer.

Identify the transferee of the servicing duties.

Provide Correspondent's name and, for both companies involved in the transfer, a complete address, appropriate department name and a toll-free or collect call telephone number, which the Borrower(s) may call with questions.

Direct the Borrower(s) to forward future payments to the Servicing Payment Processing Center (see Payment Processing address information below). Notify the Borrower(s) that the transfer does not affect any terms or conditions of the mortgage loan other than those related to servicing.

Additionally, Correspondents must provide a copy of the servicing-related notes and post-closing loan level comments in their possession at the time of the transfer. Servicing notes and comments should be written in a manner that is appropriate to share with the borrower when required under the applicable law.

***New: "In order to confirm an accurate Notice of Transfer of Servicing, "Good Bye Letter" CBCMA requires a sample copy of the Notice of Transfer of Servicing to be included in the loan package at time of delivery."*** (For all 1st mortgages)

CBC MORTGAGE AGENCY's address and contact information to be used for Notice of Transfer of Servicing, "Goodbye Letter" for the 1st mortgage, is as follows:

**CBC Mortgage Agency**  
**Attn: Loan Servicing Payment**  
**660 E Franklin Rd., Suite 130**  
**Meridian, ID 83642**

Toll free phone number: (866) 563-3507. Payments may also be made online at <http://chenoafund.org/>

CBC MORTGAGE AGENCY'S address and contact information to be used for the Notice of Transfer of Servicing, 'Goodbye Letter' for the 2nd mortgage (repayable 2nds ONLY), is as follows:

**Statebridge Company LLC**  
**Attn: Payment Processing**  
**P.O. Box 173313**  
**Denver, CO 80217-3313**

---

## **MORTGAGE ELECTRONIC REGISTRATION SYSTEMS (MERS)**

First mortgage loans sold to CBC MORTGAGE AGENCY AND all secondary mortgages must be registered in Mortgage Electronic Registration Systems (MERS) in accordance with MERS guidelines. In addition, all mortgage loans, 1<sup>st</sup> and 2<sup>nd</sup> liens, must be transferred to CBC Mortgage Agency as Investor (owner/beneficiary) and Servicer through MERS no more than 72 hours after purchase, and never before purchase (MERS ORG #1012881).

---

## **LOSS PAYEE CHANGE**

After the loan is purchased, Correspondents must notify all insurance providers to change their loss payee clause to reflect the following:

CBC Mortgage Agency  
Its Successors and./ or Assigns ATIMA  
912 W. Baxter, Suite 150  
South Jordan, UT 84095

---

## FHA CONNECTIONS

### FHA Mortgage Record Change

Correspondent is responsible to complete the Mortgage Record Change to CBC Mortgage Agency in FHA Connection. To report servicer/holder transfer, Correspondent must log in to FHA Connection to complete the transfer. Mortgage Record changes must be completed with 15 business days from the date of purchase.

- Access the Mortgage Record Changes menu
- Click Servicer/Holder Transfer (HUD Form 92080)
- Enter the FHA Case using this format/including the dash:
- Enter original mortgage amount including UFMIP (do not enter \$ sign or comma)
- Enter the first 5 digits of the CBC Mortgage Agency ID " " into the Holding Mortgagee. The new Servicing Mortgagee field should **NOT** be completed.
- Enter the date of transfer (Purchase Date)

---

## TRAILING DOCS

For each loan purchased by CBC Mortgage Agency, all final, original closing documents must be delivered by the required delivery date, which is within 85 calendar days (**or 30 calendar days from closing in the case of the FHA Mortgage Insurance Certificate**) of the closing of such mortgage loan.

---

## ORIGINATION THROUGH CLOSING

### Mortgage Loan Documents Overview

#### General Mortgage Loan Document Standards

Closing documents for Agency Mortgage Loan Programs must be the most current Fannie Mae, Freddie Mac, FHA forms as applicable. In all cases, Correspondents are responsible for

41

using the most current Mortgage Loan Documents and ensuring that all documents, including, without limitation, any document supplied by CBC Mortgage Agency, conform to all applicable state and federal laws and requirements.

---

### **Document Expiration Dates**

Documents used in the origination and underwriting of a Mortgage may not be more than 120 Days old at the Disbursement Date (including new construction). Documents whose validity for underwriting purposes is not affected by the passage of time, such as divorce decrees or tax returns, may be more than 120 Days old at the Disbursement Date. (a/k/a Funding Date for Refinance Transactions)

For purposes of counting Days for periods provided in this document, a Day is a calendar day (not a business day), and Day one is the Day after the effective or issue date of the document, whichever is later.

### **Handling of Documents**

Lenders must not accept or use documents relating to the employment, income, assets, or credit of Borrowers that have been handled by, or transmitted from or through the equipment of unknown parties, or Interested Parties. Lenders may not accept or use any third-party verifications that have been handled by, or transmitted from or through any Interested Party, or the Borrower.

· Information Sent to the Lender Electronically:

The Lender must authenticate all documents received electronically by examining the source identifiers (e.g., the fax banner header or the sender's email address) or contacting the source of the document by telephone to verify the document's validity. The Lender must document the name and telephone number of the individual with whom the Lender verified the validity of the document

· Information Obtained via Internet:

The Lender must authenticate documents obtained from an Internet website and examine portions of printouts downloaded from the Internet including the Uniform Resource Locator (URL) address, as well as the date and time the documents were printed. The Lender must visit the URL or the main website listed in the URL if the page is password protected to verify the website exists and print out evidence documenting the Lender's visit to the URL and website.

Documentation obtained through the Internet must contain the same information as would be found in an original hard copy of the document.

---

## **ALLOWABLE MORTGAGE PARAMETERS**

**Follow all guidance as stated below in addition to the published HUD Handbook 4000.1., Mortgage Letters, or Announcements.**

[HUD Handbook 4000.1. 12.2016](#)

---

## **QM Points and Fees Calculation**

**Rebuttable Presumption Qualified Mortgage** is defined as having an APR greater than APOR + 115 basis points (bps) + on-going Mortgage Insurance Premium (MIP) rate. Legally, lenders that offer these loans are presumed to have determined that the borrower met the Ability-to-Repay standard by ensuring they comply with published FHA qualifying guidelines. These loans are acceptable to CBC Mortgage Agency.

**QM Points and Fees Calculation – see CBC Bona Fide Fees Worksheet**

**As a best practice and to eliminate undo delay in the purchasing of loans sold to CBC Mortgage Agency, we advise lenders to include their published rate sheet and the completed and signed CBC Bona Fide Fees Worksheet when delivering loans to**

43

**CBC Mortgage Agency where the borrower was charged discount points for the interest given.**

**Additional Guidance from CFPB on Appropriate Interest Rate for Excluding Discount Points under Final ATR Rule**

On August 3, 2013, MBA requested guidance concerning how to determine the appropriate interest rate for excluding bona fide discount points for purposes of the QM Points and Fees calculations. The following explanation and examples are taken from the CFPB's response:

**Principle #1:** CFPB defines the base rate as the starting rate to be adjusted for the particular consumer before discount points are applied.

The starting adjusted rate should be the rate available to the consumer based on the particular consumer's profile and loan characteristics. It must include the loan level pricing adjustments ("LLPAs") and other specific adjustments applicable to that consumer.

**Principle #2:** Discount points excluded from points and fees may not exceed the discount points actually paid by the consumer

The discount points that are excluded from points and fees may not exceed the actual discount point amount paid by the consumer. So, if the starting adjusted rate offers a rebate and the consumer chooses to pay discount points, the amount of the points actually paid are the maximum that can be excluded up to the two points allowed in the rule.

Example: Starting adjusted rate of 4.250% with a .375% point rebate. Consumer agrees to pay an additional 1.50 discount points to lower the rate to 3.750%. The maximum discount points that could be eligible for exclusion from points and fees is 1.50 points.

**Principle #3(a):** No requirement for zero-point loan to be available – The starting adjusted rate does not have to be a rate with zero points.

**Principle #3(b):** The starting adjusted rate must actually be available – The starting adjusted rate used must actually be available to the consumer. This eliminates linear interpolation as an acceptable means of determining the starting adjusted rate as well as using a hypothetical rate as a starting adjusted rate. Neither are rates available to the consumer.

**Principle #4:** Discount Points that may be excluded from points and fees are those applied to the starting adjusted rate for the consumer to reduce the interest rate – If the starting adjusted rate for the consumer includes a required point or portion thereof, when calculating the discount points to be excluded, such required points are included in the QM’s points and fees.

Example: Starting adjusted rate of 4.125% with .125 discount points. The consumer agrees to pay 1.625 in discount points to lower the rate to 3.750%. Only 1.50 additional discount points paid by the consumer to lower the interest rate is eligible for exclusion from points and fees since the .125 points paid are required to get the starting adjusted rate.

Retaining and providing a copy of the Rate Sheet from which the Borrower’s rate is determined is needed to prove compliance.

### **Seller and Lender Credits and QM Points and Fees**

If any portion of the borrower’s origination charges are being paid by the Seller, and to exclude the fees from QM points and fees test, the borrower must sign the Addendum Regarding Seller or Lender Contributions (see Exhibit D) – **prior to closing.**

### **Important Notice Regarding Clarification of CBC Mortgage Agency Rate Sheets - New!**

CBC Mortgage Agency does not charge discount points on any of our loan products. The terminology of ‘discount points’ has crept into many discussions surrounding the price paid to correspondents for rates charged on our rate sheets due to FICO score price adjustments.

Because CBCMA only offers one rate for each product and its FICO band, lower FICO scores show a cost for the only rate offered. This cost is not a discount point, it is essentially a reduction in the YSP/SRP that will be paid to the correspondent when CBCMA purchases the loan. When a correspondent adds a corporate margin, often the borrower is left with a rate that requires a fee to be paid to obtain that rate. Because a rate is only available with a fee, many loan originators have associated this fee with a bona-fide discount point rationalizing that since the rate requires a fee, the fee must be a bona-fide discount point because it is charged on the rate sheet. Federal regulation requires that for a discount to be bona-fide, there must be a par rate available for the borrower to choose. The current market does not allow CBCMA to offer a rate without a fee in some cases once the correspondent’s corporate margin is factored into the costs for the rate. This resulting fee should not be labeled as a

45

'discount point', but should be considered part of the points and fees charged in Section A of the CD.

On our rate sheets, CBCMA now uses the correct term 'Fee Paid by Lender' to refer to origination fees charged for a particular FICO band. For instance, if you look at our DPA Edge product, the lender will pay 1.000 point on any loan that has a borrower with a FICO score in the range of 620-639. In that described situation, the loan would be locked at 100.000 with a 1 point charge. A confusion is often created in pricing engines because pricing engines often display the price for the rate selected as 99.00 rather than as 100.00 with a 1 point fee.

This distinction is important because this fee is charged to the lender, not the borrower. The lender may pass this charge on to the borrower, but should not do so as a Discount Point. It should be called a 'fee'. This could at times, especially on lower loan amounts, cause a loan to exceed the 3% points and fees rule. For those loans with seller concessions, please keep in mind the memo provided by Buckley Sandler regarding the conversion of borrower points and fees to seller points and fees. The link to that memo will be found here:

<https://chenoafund.org/lender/cbc-documents-and-tools/>

It is entirely appropriate to use a seller credit to pay this fee. If the borrower or seller have signed an appropriate addendum to the note (See Exhibit C in the Correspondent Lending Guide) applying the seller concession to pay points and fees and the points and fees charged are itemized in the seller's column of the CD, these charges are not calculated in the 3% maximum points and fees computation.

Also keep in mind that converting seller credits to seller paid fees must be done prior to or at closing. It cannot be corrected after closing. As described in the linked Memo briefly touched on above, conversion consists of two parts. First is the addendum to the note that must be completed and signed by the buyer or seller and second is the placement of the fee in the seller's column on the CD

---

## **PRINCIPAL/AUTHORIZED AGENT RELATIONSHIP**

46

A Principal/Authorized Agent Relationship is one in which a Mortgagee with Unconditional DE authority permits another DE-approved Mortgagee to underwrite Mortgages on its behalf. A Mortgagee with Unconditional DE authority (acting as the “principal”) can designate another DE-approved Mortgagee to act as its “authorized agent” for the purposes of underwriting Mortgages. A sponsored Third-Party Originator (TPO) may not act as a principal or authorized agent.

**Required Authorities:** The authorized agent must have Unconditional DE authority to underwrite the type of Mortgage that is being underwritten. The Mortgagees must be approved as follows:

1. To originate forward Mortgages:
  - the principal may have Unconditional DE authority for either forward Mortgages or HECM; and
  - the authorized agent must have Unconditional DE authority for forward Mortgages.
2. Process: The principal must originate the Mortgage and the authorized agent must underwrite the Mortgage. The Mortgage may close in either Mortgagee’s name, and either may submit the Mortgage for insurance endorsement.
3. Required Documentation: The relationship must be documented in FHAC by the authorized agent, and the principal’s FHA Lender ID must be entered in the “Originator” field on the FHA case file and in FHAC.

---

### **EXCLUSIONARY LISTS – LDP/GSA**

The Mortgagee must not employ or contract with any individuals or entities excluded from participation in FHA programs. In addition, a Mortgage is not eligible for FHA insurance if anyone participating in the mortgage transaction is listed on HUD’s LDP list (Limited Denial of Participation) or in SAM (System for Award Management) as being excluded from participation in HUD transactions. A list of parties to the transaction which must be searched can be found in FHA Handbook 4000.1.

## HAZARD INSURANCE

A hazard insurance policy that meets the following specifications must be provided by the applicant at closing:

- For Purchase transactions, CBC Mortgage Agency requires hazard insurance policy, with a paid receipt for one (1) year, or an invoice and sufficient funds collected to pay the invoice. Even if a policy is issued for one (1) year, CBC Mortgage Agency requires proof that the premium for the year is paid in full. Proof may be in the form of a receipt signed by an authorized individual of the insurance company or the premium is to be paid at closing and indicated on the HUD-1 Settlement Statement. The same premium as shown on the policy is reflected on either the paid receipt or HUD-1. If, on the date of purchase of Mortgage Loan by CBC Mortgage Agency, there is less than 30 days to policy expiration, CBC Mortgage Agency requires a 30-day binder or evidence that the policy has been renewed for one year.

**CBC Mortgage Agency requires the Homeowner Declarations page show an EFFECTIVE COVERAGE DATE no later than the Note date or closing/settlement date along with proof of premium paid.**

The applicant has the right to select the insurance carrier provided the carrier has at least one of the following ratings at the time the Mortgage Loan was closed:

- "B" or better general policyholder's rating, or a "3" or better financial performance index rating from A.M. Best's Insurance Reports. Refer to <http://www.ambest.com> for additional information
- "A" or better rating in Demotech Inc.'s Hazard Insurance Financial Stability Ratings. Refer to <http://www.demotech.com> for additional information
- "BBB" qualified solvency ratio, or "BBB" or better claims-paying ability rating in Standard and Poor's Ratings Group Insurer Solvency Review. Refer to [www.standardandpoors.com](http://www.standardandpoors.com) for additional information

Prior to closing, the Correspondent must verify that the hazard insurance rating specifications have been met. The following alternative hazard insurance coverage is also acceptable:

- In the event that the issuer of the hazard insurance policy does not meet the above described rating specifications, the hazard insurance policy may, never-the-less, be acceptable if the insurer is reinsured by a company that meets either one of the A. M. Best general policy-holder ratings or Standard and Poor's Ratings Group claim-paying ability ratings described above

- Both insurance companies must execute an Assumption of Liability Agreement (Fannie Mae Form 858) that provides for 100% reinsurance of the primary insurer's policy and 90-day written notice of termination of the reinsurance arrangement. The Assumption of Liability Agreement must be attached to the hazard insurance policy.

1-4 family residences must protect against loss or damage from fire and other hazards covered by the standard extended coverage endorsement. The coverage must be of the type that provides for claims to be settled on a replacement cost basis. CBC Mortgage Agency will not accept hazard insurance policies that limit or exclude from coverage (in whole or in part) windstorm, hurricane, hail damages, or any other perils that normally are included under an extended coverage endorsement. A lender must advise Borrowers that they may not obtain hazard insurance policies that include such limitations or exclusions—unless they are able to obtain a separate policy or endorsement from another commercial insurer that provides adequate coverage for the limited or excluded peril or from an insurance pool that the state has established to cover the limitations or exclusions. The coverage must be of the type that provides for claims to be settled on a current replacement cost basis.

For land and improvements to support the use of replacement cost coverage, CBC Mortgage Agency does not require separate appraisal valuations.

Insurance must be in an amount and form acceptable to the applicable Agency guidelines. For FHA Mortgage Loans with case numbers assigned prior to 9/14/15, see the Guidelines in HUD ML 2009-46 B, Condominium Approval Process for Single Family Housing, Section VI, Insurance Requirements or more recent HUD issuances if applicable. FHA Mortgage Loans with case numbers assigned on or after 9/14/15 must be underwritten to FHA Single Family Housing Policy Handbook 4000.1.

In general, the following are required for all condominium hazard insurance policies:

- The PUD or condominium homeowners' association or the fee simple landowner must maintain commercial general liability (CGL) insurance covering all common areas, common elements, commercial spaces and public ways in the PUD or condominium
- Current master condo insurance policy must provide at least \$1 million liability coverage
- "Severability of interest" clause or specific endorsement to preclude the insurer's denial of a unit owner's negligence claim
- Acceptable fidelity bond is required on condominium projects with more than 20 units
- The policy should provide for at least ten days' written notice to the homeowners' association before the insurer can cancel or substantially modify it. For condo projects,

similar notice also must be given to each holder of a first mortgage or share loan on an individual unit in the project

- 100% of the insurable replacement cost coverage for the complete project and unit (interior and exterior of the condominium unit)

The project and unit (walls-in), HO6 policy, must both be insured at 100% replacement cost. If not, the project and unit (walls-in) must both be insured at guaranteed replacement cost. If the master condo insurance policy does not cover the unit (walls-in) then see the following H06 requirements:

- The walls-in (H06) policy must state that it provides coverage for 100% of the insurable value of the improvements and betterments, or
- Provide the breakdown or "cost estimator" from the insurance company on how they determined the amount of coverage provided, or
- Obtain a statement from insurance company that this is the maximum they will insure and that this is sufficient to replace the improvements and betterments or

### **PUDs**

Individual insurance policies are required on Planned Unit Development (PUD) units unless the PUD unit is covered under the project's blanket policy and the PUD project's constituent documents allow the individual PUD units to be included in the projects blanket policy.

In addition, the homeowners' association must maintain a policy which covers the common areas, fixtures, equipment, personal property and supplies of the project.

PUD hazard insurance must be in an amount and form acceptable to the applicable Agency guidelines.

If the individual units are covered by insurance purchased by their respective owners, the PUD homeowners' association or the fee simple landowner must maintain "all risk" coverage for common areas and property for 100% of their insurable value and provide for loss or damage settlement on a replacement cost basis. The association or fee simple landowner must also obtain any additional coverage commonly required by private mortgage investors for developments similar in construction, location and use, including the following where applicable and available:

- Agreed amount
- Demolition cost
- Increased cost of construction
- Boiler and machinery

## **Amount of Hazard Insurance**

For first lien home mortgages on 1-4 unit properties, the hazard insurance coverage must be equal to the lesser of:

- 100% of the insurable value of the improvements (replacement cost) as established by the property insurer, or
- Guaranteed Replacement Cost Endorsement, which provides that the insurer agrees to replace the insurable property, regardless of the cost or the Replacement Cost Endorsement, or
- The unpaid principal balance of the mortgage, as long as it equals the minimum amount (80% of the insurable value of the improvements) required to compensate for damage or loss calculated on a replacement cost basis
- Other Structures: DO NOT add the insurance for "other structures" with the amount of coverage on the dwelling to meet the minimum required amount

Note: Due to the revised agency appraisal form, which eliminated the site value box, the estimated site value can be submitted with a notation in the 'Comments' section of the appraisal or an appraisal addendum signed by the appraiser.

If the hazard insurance is not equal to at least one of the above minimum coverage amounts, then additional hazard coverage that meets the minimum coverage amounts must be obtained before the Mortgage Loan can be purchased.

If extended replacement cost is noted on the policy, the percentage of extended replacement costs must be detailed.

If the estimated site value, opinion site value, or an appraisal addendum signed by the appraiser is not available on the appraisal, the documents below are acceptable in the following order:

1. Insurance value from the insurance agency
2. Third party vendor (Marshall and Swift [example: Data Quick] may have been used by the vendor)  
123
3. If the site value is not noted, the tax assessor value from the title policy/commitment or tax assessment form may be used for the calculation

## **Hazard Insurance Deductible**

Deductible for hazard policies must conform to HUD guidelines.

---

## Flood Insurance

If any portion of the dwelling, related Structures (including non-residential detached structures) or equipment essential to the value of the Property is located within an SFHA, Flood Insurance must be obtained.

A Property is not eligible for FHA insurance if:

- a residential building and related improvements to the Property are located within SFHA Zone A, a Special Flood Zone Area, or Zone V, a Coastal Area, and insurance under the National Flood Insurance Program (NFIP) is not available in the community; OR
- the improvements are, or are proposed to be, located within a Coastal Barrier Resource System (CBRS).

For Properties located within an SFHA, flood insurance must be maintained for the life of the Mortgage in an amount at least equal to the lesser of:

- the Appraiser's estimated replacement cost, less the Appraiser's estimated site value;
- the outstanding balance of the Mortgage; or
- the maximum amount of the NFIP insurance available with respect to the property improvements.

---

Effective June 1, 2014 for new or renewing policies, FEMA announced changes to national Flood Insurance policy deductibles as reflected on the charts below:

<b>Flood Program Type</b>	<b>Rating</b>	<b>Minimum NFIP Deductible for Coverage of \$100,000 or Less</b>	<b>Minimum NFIP Deductible for Coverage Over \$100,000</b>
---------------------------	---------------	--	--

Emergency	All	\$1,500	\$2,000
	All Pre-FIRM <sup>②</sup> Subsidized Zones, A, AE, A1-A30, AH, AO, V, VE, and V1-V30, AR/Dual Zones without Elevation Data	\$1,500	\$2,000
	All Full-Risk <sup>③</sup> Zones: A, AE, A1-A30, AH, AO, V, VE, and V1-V30, AR/AR Dual Zones with Elevation Data, and B, C, X, A99 & D	\$1,000	\$1,250
	Tentative & Provisional	\$1,000	\$1,250

① Source is FEMA  
([http://www.fema.gov/media-library-data/1424446605297-1d4b4a2bdca13e3bb1e4edb96a73d245/changepackage\\_508\\_apr2015.pdf](http://www.fema.gov/media-library-data/1424446605297-1d4b4a2bdca13e3bb1e4edb96a73d245/changepackage_508_apr2015.pdf) - page 66)

② Pre-Firm = a building for which construction or substantial improvement occurred on or before 12/31/74, or before the effective date of an initial Flood Insurance Rate Map (FIRM)

③ Full-Risk = a building for which construction or substantial improvement on or after 1/1/75, or after the effective date of an initial Flood Insurance Rate Map (FIRM). Full Risk also applies to all policies rated with elevation data from an Elevation Certificate, regardless of build date.

FHA Loan Products - MAXIMUM Flood Insurance Deductibles

Loan Program Type	Property Type	NFIP Maximum Deductible
FHA Loans	1-4 Family Properties Unit owners in PUDs who have individual flood insurance policies	\$10,000
	Condominium Master Policies  PUD Projects Master Policies	\$25,000

---

## MORTGAGE INSURANCE PREMIUMS

See FHA Single Family Housing Policy Handbook Appendix 1 for further details

[HUD Handbook 4000.1. 12.2016](#)

[Access Mortgagee Letter 1/20/17](#)

### UPFRONT MORTGAGE INSURANCE PREMIUM (UFMIP)

UFMIP Amount: Most FHA mortgage insurance programs require the payment of UFMIP, which may be financed into the Mortgage. The UFMIP is not considered when calculating the area-based Nationwide Mortgage Limits and LTV limits. Please see HUD handbook for current rate.

The UFMIP must be entirely financed into the Mortgage or paid entirely in cash. Any UFMIP amounts paid in cash are added to the total cash settlement requirements. However, if the UFMIP is financed into the Mortgage, the entire amount is to be financed except for any

54

amount less than \$1.00. The mortgage amount must be rounded down to the nearest whole dollar amount, regardless of whether the UFMIP is financed or paid in cash.

The UFMIP must be paid by the Correspondent within 10 days of funding of the loan to the Borrower and must be paid prior to purchase of the loan by CBC Mortgage Agency.

### **Annual (or Periodic) Mortgage Insurance Premium**

The periodic MIP is an annual MIP that is payable monthly. The amount of the annual MIP is based on the LTV ratio, Base Loan Amount and the term of the Mortgage. See HUD handbook for current rates.

### **Under-Disclosed and Inaccurately Disclosed MIP**

In the event that the Correspondent fails to disclose the monthly mortgage insurance premium (MIP) on the CD, or it is inaccurately disclosed, a Borrower may not be held liable to pay the monthly MIP on FHA Mortgage loans. If this cannot be cured, then the loan is not eligible for purchase by CBC Mortgage Agency or may be subject to repurchase by the Correspondent as applicable.

### **FHA Mortgage Insurance Certificate - **New Policy! Updated as of 7/15/19****

As secondary market requirements continue to evolve, CBC Mortgage Agency has identified the need to address certain areas of risk and to take action proactively. **Beginning on or after 9/1/19**, CBCMA will require 'mortgage insurance certificates' (MICs) to be completed and provided prior to purchase. We will provide a separate announcement as we get closer to this date. Our goal is to ensure that all loans delivered to CBCMA have addressed FHA insuring requirements and reduces repurchase risk for all parties involved.

---

### **THE LOAN ESTIMATE ("LE")**

For closed-end credit transactions secured by real property (other than exempt transactions), the Correspondent is required to provide the consumer with good-faith estimates of credit costs and transaction terms on the LE.

The Correspondent is responsible for delivering the initial LE or placing it in the mail no later than the third General Business Day after receiving the six items which define an application.

The initial LE must also be delivered or placed in the mail at least seven Specific Business Day before consummation of the transaction. The regulation allows the consumer to modify or waive this seven-business-day waiting period after receiving the LE if the consumer has a bona-fide personal financial emergency that necessitates consummating the credit transaction before the end of the waiting period.

CBC Mortgage Agency will not purchase a loan where any modification or waiver of a mandatory waiting period has been granted.

#### Good Faith Requirement and Variance

Correspondent is required to act in good faith and exercise due diligence in obtaining information necessary to complete the LE. However, there may be some information that is unknown (i.e., not reasonably available to Correspondent at the time the LE is made). In these instances, Correspondent may use estimates even though it knows that more precise information will be available by the point of consummation.

Whether or not the LE was made in good faith is determined by calculating the difference between the estimated charges originally provided in the LE and the actual charges paid by or imposed on the consumer in the CD.

Generally, if the charges paid by or imposed on the consumer exceed the amount originally disclosed on the LE, it is not in good faith, regardless of whether Correspondent later discovers a technical error, miscalculation, or underestimation of a charge.

However, an LE is considered to be in good faith if Correspondent charges the consumer less than the amount disclosed on the LE, without regard to any variance limitations.

#### Variance Limitations

Correspondent may charge the consumer more than the amount disclosed in the LE if the amount charged falls within the explicit variance thresholds and the estimate is not for a zero tolerance charge where variations are never permitted as described in the Fee Variance section above. Correspondent may also charge the consumer more than the amount charged in the original LE when a valid change in circumstance occurs requiring a revised LE.

If the amounts paid by the consumer at closing exceed the amounts disclosed on the LE beyond the applicable variance threshold, Correspondent must refund the excess to the consumer no later than 60 calendar days after consummation.

#### Revisions and Corrections to Loan Estimates

**Note: Creditors may only use revised or corrected Loan Estimates when specific requirements are met.** Creditors generally may not issue revisions to **Loan Estimates** because they later discover technical errors, miscalculations, or underestimations of charges. Creditors are permitted to issue revised **Loan Estimates** only in certain situations such as when changed circumstances result in increased charges. (§ 1026.19(e)3)(iv))

The Correspondent is generally bound by the LE provided within three General Business Days of the application and may not issue revisions to LEs because it later discovers technical errors, miscalculations, or underestimations of charges.

Correspondent is permitted to provide to the consumer revised LEs (and use them to compare estimated amounts to amounts actually charged for purposes of determining good faith) only in certain specific circumstances:

- Changed circumstances that occur after the LE is provided to the consumer that cause estimated settlement charges to increase more than the aggregate 10 percent variance
- The consumer is ineligible for an estimated charge previously disclosed because a changed circumstance, as defined above, affected the consumer's creditworthiness or the value of the security for the loan
- The consumer requests revisions to the credit terms or settlement charges that cause an estimated charge to increase
- Any points or Correspondent credits change because the interest rate was not locked when the initial LE was prepared, and a subsequent rate lock has occurred
- The consumer indicates intent to proceed after the closing cost expiration date and time disclosed on the LE (found on page 1 under ("Rate Lock"))
- On new construction loan transactions, where the creditor reasonably expects that settlement will occur more than 60 days after the LE is provided, the creditor may provide a revised LE, as long as this fact was clearly and conspicuously disclosed to the consumer on the LE originally provided. If no such statement is provided, the creditor may not issue revised disclosures, unless otherwise provided for above

### Timing for Revisions to Loan Estimate

Generally, Correspondent must deliver or place in the mail the revised LE to the consumer no later than three General Business Days after receiving the information sufficient to establish a valid change in circumstance has occurred.

Correspondent may not provide a revised LE on or after the date it provides the CD.

Correspondent must ensure that the consumer receives the revised LE no later than four Specific Business Days prior to consummation. If Correspondent is mailing the revised LE and relying upon the three-business-day mailbox rule, Correspondent would need to place in the mail the revised LE no later than seven Specific Business Days before consummation of the transaction to allow three business days for receipt.

The regulation allows the consumer to waive or modify the seven-business-day waiting period after receiving the Loan Estimate if the extension of credit is needed to meet a bona fide personal financial emergency. CBC Mortgage Agency will not purchase a loan where any modification or waiver of a mandatory waiting period has been granted.

---

## **THE CLOSING DISCLOSURE ("CD")**

### **The CBC Mortgage Agency Second Lien Closing Disclosure**

The CFPB expects that typical transactions with a simultaneous second lien loan will involve two separate transactions. Regardless if the transaction involves the same creditor providing the first loan and the simultaneous second loan, the two loans are treated as separate transactions with the proceeds from the simultaneous second included in the Closing Disclosure for the primary transaction where the seller is disclosed pursuant to Section 38(j)(2)(vi), per Comment 38(j)(2)(vi)-2.

CBC Mortgage Agency's second lien must have separate disclosures and should contain the information associated with the CBC Mortgage Agency Second Mortgage Loan (including, but not limited to the loan amount, fees charged, and payment schedule). CBC Mortgage Agency relies on its Correspondents to ensure the second mortgage Loan Estimate and Closing Disclosure are compliant with the TILA-RESPA Integrated Disclosure Rule. In addition, CBC Mortgage Agency requires that Correspondents preparing the second lien CD comply with CBC Mortgage Agency's applicable investor/insurer/guarantor requirements for

58

the second lien CD. To this end, we are providing the following guidance that our investors have found to be acceptable.

**Properly Identifying Down Payment Assistance Funds on 1<sup>st</sup> CD:**

On the 1<sup>st</sup> Mortgage CD, CBC Mortgage Agency down payment assistance funds must be identified as coming from CBC Mortgage Agency (**not** Chenoa Fund) and reflected as such in Section L, 'Paid Already by Or on Behalf of Borrower at Closing' or under 'Other Credits', utilizing Lines 4 thru 7\*

**Showing Closing Costs for Secondary Financing on 1<sup>st</sup> CD:**

On the 1<sup>st</sup> CD, total closing costs associated with the 2<sup>nd</sup> mortgage may be reflected in Section H of the 1<sup>st</sup> CD, 'Other Costs' and identified as "Closing Costs for Secondary Financing", if those fees are not being paid by the borrower or 'netted' from the second mortgage proceeds.

Either net proceeds or the principal balance from CBC Mortgage Agency second liens may be shown in the 'Amount Column', however, if net proceeds are shown, the principal balance must also be shown in parenthesis in the description field – see examples in Closing Disclosure Addendum. Note: if net proceeds are shown in the Amount column in Section L, or under "Other Credits" on the 1<sup>st</sup> CD, the closing costs associated with the 2<sup>nd</sup> mortgage CD will not be reflected in Section H of the 1<sup>st</sup> CD and it will be critical for the lender to confirm that the borrower has sufficient funds invested to meet the FHA minimum required investment.

\*Where the number of characters does not permit fully spelling out "CBC Mortgage Agency" to identify the source of funds (gift or 2<sup>nd</sup> lien), the following abbreviations may also be used: 1. CBC Mortgage; 2. CBCMA. Under no circumstances should the source of funds be identified as "Chenoa"

**DISPLAYING SECOND LIEN NET PROCEEDS AND PRINCIPAL BALANCE ON THE CLOSING DISCLOSURE FOR THE FIRST MORTGAGE**

**Example Showing Principal Balance in Amount Column:**

<b>L. Paid Already by or on Behalf of Borrower at Closing</b>	<b>\$205,866.37</b>
01 Deposit	\$500.00
02 Loan Amount	\$191,369.00
03 Existing Loan(s) Assumed or Taken Subject to	
04	
05 Seller Credit	\$5,847.00
<b>Other Credits</b>	
06 2nd Lien: CBC Mortgage	\$6,822.00

**Example Using Net Proceeds in Amount Column:**

15

<b>L. Paid Already by or on Behalf of Borrower at Closing</b>	
01 Deposit	
02 Loan Amount	
03 Existing Loan(s) Assumed or Taken Subject to	
04 CBC Mortgage Agency 2nd Lien (Principal Bal. \$15,000)	\$14,850.00
05 Seller Credit	
<b>Other Credits</b>	
06	
07	
<b>Adjustments</b>	

## DISPLAYING SECOND LIEN LOAN FEES ON 2<sup>ND</sup> CD

### Example Second Lien Closing Disclosure Fees Disclosed:

Loan Terms		Can this amount increase after closing?
Loan Amount	\$10,920	NO
Interest Rate	5%	NO
Monthly Principal & Interest	\$58.63	NO
<i>See Projected Payments below for your Estimated Total Monthly Payment</i>		
Does the loan have these features?		
Prepayment Penalty		NO
Balloon Payment		NO

Projected Payments				
Payment Calculation	Years 1 - 30			
Principal & Interest	\$58.63			
Mortgage Insurance	+ 0			
Estimated Escrow Amount can increase over time	+ -			
<b>Estimated Total Monthly Payment</b>	<b>\$58.63</b>			
<b>Estimated Taxes, Insurance &amp; Assessments</b> <i>Amount can increase over time See page 4 for details</i>	<table border="0"> <tr> <td>\$0.00 a month</td> <td> <b>This estimate includes</b>  <input type="checkbox"/> Property Taxes  <input type="checkbox"/> Homeowner's Insurance  <input type="checkbox"/> Other:                 </td> <td> <b>In escrow?</b> </td> </tr> </table> <p><i>See Escrow Account on page 4 for details. You must pay for other property costs separately.</i></p>	\$0.00 a month	<b>This estimate includes</b> <input type="checkbox"/> Property Taxes <input type="checkbox"/> Homeowner's Insurance <input type="checkbox"/> Other:	<b>In escrow?</b>
\$0.00 a month	<b>This estimate includes</b> <input type="checkbox"/> Property Taxes <input type="checkbox"/> Homeowner's Insurance <input type="checkbox"/> Other:	<b>In escrow?</b>		

Costs at Closing		
Closing Costs	\$201.50	Includes \$160.00 in Loan Costs + \$41.50 in Other Costs - \$0 in Lender Credits. <i>See page 2 for details.</i>
Cash to Close	\$201.50	Includes Closing Costs. <i>See Calculating Cash to Close on page 3 for details.</i>

10				
<b>C. Services Borrower Did Shop For</b>		<b>\$160.00</b>		
01 Title - Settlement Or Closing Fee to Highland Title	\$160.00			
02				
03				
04				
05				
06				
07				
08				
<b>D. TOTAL LOAN COSTS (Borrower-Paid)</b>		<b>\$160.00</b>		
Loan Costs Subtotals (A + B + C)	\$160.00			

<b>Other Costs</b>				
<b>E. Taxes and Other Government Fees</b>		<b>\$40.00</b>		
01 Recording Fees Deed: Mortgage:				
02 Recording Fee to County	\$40.00			
<b>F. Prepaids</b>		<b>\$1.50</b>		
01 Homeowner's Insurance Premium ( months)				
02 Mortgage Insurance Premium ( months)				
03 Prepaid Interest ( \$ per day from 11/30/17 to 12/1/17)	\$1.50			
04 Property Taxes ( months)				
05				
<b>G. Initial Escrow Payment at Closing</b>				
01 Homeowner's Insurance per month for mo.				
02 Mortgage Insurance per month for mo.				
03 Property Taxes per month for mo.				
04				
05				
06				
07				
08 Aggregate Adjustment				
<b>H. Other</b>				
01				
02				
03				
04				
05				
06				
07				
08				
<b>I.TOTAL OTHER COSTS (Borrower-Paid)</b>		<b>\$41.50</b>		
Other Costs Subtotals (E + F + G + H)	\$41.50			
<b>J.TOTAL CLOSING COSTS (Borrower-Paid)</b>		<b>\$201.50</b>		
Closing Costs Subtotals (D + I)	\$201.50			
Lender Credits				

**CD and Settlement documentation:**

- Initial Borrower Closing Disclosure
- If multiple CDs, "Final" marked Borrower Closing Disclosure
- If multiple CDs, "Final" marked Seller's Closing Disclosure
- Settlement agent disbursement sheet

- Fully completed and executed Settlement Agent Certification
- Seller's signed Closing Disclosure/Seller's Transaction

\*Important Note: Electronic signatures on closing and settlement documentation is not permitted. This includes the seller's signature on the Settlement Certification.

CBC Mortgage Agency requires borrower's and seller's signature on the Closing Disclosure provided to the borrower(s) and seller at closing. The Final Closing Disclosure must be marked "Final" to clearly distinguish it from other Closing Disclosures.

#### Preparation of the Closing Disclosure for a Seller

For a purchase transaction, the settlement agent is required to provide the seller with the CD reflecting the actual terms of the seller's transaction. The settlement agent may comply with this requirement by providing the seller with a copy of the CD provided to the consumer (buyer) if it also contains information relating to the seller's transaction. CBC Mortgage Agency requires the seller's signature on the CD containing both buyer and seller transactions, if a separate seller signed CD is not provided. The settlement agent may instead provide the seller with a separate disclosure, including only the information applicable to the seller's transaction from the CD. However, if the seller's disclosure is provided in a separate document, the settlement agent will provide Correspondent with a copy of the CD provided to the seller and signed by the seller. The settlement agent will provide the seller its copy of the CD no later than the day of consummation.

#### Delivery of the Closing Disclosure

The CD must be received by the consumer at least three Specific Business Days prior to consummation.

For transactions involving multiple consumers, Correspondent must ensure that the CD is provided separately to each consumer having the right to rescind under TILA, either directly or via the settlement agent, as appropriate. For transactions that are not rescindable, Correspondent must provide the CD to the consumer with primary liability for the mortgage transaction.

Correspondent must ensure delivery of the appropriate disclosures in accordance with the timing requirements for each by one or more of the following methods and in accordance with the rule, as necessitated for compliance:

- In person (or via courier)
- Mailing the disclosures, which may include overnight delivery

· Via electronic delivery methods subject to compliance with the consumer consent and other applicable provisions of the Electronic Signatures in Global and National Commerce Act (15 U.S.C. 7001 et seq.). Note: Final closing documents, including the Final CD and Settlement Certification may not be electronically delivered and signed. Wet signatures are required in all cases for these documents.

Under the timing requirements of the rule, if a creditor provides appropriate disclosures by mail, electronic delivery or courier, the creditor may presume that the consumer receives the disclosure three Specific Business Days after they are mailed, transmitted, or deposited with the courier service, for purposes of determining when the 3-business-day waiting period begins. This is commonly referred to as the three-business-day mailbox rule. When Correspondent has evidence that the consumer received the disclosures earlier than three Specific Business Days after mailing or delivery, Correspondent may rely on that evidence under the rule and consider the disclosures to be received on that date.

If the CD is provided in person, it is considered received by the consumer on the day it is provided.

The regulation allows the consumer to waive or modify the three-business-day waiting period if the extension of credit is needed to meet a bona fide personal financial emergency.

#### Revised Closing Disclosures

Once a CD is delivered or mailed to the consumer, consummation cannot occur until three Specific Business Days after the disclosure is considered received by the consumer. According to the TRID rule, there are three categories of changes that require a corrected CD containing all changed terms:

1. Changes that occur before consummation that will require a new three-specific-business-day waiting period:

- a. The disclosed APR becomes inaccurate by more than  $\frac{1}{8}$  of 1 percent above or below the previously disclosed APR and a revised CD with the correct APR and all other associated terms that have changed needs to be provided
- b. The loan product previously disclosed becomes inaccurate and a revised CD with the correct loan product and all other associated terms that have been changed needs to be provided

c. A prepayment penalty is added to the transaction and a revised CD with the prepayment penalty provisions and all other associated terms that have changed needs to be provided (Note: CBC Mortgage Agency down payment assistance transactions may not contain prepayment penalties).

2. Changes that occur before consummation that do not require a new three-specific-business-day waiting period (any changes not covered above); the revised CD will be provided at or before consummation, however the consumer has the right to inspect the CD during the business day before consummation. If a consumer asks to inspect the CD the business day before consummation, the CD presented to the consumer will reflect any adjustments to the costs or terms that are known to Correspondent at the time the consumer inspects the document

3. Changes that occur after consummation

### **Disclosures Required Post-Consummation**

Correspondent must make the following disclosures clearly and conspicuously in writing, in a form that the consumer may keep.

If during the 30-day period following consummation, an event in connection with the settlement of the transaction occurs that causes the CD to become inaccurate, and such inaccuracy results in a change to an amount actually paid by the consumer, the Correspondent must deliver or place in the mail a corrected CD no later than 30 days after receiving information sufficient to establish that such an event has occurred. An example of such an event might be a recording fee or a transfer tax that differs from what was disclosed, or the discovery of an unpaid assessment at the time of document recording.

If the CD contains non-numeric clerical errors, Correspondent must deliver or mail a corrected CD no later than 60 days after consummation.

In the case where a refund of excessive fees paid by the consumer are necessary, related to good faith analysis, the refund amount must be provided to consumer no later than 60 calendar days after consummation. In addition, Correspondent must deliver or mail the corrected CD reflecting such refund no later than 60 days after consummation.

All other TRID disclosures must be provided to CBC Mortgage Agency with a reliable form of evidence of delivery. If the 3-day mail rule is truncated for delivery of the Closing Disclosure to allow for an early closing, evidence of the date of receipt is required.

**Acceptable:**

- No more than \$100 understated tolerance
- The Finance Charge is understated by no more than \$100 or the APR is understated no more than .125%. However, both can be overstated.

**Not Acceptable**

- The CD is not acceptable if it is understated by more than the \$100 tolerance
- The Finance Charge is understated by more than \$100 or the APR is understated by more than .125%

---

**Electronic signatures**

CBC Mortgage Agency will accept the use of electronic signatures on certain documents conducted in accordance with the performance standards that are outlined and as permitted by applicable law, secondary market investors and the performance standards required by HUD.

The following guidance is not intended as legal or regulatory advice. The Correspondent is responsible for obtaining professional advice, as needed, to ensure that Mortgage Loans submitted to CBC Mortgage Agency are in compliance.

A Correspondent's electronic signature technology must comply with all requirements of the ESIGN Act, including those relating to disclosures, consent, signature, presentation, delivery, and retention and any state law applicable to the transaction. The ESIGN Act defines electronic signatures as "any electronic sound, symbol, or process attached to or logically associated with a contract or record and executed or adopted by a person with the intent to sign the record." (Esign 106(5)). Correspondents should follow this definition of electronic signatures with the exception that CBC Mortgage Agency will not accept an electronic signature that is solely voice or audio. The Correspondent's process for electronically signing Authorized Documents must ensure the document is presented to the signatory before an electronic signature is obtained. The electronic signature must be attached to, or logically associated with, the documents that have been electronically signed.

In each Mortgage Loan File using electronic signatures, the Correspondent should collect and retain appropriate evidence of the:

- Borrower's consent for the use of any electronic signature or disclosure,
- Signer's certification that the document is true, accurate, and correct at the time signed,
- Intent to sign the record and the intent to use an electronic signature, and
- Attribution of the electronic signature to that signer

Electronic signatures are acceptable on initial application documents. However, the following specific documentation will require wet signatures that are not electronic: All documents requiring the borrower to check a box prior to signing UNLESS the LOS system or electronic signature portal has an automatic stop mechanism built in to ensure a selection is made at time of signature, program specific disclosures such as the Informed Consumer Choice Disclosure, Borrower Identity of Interest form, 92900-A etc.; All Closing and Settlement documents, including the final loan application, Note, Mortgage, Closing Disclosure, Settlement Certification, including all signatures: 1. Buyer/borrower; 2. Seller; 3. Settlement agent.

#### Representations and Warranties

In addition to Representations and Warranties listed in the Agreement and elsewhere in this Guide; when selling a Mortgage Loan with electronic signatures to CBC Mortgage Agency, the Correspondent makes the following Representations and Warranties with respect to any and all documents or record delivered to CBC Mortgage Agency which bear an electronic signature:

- All electronic signatures comply with applicable law, including the standards and requirements of the federal Electronic Signatures in Global and National Commerce Act (E-Sign) and, if applicable, the Uniform Electronic Transaction Act (UETA), adopted by the state in which the Electronic Signature is initiated
- Any and all documents or records bearing an electronic signature are fully transferable or assignable by CBC Mortgage Agency to any third party
- Any and all documents or records bearing an electronic signature are fully enforceable by such third party to whom CBC Mortgage Agency transferred or assigned such document or record
- Any and all documents or records bearing an electronic signature have been duly and properly executed and attested (if applicable) in full compliance with any and all

applicable laws and regulations, including, but not limited to, any applicable CBC Mortgage Agency, Fannie Mae, Freddie Mac, FHA or VA requirements

- Each document or record, which bears an electronic signature, will be accepted by Fannie Mae, Freddie Mac FHA or VA as applicable, in accordance with the requirements of such Agency or investor

### **Use of Power of Attorney at Closing**

Closing documents may be executed with a Specific Power of Attorney (POA) that complies with all applicable laws and agency's policies, provided the following conditions are met:

- POA must be specific to the transaction and subject property (General POAs are not acceptable)
- POA must have been in full force and effect on the date of closing
- The designated individual with Power of Attorney may not have a direct or indirect interest in the transaction
- Grantor's (Borrower's) name appears exactly as it was stated to appear on all closing documents. If notarized outside of the United States, it must be notarized at a U.S. Embassy or a military installation.
- Recorder's stamp appears, if previously recorded. The POA must be dated no more than 120 days prior to, and must be in full force and effect on, the Closing Date.
- At least one Borrower must have been present at closing, unless a face-to-face interview was conducted on all applicants.
- The attorney-in-fact must have executed all closing documents at settlement.
- Title must insure Correspondent is in first lien position without exception to the POA.
- POA document must be recorded immediately prior to the closing documents.

### **Signature requirements for a POA (no exceptions)**

Sign the Borrower name, POA signature underneath with the following verbiage "as attorney in fact" (i.e., John Doe by Mary Doe, as attorney in fact). In the case of initials (no exceptions): Initial the Borrower's initials, POA initials underneath with the following verbiage "as attorney in fact". (i.e., JD by MD, as attorney in fact)

### **Same Name Affidavits**

A borrower's name and signature should be consistent throughout all the documentation in the mortgage loan file. Slight variations may be acceptable, such as a missing middle initial or the omission of a "Jr" or "Sr." However, if there are significant variations between the

borrower's signature as compared to the printed name on the following documents, the borrower MUST sign a Same Name or A/K/A affidavit at closing listing all variations to be covered:

- Note
- Mortgage
- Credit Report
- Title Policy

In addition to variations on the above documents, a Same Name or A/K/A affidavit must be signed if the credit report indicates that the borrower has a disclosed alias that is significantly different than the name on the application or related documents. If there are name variations on documents in the file other than the Note, Mortgage, Credit Report, and Title Policy, a Same Name or A/K/A affidavit may be required at the underwriter's discretion.

### **Interest Credit Option**

Loans disbursed up to the seventh day of the month may use an interest credit option.

### **Mortgage Loan Document Corrections**

Corrections to Note and Mortgages (Deeds) should be made by drawing a single line through the incorrect information. The Correspondent must then type the correct information in the appropriate location on the document. All Borrower(s) must initial the change. The use of correction tape, correction fluid, erasures, or lift-off is not permitted.

### **Closing in Compliance with Mortgage Approval**

Lender must instruct the settlement agent to close the Mortgage in the same manner in which it was underwritten and approved.

Lender must ensure that the conditions listed on form HUD-92900-A and/or form HUD-92800.5B are satisfied.

## **Closing in the Mortgagee's Name**

A Mortgage may close in the name of the Mortgagee or the sponsoring Mortgagee, the principal or the authorized agent. TPOs that are not FHA-approved Mortgagees may not close in their own names or perform any functions in FHA Connection (FHAC).

The Mortgagee must use the forms and/or language prescribed by FHA in the legal documents used for closing the Mortgage.

## **Data Integrity**

For Origination, Underwriting, Endorsement, and Insuring: The Mortgagee must validate all data elements (including loan level data) submitted through the Automated Underwriting System (AUS), Technology Open to Approved Lenders (TOTAL) Mortgage Scorecard, and FHA Connection (FHAC), and validate that documentation exists in the loan file to support all data used to underwrite the Mortgage.

## **Projected Escrow (Taxes and Insurance)**

Lender must establish the escrow account in accordance with the regulatory requirements in 24 CFR § 203.550 and RESPA.

• **Monthly Escrow Obligations:** Lender must collect a monthly amount from the Borrower that will enable it to pay all escrow obligations in accordance with 24 CFR § 203.23. The escrow account must be sufficient to meet the following obligations when they become due:

- o hazard insurance premiums;
- o real estate taxes;
- o Mortgage Insurance Premiums (MIP);
- o special assessments;
- o flood insurance premiums if applicable;
- o Ground Rents if applicable; and
- o any item that would create liens on the Property positioned ahead of the FHA-insured Mortgage, other than condominium or Homeowners' Association (HOA) fees

## **Estimating Real Estate Taxes**

The Mortgagee must use accurate estimates of monthly tax escrows when calculating the total Mortgage Payment.

***In New Construction transactions, property tax estimates for calculating the monthly payment must be based on the appraised land value, plus improvements, along with the county tax/levy rate. In some cases, this can be done by using the manual calculation formula from the applicable taxing authorities. Or, the title company may provide the estimate at the time preliminary title is ordered. Documentation from the taxing authorities must be in file to support the estimated monthly tax used for payment calculation.***

---

### **Closing Costs and Fees**

Lender must ensure that all fees charged to the Borrower comply with all applicable federal, state and local laws and disclosure requirements. Lender is not permitted to use closing costs to help the Borrower meet the Minimum Required Investment (MRI).

Collecting Customary and Reasonable Fees: Lender may charge the Borrower reasonable and customary fees that do not exceed the actual cost of the service provided. Mortgagee must ensure that the aggregate charges do not violate FHA's

### **Disbursement Date**

Disbursement Date refers to the date the proceeds of the Mortgage are made available to the Borrower.

The Disbursement Date must occur before the expiration of the FHA-issued Firm Commitment or DE approval and credit documents.

### **Per Diem Interest and Interest Credits**

- The Mortgagee may collect per diem interest from the Disbursement Date to the date amortization begins.
- Alternatively, the Mortgagee may begin amortization up to 7 Days prior to the Disbursement Date and provide a per diem interest credit.
- Any per diem interest credit may not be used to meet the Borrower's MRI.
- Per diem interest must be computed using a factor of 1/365th of the annual rate.

## **Real Estate Taxes Due the Following Month After Loan Purchase**

All property taxes due the following month of loan purchase must be paid prior to loan purchase with evidence of payment documented through Settlement Agent or cancelled check or paid receipt. Example: For a loan to be purchased in November and taxes are due in December, the December taxes must be paid prior to CBC MORTGAGE AGENCY purchasing the loan.

## **Mortgage and Note**

Mortgage refers to any form of security instrument that is commonly used in a jurisdiction in connection with a loan secured by a one- to four-family residential Property, such as a deed of trust or security deed. Note refers to any form of credit instrument commonly used in a jurisdiction to evidence a Mortgage.

- The Mortgagee must develop or obtain a separate Mortgage and Note that conforms generally to the Freddie Mac and Fannie Mae forms in both form and content, but that includes the specific modification required by FHA set forth in the applicable Model Note and Mortgage.
- The Mortgagee must ensure that the Mortgage and Note comply with all applicable state and local requirements for creating a recordable and enforceable Mortgage, and an enforceable Note.

## **Disbursement of Mortgage Proceeds**

The Mortgagee must verify that Mortgage proceeds are disbursed in the proper amount to the Borrower and the seller, or in the case of a refinance transaction, to the debt holder. FHA Underwriting & Eligibility Standards

- At closing, the Mortgage proceeds disbursed by the Mortgagee and the cash from the Borrower must equal the total Acquisition Cost or refinance cost.
- The Mortgagee must obtain the final Settlement Statement or similar legal document from the settlement agent.

## **Principal Reductions / Principal Curtailments**

A principal reduction/curtailment refers to the immediate reduction of the original principal balance without a modification to the original terms of the loan. Principal

reductions/curtailments are permitted on a limited basis in accordance with Agency guidelines to correct one of the following scenarios:

- Eliminate any excess credit for rate (premium pricing)
- Eliminate any excess cash back to the Borrower

**Reviewing Limited Denial Participation and SAM Exclusion Lists:** The Mortgagee must check the HUD Limited Denial of Participation (LDP) list to confirm the Borrower's eligibility to participate in an FHA-insured mortgage transaction. The Mortgagee must check the System for Award Management (SAM) and must follow appropriate procedures defined by that system to confirm eligibility for participation.

---

### **Minimum Required Repairs & Escrow Holdbacks**

Minimum required repairs are established by the FHA Roster Appraiser and/or the FHA DE Lender. CBC MORTGAGE AGENCY will accept escrow holdbacks prior to purchase on a case-by-case basis exception basis and **MUST BE PRE-APPROVED**. Exception requests for escrow holdbacks will be considered for weather related repairs only – that is repairs that cannot be completed prior to close due to inclement weather.

Pre-Approval Process: After registering the loan in the CBC Mortgage Agency system, please email [locks@chenoafund.org](mailto:locks@chenoafund.org) to obtain approval to move forward with an escrow holdback that meets the following requirements:

#### **Escrow Holdback Requirements**

- Allowed for exterior repairs and/or improvements, including landscaping, not completed prior to closing due to weather related delays.
- ***The total costs of repairs may not exceed \$5,000 or be less than \$500 prior to adding the required contingency.***
- The dollar amount of escrow holdback is a minimum of 150% (or 1.5 times) the cost of the improvement or repair must be held in escrow.
- Escrow Holdbacks are allowed only when the appraisal is completed "subject to" repairs or alterations.
- The property must meet FHA minimum property standards at closing

- Minor repair/improvement items may be completed by the borrower provided acceptable evidence of completion is obtained
- Note Energy Mortgages (EEM) are not allowed at this time.
- The Appraiser must include a list of the required exterior repairs/improvements

### **Completion Date**

Improvements or repairs must be completed within 60 days of the Note unless it is during inclement weather season. Inclement weather season is considered between the months of November through March - repairs/improvements must be completed by April 30th or 60 days from the Note, whichever is further out.

***Please note: it is the responsibility of the correspondent lender to ensure that all repairs are completed. Notification from CBC Mortgage Agency or transferring investor is not guaranteed. Failure to complete the required repairs may result in repurchase liability.***

### **Documentation Requirements**

- Fully Executed Escrow Holdback Agreement
- Completed Chenoa Escrow Holdback Lender Acknowledgment
- Closing Disclosure evidencing escrow of funds at closing
- Final inspection/documentation of completion of repairs as required
  - HUD form 92051 - line 14 checked and signed by the Fee Inspector, DE Staff Inspector, Appraiser or HUD Inspector; or
  - Fannie Mae Appraisal Update and/or Completion Report (form 1004D) with front photo of the subject property - completed by the appraiser; or a qualified professional may be a:
    - Professionally licensed, bonded, registered engineer; or Licensed home inspector; or appropriately registered/licensed trades person
      - If the borrower performed the minor repairs, receipts for the items needed to make the repairs and the fee inspection is required.
- HUD Form 92300, Mortgagee's Assurance of Completion, must be completed by the correspondent; must reflect the escrow amount; and the Mortgagee's Assurance of Completion, pages 1 & 2 must be signed/dated after completion of repairs.
- Evidence of release of escrow funds
- If the contract indicates that the borrower is financially responsible for the required repairs, the source of the funds must be documented. Follow standard requirements for documentation of assets/funds to close

74

- Effective for case numbers assigned on or after October 31, 2016, after the repair escrow account is closed, the Mortgagee must complete the Escrow Closeout Certification screen in FHAC within 30 Days after the escrow account is closed.



## CBC Mortgage Agency

### Escrow Holdback Requirements

**Borrower Name:**

**Loan Number:**

The Mortgagee may establish a repair escrow for incomplete construction, or for alterations and repairs that cannot be completed prior to loan closing, provided the housing is habitable and safe for occupancy at the time of loan closing and the following are met:

- Allowed for exterior repairs and/or improvements not completed prior to closing due to weather related delays.
- The total cost of repairs may not exceed \$5,000 prior to adding the required contingency. Exceptions are not allowed.
- Escrow Holdbacks are allowed only when the appraisal is completed “subject to repairs or alterations”.
- The property must meet FHA minimum property standards at closing.
- Minor repair/improvement items may be completed by the borrower provided acceptable evidence of completion is obtained.
- If the appraisal is completed “as is” or the repairs are not part of the sales contract, the seller is responsible for the completion of repairs prior to closing.
- CBCMA approval is required for all repair escrows and eligibility
- After the repair escrow is closed, the Mortgagee must complete the Escrow Closeout Certification screen in FHAC within 30 Days after the escrow is closed.

### **Appraisal Requirements**

- The appraisal must include a list of the required exterior repairs and the estimated cost to cure

### **Eligible Repairs**

The following list of items are potentially eligible for repair escrows. Approval is required for all repair escrows and eligibility is subject to CBCMA review.

- Escrow holdbacks are typically allowed for repairs that are not required to meet FHA's minimum property standards, such as exterior painting or/and landscaping
- Escrow holdbacks are not allowed for structural repairs, foundation work, roofs or pools
- Escrow holdbacks in all cases, must be deemed necessary due to severe weather conditions

### **Escrow Amount**

Escrowed funds must be equal to the greater of 150% of the estimated repair costs or \$500

### **Completion Date**

1. Improvements or repairs must be completed within 60 days of the Note unless it is during inclement weather season.
2. Inclement weather season is considered to be between the months of November through March -repairs/improvements must be completed by April 30th or 60 days from the Note, whichever is further out.

*Please note: it is the responsibility of the correspondent lender to ensure that all repairs are completed. Notification from CBC Mortgage Agency or transferring investor is not guaranteed. Failure to complete the required repairs may result in repurchase liability.*

**Documentation Requirements**

- Fully Executed Escrow Holdback Agreement
- Closing Disclosure evidencing escrow of funds at closing
- Final inspection/documentation of completion of repairs as required on HUD form 92051 - line 14 checked and signed by the Fee Inspector, DE Staff Inspector, Appraiser or HUD Inspector; or Fannie Mae Appraisal Update and/or Completion Report (form 1004D) with front photo of the subject property completed by the appraiser; or a qualified professional may be a:
  - Professionally licensed, bonded, registered engineer; or Licensed home inspector; or appropriately registered/licensed trades person
  - If the borrower performed the minor repairs, receipts for the items needed to make the repairs and the fee inspection is required HUD Form 92300, Mortgagee’s Assurance of Completion, must be completed by the correspondent; must reflect the escrow amount; and the Mortgagee’s Assurance of Completion, pages 1 & 2 must be signed/dated after completion of repairs.
  - Evidence of release of escrow funds
  - If the contract indicates that the borrower is financially responsible for the required repairs, the source of the funds must be documented. Follow standard requirements for documentation of assets/funds to close
  - Effective for case numbers assigned on or after October 31, 2016, after the repair escrow account is closed, the Mortgagee must complete the Escrow Closeout Certification screen in FHAC within 30 Days after the escrow account is closed.

**Lender Acknowledgment**

We understand and agree to perform according to the terms of CBC Mortgage Agency Escrow Holdback Requirements as outlined herewith:

By: \_\_\_\_\_ Date: \_\_\_\_\_

## **Subordination Policy**

CBC Mortgage Agency does accept subordination requests for some of our Chenoa 2<sup>nd</sup> programs, with the following requirements and restrictions:

### Amortized & Repayable Second Mortgage:

On loans closed prior to 3/1/18, we require a 13-month waiting period for subordination approval, and after 3/1/18 we have a 36-month waiting period policy. To qualify under these circumstances, they must have made either 13 or 36 payments on both the Primary and Secondary loans, with no late payments (defined as more than 30 days late).

Payments may not be paid forward to satisfy the waiting period, and it is required that all the payments have been made prior to subordination approval. No exceptions allowed.

### Soft Seconds

Soft seconds do not qualify for subordinations. ***The note specifically dictates that a refinance of the 1st mortgage would trigger a payoff of the 2nd mortgage.***

Should a loan qualify for subordination, the following process is required: 1) the requesting party should email a copy of the subordination agreement to [servicing@chenoafund.org](mailto:servicing@chenoafund.org) for review and acceptance; 2) \$150 processing fee is required (payable to CBCMA); 3) a return shipping label is required, as well as a subordination document to be executed.

All documents may not be executed until we have verified the payment as received.

***As a reminder, for all Credit, Underwriting or Compliance questions, please email our Scenario Desk: [scenariodesk@chenoafund.org](mailto:scenariodesk@chenoafund.org).***

## **CBC KEY CONTACT INFORMATION**

### **Cedar Band of Paiute Headquarters:**

Cedar Band of Paiutes  
600 N 100 E  
Cedar City, UT 84721  
435 586-9433  
[www.utahpaiutes.org/bands/cedar/](http://www.utahpaiutes.org/bands/cedar/)

### **Loan Operations Center:**

CBC Mortgage Agency  
912 W Baxter Dr, Suite 150  
South Jordan, UT 84095  
(866) 563-3507  
Fax (435) 237-0022  
[www.chenoafund.org](http://www.chenoafund.org)

### **Shipping for Collateral and Trailing Docs:**

CBC Mortgage Agency  
912 W. Baxter Drive, #150  
South Jordan, UT 84095

### **Mortgagee Clause:**

CBC Mortgage Agency  
Its Successors and./ or Assigns ATIMA  
912 W. Baxter  
Suite 150  
South Jordan, UT 84095

### **Lock Desk**

[locks@chenoafund.org](mailto:locks@chenoafund.org)

### **Purchase Clearing**

[purchaseclearing@chenoafund.org](mailto:purchaseclearing@chenoafund.org)

### **Loan Submissions**

[submissions@chenoafund.org](mailto:submissions@chenoafund.org)

### **Final /Trailing Docs**

[finaldocs@chenoafund.org](mailto:finaldocs@chenoafund.org)

### **Scenario Questions**

[scenariodesk@chenoafund.org](mailto:scenariodesk@chenoafund.org)

### **Complaints**

[complaints@chenoafund.org](mailto:complaints@chenoafund.org)

### **Accounting**

[accounting@chenoafund.org](mailto:accounting@chenoafund.org)

**MERS ID:** 1012881

**FHA ID:** 9413-00000-8

**NMLS ID:** 1186381

**CBC EIN:** 46-2780478

**Borrower Payment Address, 1<sup>st</sup>  
Mortgages:**

**CBC Mortgage Agency  
Attn: Loan Servicing Payment  
660 E Franklin Rd., Ste 130  
Meridian, ID 83642**

Payments may also be made online at  
Chenoafund.org

**Borrower Payment Address for 2<sup>nd</sup>  
Mortgages:**

**(Only for Repayable 2nds)**

**Statebridge Company, LLC  
Attn: Payment Processing  
P.O. Box 173313  
Denver, CO 80217-3313**

**Overnight Deliveries:**

Statebridge Company, LLC  
5680 Greenwood Plaza Blvd., #100 South  
Greenwood Village, CO 80111

**EXHIBIT A**  
(following page)

**DISCLOSURE OF SECONDARY FINANCING**

## DISCLOSURE OF SECONDARY FINANCING

I (We) acknowledge that I (we) have applied for TWO loans in order to complete the purchase of a home.

BOTH of these loans will be recorded against the title records of my (our) property. I (We) may be required to make regular monthly payments on BOTH loans. If monthly payments are required on the second mortgage, these payments WILL be made to a different lender than the first mortgage.

The first mortgage will be issued by: Originating lender name here

The second mortgage will be issued by: CBC MORTGAGE AGENCY

The amount of the second mortgage will be \$ 2<sup>nd</sup> lien loan amount here  
The second mortgage interest rate will be interest rate here %.

The second mortgage for down payment may be forgiven after I make 36 consecutive on-time payments (3 years) on my first mortgage.

I (We) will be required to make regular monthly payments on the second mortgage estimated in the amount of \$mo.payment amount here for a total of amortization amount here years.

I (We) understand the above and agree to the terms disclosed.

\_\_\_\_\_  
Borrower

\_\_\_\_\_  
Date

**EXHIBIT B**  
(following page)

**Letter from the President**

**LETTER FROM THE PRESIDENT  
(All Programs)**

Date: \_\_\_\_\_

Dear: \_\_\_\_\_

As the President of CBC Mortgage Agency, I want to thank you for the opportunity to serve you by assisting with the down payment on your new home. I would also like to provide you with some important details about the choices you have in the financing of your home. Our government agency is working with your lender, \_\_\_\_\_, to provide you down payment funds in conjunction with the first mortgage loan you are receiving. The down payment funds we provide are typically in the form of a second mortgage, which you may or may not be required to repay based on the specific down payment assistance program you qualify for.

**Our Mission - As a federally chartered, public purpose, government agency, we work to increase affordable and sustainable homeownership opportunities for credit worthy individuals who lack down payment funds.**

Given your home ownership and financial security goals, it is critical that you fully understand your mortgage terms. You have chosen to obtain home financing by using a mortgage professional. That was a good decision. Undoubtedly, in the course of the mortgage application process, they have explained to you the various alternative types of mortgages and the features, advantages, and trade-offs of each.

In addition, you have received a number of documents which disclose the key terms of the first mortgage type you have selected. You will also be provided with the promissory note which obligates you to repay the money you are borrowing. That note describes in detail how your mortgage will work. I encourage you to read these documents carefully and to consult with your mortgage professional if you should have any questions.

85

The following are a few important points for you to consider as you go through the home buying process. DOWN PAYMENT AND INTEREST RATE - OPTIONS AND DECISIONS  
The terms of your first mortgage can be impacted if you don't have your own down payment. It is possible that the interest rate on your first mortgage is higher than if you provided your own down payment. In addition, there can be a significant difference in the interest you are paying on your first mortgage depending on the down payment program you utilize. To determine which option makes the most sense for you, you should consider things like how long you think you will be in your new home. For example, if you qualify for a forgivable second mortgage, but you plan to be in your home more than 5-7 years, the additional interest you are charged on your first mortgage may exceed the amount of the forgivable second mortgage you are receiving. If this is the case, you may want to opt for a repayable second mortgage that gives you a better interest rate on your first mortgage, or you may want to bring in your own down payment.

Ask your licensed mortgage loan professional what the interest rate on the first mortgage would be were you to provide your own down payment. You can then better choose between the down payment options as described below:

**Option 1- Save up your own down payment, and receive no down payment assistance and the associated second mortgage.** Advantages:

- Typically, a lower interest rate on the first mortgage
- Potentially easier processing and underwriting

Disadvantages:

- While saving up the down payment, the home you're looking may be sold.
- While saving up the down payment, home prices in general may go up, resulting in your inability to afford the home or in less future equity and wealth creation if you do purchase the home later.
- You are left with diminished savings in your bank account, causing financial difficulty or consumer borrowing to purchase furniture, yard equipment, etc. You may also lack the funds to cover an unforeseen event, i.e. unforeseen repairs or medical emergency.

**Option 2 - Buy a home now and obtain your down payment through Chenoa Fund DPA Edge Program, provided by CBC Mortgage Agency.**

Advantages:

- Potentially enjoy future increased household net worth by buying now if home prices increase over time.

- Purchase from currently available properties without risking that inventory will be sold months when you're finally ready to buy.
- Potentially not be required to pay back the down payment you receive from Chenoa Fund. ***Borrowers qualifying for the potential repayment forgiveness program cannot exceed specific income threshold requirements*** (certain additional restrictions apply for us to forgive the balance of the second mortgage, including 36 months of consecutive on-time first mortgage payments.)
- Typically pay a higher interest rate on the first mortgage, causing you to lock in a higher payment for potentially years. ***Over time, the amount of additional interest you pay on the first mortgage could exceed the amount of the down payment assistance.***
- CBC Mortgage Agency will not subordinate the second mortgage in the first 3 years of the loan. This means that if interest rates drop 6 months after you purchase the home and you desire to refinance, you may be required to repay the down payment you received, or be prevented from refinancing altogether.

### **Option 3 - Buy now and obtain your down payment through Chenoa Fund Rate Advantage Program, provided by CBC Mortgage Agency.**

#### Advantages:

- Competitive market interest rates on the first mortgage.
- Potentially enjoy future increased household net worth by buying now if home prices increase over time.
- Purchase from currently available properties without risking that inventory will be sold when you're finally ready to buy.
- Preserve any funds you currently have in your bank account and use them to cover emergencies, furniture, yard equipment, etc. Oftentimes, new homeowners purchase a home, and given they now lack cash, they finance needed household items on credit, at terms much worse than they could have had under a second mortgage through CBC Mortgage Agency.

#### Disadvantages:

- You will be required to repay the down payment assistance funds at a fixed rate of interest over a 10-year period instead of having the option for repayment over a 30-year period.
- Although your interest rate on the first mortgage will be significantly less than if you choose Option 2, it could still be higher than if you bring in your own down payment.

## CLOSING PROCESS

If your loan is approved, you will later go to closing to sign documents to own the home. This will entail signing many agreements which obligate you to repay the money you have received. In addition, you will sign a set of second mortgage documents for the down payment assistance funds, and there will be a second mortgage lien attached to the title of your property that will not be subordinated and will only be released after the loan is paid off, or in the case of a forgivable second mortgage, after 36 months of consecutive on-time first mortgage payments have been made. **If the second mortgage needs to be paid off over time on a monthly basis you will have two payments, one for the first mortgage and one for the second mortgage.**

## POST CLOSING - OWNING YOUR OWN HOME

Now you have achieved the dream of homeownership, a fundamental goal of most Americans. We strongly believe in the merits of homeownership, since homeownership has been demonstrated to improve health, educational performance, stability of communities, household wealth creation, and more stable retirement years. You will likely come to see and enjoy these benefits in your own life.

Since we are interested in not only helping you buy a home, but keeping it, if you face a situation that prevents you from making a mortgage payment on time, it is critical that you discuss this with your lender before the problem grows. Often times a struggling homeowner will "hide" and not speak with the mortgage company, hoping the problem will fix itself. This is the worst thing you can do, since the hole created could grow too big to climb out of.

A final comment: It is likely that your first mortgage will be sold from time to time. The terms of your loan will not change regardless of who owns it. Do not be alarmed by this. It is normal. You will be notified in writing by both the company selling the mortgage, as well as the company buying the mortgage. Even though we may sell your first mortgage loan, we are still highly motivated in seeing you succeed as a new homeowner.

To that end, we will take proactive steps to stay in touch with you over the next year. Look at us as your friend and advisor. If you have qualified for a forgivable second mortgage, we are anxious to see you successfully meet the 36-month forgiveness schedule, and will reach out to you via letter, email, and phone from time to time. We call this our Borrower Success

Program. We want to be a resource to you. Should you have difficulty with your new lender, it may be possible for us to help.

Our Borrower Success Program is implemented through our partnership with Hope Loan Port (HLP), a HUD approved, non-profit counseling agency. We work hand-in-hand with HLP to ensure you have all the tools and resources you need to be a successful, long-term homeowner. Over the next twelve months, HLP and CBC Mortgage Agency will reach out to you via letter, email and telephone to check in, offer assistance as needed, or to simply congratulate you on your continued success. The Borrower Success Program is offered free of charge, and we hope you will take advantage of this valuable service.

We wish you success in this highly rewarding endeavor-the dream of homeownership. We are here as your friends and advocates. Please don't hesitate to use us as a resource in the months and years ahead.

Sincerely,

Richard Ferguson President  
CBC Mortgage Agency

NOTICE: THIS LETTER CONTAINS IMPORTANT INFORMATION ABOUT YOUR DOWN PAYMENT ASSISTANCE. PLEASE READ CAREFULLY.

By signing below, I acknowledge that I have read and understand the above information.

\_\_\_\_\_  
Borrower      Date

\_\_\_\_\_  
Borrower      Date

**EXHIBIT C**  
(following page)

**ADDENDUM REGARDING SELLER OR LENDER CONTRIBUTIONS**

**ADDENDUM REGARDING SELLER OR LENDER CONTRIBUTIONS**

Re: [Property Address]

This addendum is made this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, and is incorporated into and shall be deemed to amend and supplement the [insert name of credit agreement] (the "Note") between \_\_\_\_\_ (the "Borrower") and \_\_\_\_\_ (the "Lender") to finance the purchase of the property listed above (the "Property").

In addition to the covenants and agreements made in the Note and [insert name of security instrument], Borrower and Lender further covenant and agree that any credits or other payments provided to Borrower by the seller of the Property (the "Seller") or by Lender, including any credits provided for the interest rate chosen by Borrower, will be applied to offset costs that Borrower is required to pay at closing in the order listed:

1. Amounts that are considered "finance charges" under Regulation Z, 12 C.F.R. § 1026.4;
2. Other amounts that are considered "points and fees" under Regulation Z, 12 C.F.R. § 1026.32; and
3. Any other closing costs.

Any remaining credits or other payments will be applied to reduce the principal balance of the loan. Borrower is not legally bound to Lender for any amount paid with a credit or payment provided by Seller or Lender.

BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in this addendum.

\_\_\_\_\_ Borrower

\_\_\_\_\_ Borrower