Correspondent Lending Guide

Version 9.4

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Recent Updates and Announcements

11/02/2020

All policy changes and updates are linked to the appropriate section below. These policy changes are effective 11/02/2020 unless otherwise noted.

Additionally, CBCMA has compiled all of its announcements related to COVID-19 into one convenient section in these guidelines. This section can be found immediately after this Recent Updates and Announcements section. To review the program guidelines changes made in October, please follow this link to the archived Program Guidelines.

Due to changing industry needs, we retired our FHA Classic product on October 1. CBCMA will no longer accept registrations for this program. The FHA Classic product will remain on our Product Matrix for reference purposes until January 1st, 2021.

In 5.16 (Alternative Qualification Requirements), we made several clarifications:

1. Borrowers may not use gift funds to meet reserves requirements.
2. All borrowers on a loan must meet the alternative qualification requirements if alternative qualification requirements are used to qualify for a Chenoa Fund product.
3. For borrowers in the FICO band of 640–659, we set a DTI maximum of 55% for borrowers that qualify using Chenoa Fund's alternative qualification requirements. The DTI maximum is still 50% for borrowers not using alternative qualification requirements. We will not go above 55% DTI for borrowers using these programs and in this FICO range, even if they meet other alternative qualification requirements. This update does not apply to the Rate Advantage program.

Visit section 5.16 in the guidelines to fully review the current requirements for each Chenoa Fund product.

In 5.32 (Fees to Originator), we clarified that loan level pricing adjustment charges may be seller-paid. The specific text is included below, additions bolded:

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"CBCMA will allow a maximum origination fee of 1.5%. Additionally, the lender may charge for any CBCMA loan level pricing adjustments (LLPAs)**; charges for loan level pricing adjustments may be seller-paid.** Lenders will be required to refund borrowers for any origination fees (including non–bona fide discount points) exceeding 1.5% plus CBCMA LLPAs. Reasonable lender underwriting, administrative, or program fees are not considered in this calculation; however, they are considered in the QM 3% points and fees test.

In 5.34.2 (Manual Underwriting), it was clarified that CBCMA strictly follows FHA guidelines for manual underwrites. We do not allow manually underwritten loans to qualify for Chenoa Fund using our alternative qualification requirements. Visit section 5.32.4 in the guidelines to fully review our current policy towards manual underwrites.

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COVID-19 Temporary Guidance

10/14/2020

CBCMA has recently published a series of updates outlining temporary guidance for our correspondent lenders during this ongoing pandemic. These updates and announcements are now collected here, for your convenience. Please email info@chenoafund.org for any information on these temporary measures.

Note: These listed policies are temporary until further notice. As such, any changes found within will rarely be reflected in our Correspondent Lending Guide. If any changes are permanent, then there will be a comment indicating as such.

20-07: CBCMA is Still Operating

20-08: CBCMA is still Purchasing Loans

20-09: CBCMA Working to Keep DPA Recipients Solvent

20-10: In response to the market volatility, our SRP/YSP has dropped, and our DPA Edge interest rate has decreased. (SRP series part 1/3)

20-12: COVID-19 specific policies regarding the re-verification of employment, self-employed borrower income, IRS tax transcripts, appraisal flexibility, and title insurance. Reps and warrants are unchanged. (Particularly relevant to section 7.22.) Note that there are many Agency updates on this topic, such as HUD Mortgagee Letter 20-05 and FHA Info 20–79.

20-15: Conventional DPA programs temporarily suspended. (Note: as of July 15th, 2020, Chenoa Fund down payment assistance for conventional loans has been reinstated.)

20-17: Forbearance and EPDs policies (some changes may remain post-pandemic). (Particularly relevant to section 11.1.)

20-18: SRP increases by .25. (SRP series part 2/3)

20-19: FHA Classic Program Announcement

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20-20: MICs on all loans prior to purchase (this change may remain post-pandemic). (Particularly relevant to section 5.36.)

20-21: YSPs restored to pre-COVID-19 levels. FHA Classic given High Balance option. Maximum origination fee changes are in this announcement, but this is a permanent, not a temporary, change. YSPs and other rates can always be found on our Daily Rate Sheet and Pricing page on our website.

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1 | **Overview**

This section of the Correspondent Lending Guide is intended to provide our clients with an overview of CBC Mortgage Agency (CBCMA) 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 U.S. government through the Bureau of Indian Affairs for the Cedar Band of Paiutes of the Paiute Indian Tribe of Utah. The Cedar Band of Paiutes is 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 creditworthy individuals who lack down payment funds. To accomplish this, CBC Mortgage Agency 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.

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2 | **Why Use Chenoa Fund?**

Companies who focus on growing their purchase business are more stable and better prepared to weather the down cycles of the mortgage industry. One of the best ways to grow your purchase business is to use Chenoa Fund.

Chenoa Fund is the down payment assistance program of choice for most real estate agents. Without it, you are missing one of the best sales tools for your loan originators to foster Realtor® relationships. Chenoa Fund is also a necessary recruiting tool needed to attract and maintain loan originators focused on the purchase business.

One final thing to consider. Approximately one out of four borrowers who respond to a Chenoa Fund advertisement end up using Chenoa Fund. While many lenders consider down payment assistance business a low margin business, you forgo an additional three transactions when you do not offer Chenoa Fund in the marketplace. There is no better tool than Chenoa Fund to grow your purchase business. The only better time to apply than today was yesterday. For more information, please contact:

Matt Pettit
435-200-9457
801-641-3351
matt.pettit@chenoafund.org

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3 | **Disclaimers**

3.1 | Loan Performance Notes

CBC Mortgage Agency (CBCMA) regularly monitors the performance of loans that use Chenoa Fund. As loan performance is monitored, areas of risk that can be mitigated in the underwriting process are identified and program guidelines are then updated to ensure we are able to assist the maximum number of people while minimizing risk to the insurance fund.

3.2 | Website and Client Site Content and Materials

The information on the CBCMA 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 other 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 or additional terms and conditions, or both, 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 relevant 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.

The correspondent agrees that the 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 the correspondent has with CBC Mortgage Agency or its affiliates.

The correspondent also agrees that the correspondent will establish commercially reasonable security procedures and controls where the website or client site requires identification (for access or to perform transactions or processes). The correspondent

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agrees 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 the correspondent and without any liability to the 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, client site, or such information, products, or services in jurisdictions where the provision of the website, client site, or such information, products, or services is prohibited by law.

3.3 | 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) are 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 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.

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3.4 | Severability, Enforceability, and Governing Law

In the event that 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 provisions shall be replaced by such enforceable terms or provisions as comes closest to the intention underlying the unenforceable term or provision. These terms and conditions shall be subject to any other agreements the 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.

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4 | 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.

4.1 | Correspondent Eligibility

To be eligible to sell FHA Mortgage Loans to CBC Mortgage Agency, the correspondent must meet the specific eligibility requirements determined by FHA authority.

4.1.1 FHA Direct Endorsed (DE) Program Eligibility Requirements

The following requirements must be met to be eligible:

- ❏ 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"
- ❏ 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 production volume; 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, which must include a pre-closing audit process and a minimum of two months of management reporting as described in the 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

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- ❑ Have a primary business location in a commercial location

4.1.2 Independent Auditor's Report for FHA Originators

Correspondents approved by FHA to originate FHA Mortgage Loans must provide an independent auditor's report on their 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 a HUD Net Worth Statement showing compliance with HUD's net worth requirements.

Any government loan not insured within sixty (60) days of loan closing may be subject to repurchase by the correspondent.

4.2 | 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 this guide
- ❑ Actively participate in the programs described in this guide
- ❑ Complete and submit, within required timeframes, all documents requested by CBC Mortgage Agency as part of the Recertification Process or Quality Control request; requested documents may not be older than ninety (90) days at the time of application
- ❑ Remit any fee and payment due to CBC Mortgage Agency within the requested time frame
- ❑ Maintain a Neighborhood Watch Ratio below 150%

4.3 | Correspondent Renewal

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

- ❑ Updated financial and lender documentation as requested by CBC Mortgage Agency
- ❑ Review of correspondent's performance and overall track record and history with CBC Mortgage Agency

4.3.1 Renewal Process and Requirements

The renewal review occurs around the anniversary date of the correspondent's original approval or the last completion date of the correspondent's most recent renewal; however, CBC Mortgage Agency reserves the right to perform the review at any time. Correspondents will be notified via Comergence of the review. The Comergence notification will include a

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request for any documentation necessary to complete the renewal process. Correspondents must provide the necessary documentation within sixty (60) days of the request. Failure to provide the information within the required timeframe may result in suspension or termination.

4.3.2 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 outlined in this 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 to CBC Mortgage Agency
- ❑ Acceptable and timely response to any inquiries by CBC Mortgage Agency

4.4 | Terminated Correspondents

If a correspondent does not comply with the terms of their executed Loan Purchase and Sale Agreement, or the terms of the Guide and Loan Purchase and Sale Agreement, or when substantive issues have been discovered (e.g., fraud, unacceptable loan delivery performance, etc.), the relevant correspondent 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 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.

4.5 | 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 (Chenoa Fund).

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4.6 | Audits

Correspondents must deliver to CBC Mortgage Agency, within fifteen (15) business days of receipt, copies of any adverse audit report issued by a state or federal regulator, government 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 (3) business days of such action.

4.7 | Pre-funding Quality Assurance by Correspondent

CBC Mortgage Agency requires correspondents to establish and maintain standards and procedures for quality control that comply with FHA Quality Control for Single Family Originations (4060.1 REV 2, Chapter 7) for mortgage loans with a case number assigned prior to September 14th, 2015. FHA mortgage loans with case numbers assigned on or after September 14th, 2015, must adhere to the 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, and their fair lending and AIR policy, prior to becoming an approved correspondent with CBC Mortgage Agency. Additionally, correspondents must provide updates to policies upon request thereafter.

4.8 | Adherence to Fair Lending Standards

Correspondents must understand and acknowledge 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. CBC Mortgage Agency additionally requests that correspondents and all of CBCMA's owners, officers, partners, agents, and employees are adequately trained in fair lending policies and procedures. Correspondents must hereby acknowledge that they have received and reviewed the Fair Lending Policy adopted by CBC Mortgage Agency and that the correspondent has taken and will continue to take action to ensure that the correspondent and each of its owners, officers, partners, agents, and employees are adequately trained in and follow generally recognized fair lending policies and procedures.

4.8.1 Fair Lending Policy

CBC Mortgage Agency is committed to providing meaningful mortgage credit services to all of our customers and potential customers within each of our diverse communities on a fair

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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 ensuring 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 that will continue to reflect the values, aspirations, and spirit of our multicultural 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.

4.9 | 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, or 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.

4.10 | 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

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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.).

4.10.1 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, 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:

- ❑ Ensure the security and confidentiality of consumer information
- ❑ Protect against any anticipated threats or hazards to the security or integrity of consumer information
- ❑ Protect against unauthorized access to or use of consumer information that could result in substantial harm or inconvenience to any customer

4.10.2 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.

4.10.3 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 one party 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.

4.10.4 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.

4.10.5 Cooperation

Correspondent and CBC Mortgage Agency will cooperate to correct any unauthorized possession, disclosure, or use of consumer information, or any other security breaches, and

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will cooperate in any litigation and investigation deemed necessary to protect consumer information.

4.10.6 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.

4.10.7 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.

4.10.8 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 they 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.

4.10.9 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 Correspondent from disclosing Nonpublic Personal Information about a consumer unless it has satisfied various notice and opt-out requirements and the consumer has not elected to opt out.

4.11 | Principal/Authorized Agent Relationship

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.

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4.11.1 Required Authorities

The authorized agent must have unconditional DE authority to underwrite the type of mortgage that is being underwritten. The mortgagee must be approved as follows:

- ❏ To originate forward mortgages:
  - ❏ The principal may have unconditional DE authority for either forward mortgages or HECM
  - ❏ The authorized agent must have unconditional DE authority for forward mortgages
- ❏ For this 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
- ❏ With required documentation:
  - ❏ The relationship must be documented in FHAC by the authorized agent
  - ❏ Additionally, the principal's FHA Lender ID must be entered in the "Originator" field on the FHA case file and in FHAC

4.12 | 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.

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5 | Summary of Products

5.1 | Chenoa Fund

Chenoa Fund down payment assistance is offered in the form of second mortgages. The DPA amount is 3.5% of the purchase price or appraised value of the home, whichever is lower, for all of our products except the Rate Advantage, which has two down payment assistance options: 3.5% and 5%. This amount is rounded up to the nearest whole dollar. (DPA amount not to be used to cover the difference between the appraised value and the sales price.) In either case, this assistance may go towards the borrower's minimum required investment, closing costs, or prepaid items, or any combination of the three. Following the close, our approved correspondent lenders, who offer Chenoa Fund products on CBCMA's behalf, sell the first mortgage to CBCMA and receive a generous YSP/SRP. Correspondent lenders also get reimbursed for the second mortgage by CBCMA.

CBCMA offers five different second mortgage products, each with their own separate requirements and guidelines. Two of these are conventional products; three of these are FHA products.

If you would like a visual aid to compare the differences between these five products, please refer to CBCMA's product matrix.

5.2 | Conventional Offerings

Disclaimers and requirements:

- To offer conventional products, you must be FNMA approved
- Neither CBC Mortgage Agency, nor any Chenoa Fund products, are approved by or affiliated with Fannie Mae™
- Originating lenders are responsible for ensuring that their use of CBCMA 2nd mortgages and conventional 1st mortgages are compliant with Fannie Mae™ requirements
- CBCMA's Correspondent Lender Guidelines include overlays to the HomeReady® program
- HomeReady® is a registered trademark of Fannie Mae™

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

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HomeReady® criteria but may not have the resources for a larger down payment on a home purchase, CBC Mortgage Agency offers the Conventional Standard 97% LTV program.

Chenoa Fund down payment assistance is provided in the form of second mortgages for both the Homeready® and the Conventional Standard 97% loans. (The Homeready® first mortgage is a registered trademark of Fannie Mae™.) Conventional second mortgages are always 3.5% of the purchase price (or appraised value, if lower), whether the actual minimum down payment requirement is 3% or 5%. Regardless of the down payment requirement, Chenoa Fund's assistance may go towards the down payment, closing costs, or prepaid items, or any combination of the three. The rate on the second mortgage is always 2% higher than the rate on the first mortgage. The term is always ten (10) years.

Except for exclusions noted under the [Product Matrix] or within this Correspondent Lending Guide (CLG), adhere to [Fannie Mae's Selling Guide] and all DU® findings for borrower underwriting and property eligibility requirements.

All HomeReady®[1] programs must be underwritten in accordance with Fannie Mae™ underwriting requirements. Loans that are locked and delivered as HomeReady® products but that are found to not meet AMI guidelines, or that do not contain DU SFC 900, may be subject to significant pricing adjustments at the time of purchase.

5.3 | FHA Offerings

Chenoa Fund secondary financing primarily assists homebuyers in meeting their down payment requirement when purchasing an FHA-insured, owner occupied, single family, primary residence only mortgage (although our DPA Edge program also allows for two-unit properties). Non-occupant co-borrowers are allowed under CBC Mortgage Agency's DPA Edge program 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 DPA Edge program provides down payment assistance equal to 3.5% of the sales price or appraised value, whichever is less, rounded up to the nearest whole dollar; the Rate Advantage program provides down payment assistance equal to 3.5% or 5% of the sales price or appraised value, whichever is less, rounded up to the nearest whole dollar. In either case, this assistance may be applied towards the borrower's minimum required investment, closing costs, or prepaid items, or any combination of the three. 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

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as long as the underlying FHA-insured loan is sold to CBC Mortgage Agency and any CBCMA lien is in second position. The only fees chargeable to the borrower in conjunction with the secondary financing are prepaid interest, recording fees for the Deed of Trust, reasonable settlement 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
    - ❑ Note: Rate Advantage only allows single-unit properties
- ❑ FHA 234(c) condominium unit, primary residence only

When secondary financing is used, a second lien loan application must be completed and executed by the 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 of investment quality and saleable on the secondary market. Origination partners must be fully delegated by FHA. They are expected to prudently underwrite all loans and to ensure that the file contains adequate documentation to support both the information represented in the borrower's loan application and the data elements entered into automated underwriting systems. The mortgage loan and the disbursement 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.

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.

For all general underwriting requirements not referenced here or affected by CBCMA overlays, please refer to FHA 4000.1 (found at www.hud.gov).

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5.3.1 DPA Edge Program

The DPA Edge Program, which is for borrowers with a minimum FICO score of 620, has two separate product offerings.

DPA Edge: Soft Second: This second mortgage product is for borrowers whose income is less than 115% of the AMI. This particular second is forgiven once the borrower makes thirty-six (36) consecutive on-time payments on the FHA first mortgage.

DPA Edge: Repayable Second: This second mortgage product has no income limits. This product is repayable and the borrower has two options for terms. One option is a 10-year term, 0% interest rate. The second option is a 30-year term, 5% interest rate.

5.3.2 Rate Advantage Program

Chenoa Fund's third FHA product, Rate Advantage, is a repayable second mortgage with a 10-year term, 8% interest rate. This product is for borrowers whose income is less than 135% of the AMI. This product offers the best interest rate on the first mortgage for borrowers and also offers the greatest YSP/SRP. This product is the only Chenoa Fund product that offers 3.5% or 5% down payment assistance.

5.4 | Product Comparisons

If you would like a visual of the following section, or if you would like to review the guidelines for each product individually, please visit the following website: https://chenoafund.org/lender/product-matrix/.

As already mentioned, each Chenoa Fund product has their own requirements and guidelines. The next few pages will cover those individual guidelines. The following definitions will help clarify what guidelines are referring to which product:

- ❏ **All Programs—**Applicable to all Chenoa Fund 2nd mortgages
- ❏ **All Programs (Excluding [...])—**Applicable to all Chenoa Fund 2nd mortgages; programs and products in parenthesis are excluded
- ❏ **All Conventional Programs—**Applicable to all conventional program 2nd mortgages (HomeReady® and Conventional 97)
- ❏ **All FHA Programs—**Applicable to all FHA 2nd mortgages (DPA Edge and Rate Advantage)
- ❏ **All DPA Edge Products—**Applicable to all DPA Edge 2nd mortgages (Soft Second and Repayable)

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- ❏ **HomeReady®[2]—**Applicable to Chenoa Fund's 2nd mortgage that is attached to Fannie Mae's HomeReady® 1st mortgage
- ❏ **Conventional Standard 97®—**Applicable to Chenoa Fund's 2nd mortgage that is attached to the Conventional Standard 97 1st mortgage
- ❏ **Rate Advantage—**Applicable to Chenoa Fund's Rate Advantage 2nd mortgage, which has the distinction of having the lowest 1st mortgage interest rate and offering the greatest SRP/YSP to the lender
- ❏ **DPA Edge: Soft Second—**Applicable to Chenoa Fund's Soft 2nd mortgage, which has the distinction of being Chenoa Fund's only forgivable 2nd mortgage
- ❏ **DPA Edge: Repayable Second—**Applicable to Chenoa Fund's Repayable 2nd mortgage, which has the distinction of being Chenoa Fund's only FHA 2nd mortgage with no income limits
- ❏ **(OVERLAY)—**Sometimes one of the above categories will be marked with an "Overlay" warning in parenthesis. These are CBC Mortgage Agency overlays over FHA or FNMA guidelines, relative to the agency or the product

Understanding the differences between our five products is imperative. The following sections will help you navigate what those differences specifically are.

5.5 | Program Notes and Disclaimers

HomeReady®[3]: Neither CBCMA nor Chenoa Fund and any of its products are approved by or affiliated with Fannie Mae™. Originating lenders are responsible for ensuring that their use of CBCMA second mortgages and conventional first mortgages is compliant with Fannie Mae's HomeReady® requirements. All other posted program notes or guidelines are overlays of CBC Mortgage Agency and Chenoa Fund.

Conventional Standard 97: Neither CBCMA nor Chenoa Fund and any of its products are approved by or affiliated with Fannie Mae™. Originating lenders are responsible for ensuring that their use of CBCMA second mortgages and conventional first mortgages is compliant with Fannie Mae's requirements. All other posted program notes or guidelines are overlays of CBC Mortgage Agency and Chenoa Fund.

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All FHA Programs: Unless otherwise specified here as an overlay, CBC Mortgage Agency adheres to all posted guidelines for FHA eligibility as found in the FHA Housing Handbook, 4000.1.

5.6 | Brief Description of DPA Product Types

All Conventional Programs: Down payment assistance in the form of a 10-year fixed rate mortgage with an interest rate 2% higher than the first mortgage. Please refer to the daily rate sheet for interest rates on FNMA first mortgages. Chenoa Fund program overlays are not affiliated with Fannie Mae™. Offers 3.5% assistance based on the sales price or appraised value, whichever is lower.

Rate Advantage: Down payment assistance in the form of 10-year repayable secondary financing at an 8% fixed rate only. Offers 3.5% or 5% assistance based on the sales price or appraised value, whichever is lower.

DPA Edge: Soft Second: Down payment assistance in the form of soft (forgivable) secondary financing. Second lien is a 30-year term, 0% interest, with no payments due, and will be forgiven after thirty-six (36) regular on-time payments of the underlying first mortgage. Offers 3.5% assistance based on the sales price or appraised value, whichever is lower.

DPA Edge: Repayable Second: Down payment assistance in the form of repayable secondary financing. Loan option 1 is a 10-year term, 0% interest rate. Loan option 2 is a 30-year term, 5% interest rate. Both loans require regular monthly payments. Offers 3.5% assistance based on the sales price or appraised value, whichever is lower.

5.7 | Borrower Income Limits

HomeReady®: Per FNMA guidelines.

Use Fannie Mae's Income Eligibility Lookup tool to look up income eligibility; use the property's address or the eleven-digit Federal Information Processing Standards (FIPS) code to do so. Eligibility by census tract can also be 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 the Desktop Originator® (DO®) user interface provides the ability to enter census tract information if DU® is unable to standardize the property address.

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When determining whether a mortgage is eligible under the borrower's 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®.

Conventional Standard 97: No income limits.

Rate Advantage: Fully amortized second mortgages with a term of 10 years for borrowers with qualifying income less than or equal to 135% of area median income.

DPA Edge: Soft Second: Soft (forgivable) secondary financing available to the borrower with qualifying income less than or equal to 115% of area median income.

DPA Edge: Repayable Second: Fully amortized second mortgages with a term of ten (10) or thirty (30) years. No income limits.

5.8 | AMI Calculation

All Conventional Programs: Not required.

All FHA Programs: Based on loan qualifying income only (only use the income on the final loan application). Use HUD's AMI chart: https://www.huduser.gov/portal/datasets/il.html

For more information on how to calculate AMI, please refer to CBCMA's training series #2, "How to Calculate AMI": https://chenoafund.org/lender/training-material/

Note that you do not need a login to access CBCMA training materials; we merely capture email addresses for tracking purposes.

5.9 | Occupancy and Property Type

All Conventional Programs: All borrowers must occupy the property as their primary residence. SFR, eligible condos, and PUDs. No manufactured homes. No Co-Ops.

Rate Advantage: All borrowers must occupy the property as their primary residence. All other FHA guidelines apply.

DPA Edge: One of the borrowers must occupy the property as their primary residence. All other FHA guidelines apply.

5.10 | First Time Homebuyer

All Programs (Excluding Conventional Standard 97): Not required.

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

A first-time homebuyer is an individual who:

- ❏ is purchasing the security property;
- ❏ will reside in the security property as a principal residence; and
- ❏ 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 will also be considered a first-time home buyer if he or she had no ownership interest in a principal residence (other than a joint ownership interest with a spouse) during the preceding three-year time period.

5.11 | Product

All Conventional Programs: 30-year fixed rate mortgage. First mortgage must be purchased by CBCMA.

All FHA Programs: 30-year fixed rate term with full amortization only. The first mortgage must be purchased by CBCMA:

- ❏ FHA 203 (b) 1–2 units, primary residence only
    - ❏ Note: Rate Advantage only allows single-unit properties
- ❏ FHA 234 (c) condominium unit, primary residence only

5.12 | Undisclosed Debt Monitoring and Soft-Pull Credit Refreshes

All Conventional Programs: All borrowers must have at least one credit score. CBCMA will require a tri-merge/three bureau soft-pull credit refresh dated within ten (10) days of disbursement **OR** evidence of enrollment in a UDM (Undisclosed Debt Monitoring) program that pulls from all three bureaus through the aforementioned ten-day time period.

All FHA Programs: All borrowers must have at least one credit score. To be sure that there is no new adverse credit activity, new debt, or material inquiries, CBCMA requires a soft pull credit report from all three bureaus, **OR** a UDM (Undisclosed Debt Monitoring) report from at least one credit bureau, within ten (10) days prior to disbursement. CBCMA highly recommends correspondents utilize the UDM option, with the intent to emphasize debt monitoring services that checks for new debt or material inquiries. While soft pull credit reports are acceptable, they may disclose additional information that may require an update to the AUS.

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If there is a new material inquiry, then CBCMA will require that an LOE explaining the new material inquiry be provided to determine if new debt was incurred. If new debt was incurred prior to disbursement, then FHA guidelines may require that the file be re-run through AUS and the debt added to the borrower's final application.

Our primary objective behind this requirement is to verify that there is no new material inquiries or additional debt, which may require the file to be rerun through AUS. It is because of this that we particularly recommend using UDM.

5.13 | Minimum Credit Score

All Conventional Programs: 640 FICO.

Rate Advantage: 640 FICO.

All DPA Edge Products: 620 FICO.

5.14 | Base DTI Requirements (Overlays)

All Conventional Programs:

- ❏ FICO 660+: DTI per AUS approval
- ❏ FICO 640–659: 50% DTI or less (See alternative qualification requirements for more details)

Rate Advantage: FICO 640+: Maximum 50% DTI.

All DPA Edge Products:

- ❏ FICO 660+: DTI per AUS approval
- ❏ FICO 640–659: 50% DTI or less (see 5.16, Alternative Qualification Requirements, for more details)
- ❏ FICO 620–639: 45% DTI or less (see 5.16, Alternative Qualification Requirements, for more details)
    - ❏ Note that borrowers in the 620–630 FICO band and with no current housing payment have qualification requirements unique to them; see section 5.16 for more information

5.15 | Payment Shock Requirements (Overlays)

All Programs (Excluding DPA Edge): None.

All DPA Edge Products: Borrowers with scores between 620–639 are restricted to a payment shock of 125% or less, unless they meet the relevant alternative qualification

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requirements (see section 5.16); borrowers in the 620–630 FICO band and with no current housing payment have qualification requirements unique to them, also detailed in section 5.16.

5.16 | Alternative Qualification Requirements (Overlays)

All Conventional Programs (base requirements):

- ❑ 640–659:
    - ❑ 50% DTI or less
    - ❑ If a borrower exceeds this DTI, refer to alternative qualification requirements; never to exceed 55% DTI
- ❑ 660+: DTI ratio per AUS findings

Alternative qualification requirements for borrowers who exceed payment shock or DTI requirements, or both:

- ❑ Have two (2) years employed with the current employer **OR** two (2) months PITI reserves; **AND**
- ❑ Have maximum DTI 31% front-end **OR** meet VA Residual Income Tests

Additional exceptions may be considered on a case-by-case basis by our Exceptions team. Exception requests should be submitted through the Exceptions Request Form. Gift funds may not be used to meet the PITI reserves requirement. All borrowers on a loan must meet alternative qualification requirements if alternative qualification requirements are used to qualify for a Chenoa Fund product.

Rate Advantage: Alternative qualification requirements are not applicable to this product.

All DPA Edge Products (base requirements):

- ❑ 620–639 (for borrowers with present housing payment)
    - ❑ Verification of twelve (12) months of current housing expense required; a traditional VOR is acceptable. If the borrower rents from a relative or individual (anyone other than an LLC or management company), then twelve (12) months of cancelled checks or bank statements are required to document payment history. See section 5.17 for more information
    - ❑ HBE required
    - ❑ Payment shock of 125% or less
    - ❑ DTI of 45% or less

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        - If a borrower with present housing payment exceeds payment shock or DTI requirements, or both, refer to alternative qualification requirements; never to exceed 50% DTI
    - 620–639 (for borrowers without present housing payment)
        - VOR documenting no rent paid; this situation should be explained in the 92900-LT comments section
        - HBE required
        - Maximum DTI 31% front-end and 45% backend; never to exceed 45% backend DTI
        - Three (3) months PITI reserves; gift funds may not be used to meet the PITI reserves requirement
        - Minimum two (2) years with present employer
        - Meet VA Residual Income requirements
        - Alternative qualification requirements do not apply to borrowers in this FICO band
    - 640–659 (for all borrowers)
        - Verification of amount of current housing expense required; a payment history is not required
        - DTI of 50% or less
        - If a borrower exceeds DTI requirements, refer to alternative qualification requirements; never to exceed 55% DTI
    - 660+ (for all borrowers)
        - DTI ratio per AUS findings

Alternative qualification requirements for borrowers who exceed payment shock or DTI requirements, or both:

- Have two (2) years employed with the current employer **OR** two (2) months PITI reserves; **AND**
- Have maximum DTI 31% front-end **OR** meet VA Residual Income Tests

Additional exceptions may be considered on a case-by-case basis by our Exceptions team. Exception requests should be submitted through the Exceptions Request Form. Gift funds may not be used to meet the PITI reserves requirement. All borrowers on a loan must meet alternative qualification requirements if alternative qualification requirements are used to qualify for a Chenoa Fund product.

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5.17 | Present Housing Expense & Verification of Housing Payment (Overlays)

All Programs: All applications should contain a “present housing payment” unless the borrower is not currently making a housing payment.

For any borrowers in the 620–639 FICO range making a present housing payment in the form of rent at the time of application, a twelve-month verification of housing payment is required to document rent paid. This is regardless of program. However, borrowers renting from relatives or individuals (i.e. not LLCs or management companies) must provide twelve (12) months of cancelled checks or bank statements rather than a VOR.

For borrowers in the 640–659 FICO range making a present housing payment in the form of rent at the time of application, only verification of the amount of the current housing expense is required. Acceptable forms of documentation may include, but are not limited to, a copy of the rent/lease agreement, a bank statement and/or a cancelled check tracking payments for the amount of reported rent, a letter from the landlord, or a filled-out VOR (if a VOR is provided, the rental history will be used in credit qualification).

For any borrowers not making a present housing payment in the 620–659 FICO band, a verification of housing payment will be required to be completed by the landlord or homeowner, which must document that no rent is required to be paid. An explanation for the rent-free arrangement should be noted in the comments section by the underwriter in the 92900-LT. This is in addition to the requirements in section 5.16. Borrowers in the 660+ FICO band are not required to provide a VOR unless the AUS findings require it.

This guideline is intended to ensure that CBCMA can analyze payment shock and its potential impact on future default mitigation overlays that CBCMA may implement.

5.18 | First Mortgage Must Be Sold to CBCMA (Overlays)

All Programs: Lenders fund the down payment assistance at closing and will be reimbursed by CBCMA upon purchase of the FHA-insured first mortgage under the terms of a Funding Obligation Letter.

5.19 | Loan Purpose

All Programs: Purchase only.

5.20 | Homeownership Education

HomeReady®: Required. Available from any Fannie Mae™–approved source.

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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
- ❑ Receive housing counseling from a HUD-approved, non-profit housing counseling agency (evidenced by a signed Certificate of Completion of Housing Counseling or form 1017) prior to the borrower signing a purchase contract
- ❑ 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).

The homeownership education certificate the borrower receives, 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.

Conventional Standard 97: CBCMA does not require homebuyer education on this second mortgage product. However, Fannie Mae™ did update its homebuyer education requirements on 10/2/19, indicating that homebuyer education was mandatory on most loans with an LTV of 95% or greater. Even though CBCMA may not require it, if your AUS approval requires it, you will need to include the completion certificate demonstrating that at least one of your buyers completed an acceptable course.

Rate Advantage: Not required.

All DPA Edge Products (Overlay): Required for borrowers with credit scores between 620–639. This course must be taken prior to closing.

Any HUD-approved counseling course is approved by CBCMA (you can access a list of HUD-approved courses [here]()); CBCMA no longer requires that this course be completed through Money Management International. However, CBCMA will continue to pay the

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course fee for those borrowers who choose to take the Money Management International course. This course is accessible here.

Only borrowers with scores less than 640 are required to take the course. Any borrower on your transaction with scores equal to or greater than 640 is not required to take the course.

5.21 | Acceptable Sources of Funds for Down Payment and Closing Costs

All Conventional Products: Gifts, grants, and CBCMA second mortgages. Any eligible loan may have more than one CBCMA-approved second lien (i.e., third lien), up to the maximum 105% CLTV. Sweat equity is acceptable in accordance with FNMA guidelines.

All FHA Products: Gifts, grants, and CBCMA second mortgages. Any eligible loan may have more than one subordinate lien (i.e., third lien). Sweat equity is acceptable in accordance with FHA guidelines.

5.22 | Minimum Borrower Contribution

All Programs: $0. All funds needed to complete the transaction can come from a CBCMA-approved second lien.

5.23 | Manufactured Homes

All Conventional Programs: Not permitted.

All FHA Products: Permitted. See the Manufactured Housing Guidelines: https://chenoafund.org/lender/manufactured-housing-guidelines/

5.24 | Cash Back to Borrower

All Programs: Borrowers may receive a refund of documented earnest money deposit and other documented, paid, third-party costs only.

5.25 | Non-occupant Borrowers

HomeReady®: Non-occupant borrowers are not permitted by CBCMA with this program.

Conventional Standard 97 (Overlay): Not allowed.

Rate Advantage (Overlay): Not allowed.

All DPA Edge Products: Allowed (family members or relatives only as defined by FHA). When the loan includes a non-occupant co-borrower, the qualifying income of only the occupying borrower(s) is used to determine program qualifications under AMI limits.

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5.26 | Loan Amounts (Minimum and Maximum)

All Conventional Programs: Per FNMA guidelines. Varies by county. CBC Mortgage Agency has no overlays for maximum or minimum loan amounts.

All FHA Programs: Per FHA guidelines. Varies by county. CBC Mortgage Agency has no overlays for maximum or minimum loan amounts.

5.27 | Maximum LTV/CLTV and Subordinate Financing

All Conventional:

- ❏ DU® Only:
  - ❏ LTV to 95%
  - ❏ LTV to 97%
- ❏ DU® Only: CLTV to 105%

Up to 105% only if the subordinate financing meets the requirements in Fannie Mae's Selling Guide for loans with higher CLTVs.

The maximum DPA financing is 3.5% of the purchase price. 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%.

Borrowers may use 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.

All DPA Edge Products:

- ❏ LTV to 96.5%

The maximum DPA financing is 3.5% of the purchase price. No max CLTV. (Per FHA guidelines, additional outside financing may be acceptable with unlimited CLTV. Conditions may apply.) 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%.

Borrowers may use 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,

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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.

Rate Advantage:

- ❏ LTV to 96.5%

The maximum DPA financing is 5% of the purchase price. No max CLTV. (Per FHA guidelines, additional outside financing may be acceptable with unlimited CLTV. Conditions may apply.) 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%.

Borrowers may use 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.

5.28 | Ineligible Borrowers

All Programs: CBC Mortgage Agency will rely on our correspondent partners to document lawful residency in accordance with FNMA and FHA guidance. We will enforce our reps/warrants policy to the extent that FNMA or FHA audits any loan and finds that a borrower does not meet these definitions of lawful residency.

All Conventional Programs: Any borrower that does not meet Agency definition of a lawful, legal resident of the United States. For borrower residency or VISA classification acceptance, follow Fannie guidelines, which are provided below.

Under the selling guide, Fannie Mae™ considers a borrower legally present in the United States if:

- ❏ he/she has a social security number (SSN) or individual taxpayer identification number (ITIN); and
- ❏ he/she has current, verified status, which may be documented by a valid employment authorization document (EAD), or other documentation showing immigration status is current (e.g., Green Card, work visa, etc.).

A borrower who is legally present under the FNMA Selling Guide must meet all other applicable underwriting and eligibility requirements for the loan to be eligible for sale to Fannie Mae™.

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All FHA Programs: Any borrower that does not meet FHA's definition of a lawful, legal resident of the United States. DACA recipients not allowed. For borrower residency or VISA classification acceptance, FHA guidelines can be found below.

U.S. Citizenship is not required for mortgage eligibility.

The mortgagee must determine the residency status of the borrower based on information provided on the mortgage application and other applicable documentation. In no case is a Social Security card sufficient to prove immigration or work status.

A borrower with lawful permanent resident alien status may be eligible for FHA-insured financing provided the borrower satisfies the same requirements, terms, and conditions as those for U.S. citizens.

The mortgage file must include evidence of the permanent residency and indicate that the borrower is a lawful permanent resident alien on the URLA. The U.S. Citizenship and Immigration Services (USCIS) within the Department of Homeland Security provides evidence of lawful, permanent residency status.

A borrower who is a “non-permanent resident alien” may be eligible for FHA-insured financing provided:

- ❑ the property will be the borrower’s principal residence;
- ❑ the borrower has a valid SSN, except for those employed by the World Bank, a foreign embassy, or an equivalent employer identified by HUD;
- ❑ the borrower is eligible to work in the United States, as evidenced by the Employment Authorization Document (EAD) issued by the USCIS; and
- ❑ the borrower satisfies the same requirements, terms, and conditions as those for U.S. citizens.

The EAD is required to substantiate work status. If the EAD will expire within one year and a prior history of residency status renewals exists, the mortgagee may assume that continuation will be granted. If there are no prior renewals, the mortgagee must determine the likelihood of renewal based on information from the USCIS.

A borrower residing in the U.S. by virtue of refugee or asylee status granted by the USCIS is automatically eligible to work in this country. The EAD is not required, but documentation substantiating the refugee or asylee status must be obtained.

Non-U.S. citizens without lawful residency in the U.S. are not eligible for FHA-insured Mortgages.

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5.29 | HPML, High Cost, & QM Compliance

All Programs: HPML transactions are allowed. Lender must comply with CFPB & TRID requirements. High Cost loans are not permitted. All loans must adhere to QM/ATR compliance. Loans exceeding 3% max points/fees test are not permitted unless cures are applied. Bona fide Discount Points must adhere to CFPB and any or all state regulations.

5.30 | Mortgage Insurance (MI) Coverage Financed MI

HomeReady®: 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%.

Conventional Standard 97: The standard MI coverage requirement is 35% for LTV ratios of 95.01–97.00. Minimum MI coverage may be used, subject to LLPA for Minimum MI.

All FHA Programs: Standard FHA coverage. See FHA Single Family Housing Policy Handbook Appendix 1 for further details: HUD Handbook 4000.1.

Access Mortgagee Letter 1/20/17.

5.31 | Fees to CBCMA

All Programs: $399 Admin Fee.

No lender fees allowed on secondary financing. The only fees chargeable to the borrower in conjunction with the secondary financing are prepaid interest, recording fees for the Deed of Trust, reasonable settlement fees, and a courier fee to return the signed documents to the Lender.

The Admin fee is charged to the correspondent and reflected on the Purchase Advice as a deduction from the total loan sale proceeds. Any addition to the lender fees to offset this charge to be paid by the borrower must never reflect as a charge payable to CBCMA. This fee must **always** be listed in Section A, either included in the Origination Charges or a separate line item Admin charge—but **never reflected as payable to CBCMA**. Correspondents who choose to pass this cost along to the borrowers must be prepared to have this included in the TRID points & fees test.

CBC Mortgage Agency does not charge discount points and offers one rate for each product. CBCMA cannot, in the current market, offer the alternative par rate necessary for discount points to be bona fide. Lower rates are a reduction in the YSP/SRP paid to the correspondent. Fees from corporate margins from lower rates belong in section A of the CD, labelled "Points and Fees."

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Our rate sheets refer to fees from specific FICO bands as "Fee Paid by Lender." The Fee paid by the lender will be deducted from the base price to reflect the final price. If this fee is passed on to the borrower, the 3% points and fees rule applies. Please review the Buckley Sandler memo on converting points and fees between borrower and seller: https://chenoafund.org/web/viewer.html?file=https://chenoafund.org/wp-content/uploads/2019/06/Memo-re-Lender-and-Seller-Credits-FINAL-6-5-2019.pdf

Converting seller credits can pay this fee if both of the following are done before closing:

- ❑ Borrower has signed an addendum to the note (for a sample, click the link and go to the dropdown for CBC Process and Documents)
- ❑ The fee is itemized in the seller's column on the CD

This allows for the charges to not be counted for the 3% points and fees rule.

5.32 | Fees to Originator

All Programs: CBCMA will allow a maximum origination fee of 1.5%. Additionally, the lender may charge for any CBCMA loan level pricing adjustments (LLPAs); charges for loan level pricing adjustments may be seller-paid. Lenders will be required to refund borrowers for any origination fees (including non–bona fide discount points) exceeding 1.5% plus CBCMA LLPAs. Reasonable lender underwriting, administrative, or program fees are not considered in this calculation; however, they are considered in the QM 3% points and fees test.

It is recommended that discount points are not charged; we recommend that lenders treat loan-level pricing adjustments as points and name them as points. At no time will CBC Mortgage Agency purchase a loan that exceeds the QM 3% points and fees test.

On brokered transactions, non–bona fide discount points may be charged in excess of the 1.5% origination fee maximum. These loans still must adhere to the QM 3% points and fees test.

5.33 | AUS

HomeReady®: DU®/DO® only.

A 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

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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."

Based on the census tract and borrower income, DU® will notify users when a loan casefile appears to be eligible for HomeReady® but the lender has not underwritten the loan casefile as HomeReady®. In this situation, resubmit the loan casefile as a HomeReady® loan to obtain the appropriate HomeReady® messaging. The Additional Data screen field will allow the lender to enter census tract information if DU® is unable to geocode the property address.

DU® recommendation of Approve/Eligible required. DU® will determine qualifying ratios and reserves.

Conventional Standard 97: DU®/DO only.

All FHA Programs: DU®, Loan Prospector, or TOTAL Scorecard.

5.34 | General Overlays

5.34.1 Max Units

All Conventional Programs: One. Two to four units ineligible.

Rate Advantage: One. Two to four units ineligible.

All DPA Edge Products: Two. Three to four units ineligible.

5.34.2 Manual Underwriting

All Conventional Programs: Not allowed per CBC Mortgage Agency guidelines.

Rate Advantage: Not allowed per CBC Mortgage Agency guidelines.

All DPA Edge Products: Allowed. Loans submitted with Refer/Eligible AUS findings and that have been manually underwritten according to FHA guidelines are acceptable, provided that CBC Mortgage Agency overlays are also adhered to. Follow eligibility requirements for manually underwritten loans according to FHA, and then apply CBC Mortgage Agency overlays for complete adherence to our program requirements. Chenoa Fund's alternative qualification requirements do not apply to manually underwritten loans.

5.34.3 IRS Transcripts Requirements

All Programs: Only required for self-employed borrowers, or any borrower that needs tax returns for qualifying. W2-only income is no longer required to be validated with

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transcripts unless the loan is an identity-of-interest transaction or other QC concerns exist. For W2-borrowers, follow AUS requirements for income documentation, or manual UW requirements if the loan is manually downgraded.

5.34.4 Flood Certificate

All Programs: Any flood certification from a valid vendor is acceptable as long as the flood certification in the file matches the appraiser's flood information; this must include a life of loan certification. If there is a discrepancy between the two, CBCMA will pull a CoreLogic flood certificate and bill the correspondent the $15 fee on the PA.

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) of Zone V (a coastal area) and insurance under the National Flood Insurance Program (NFIP) is not available in the community.

A property is not eligible for FHA insurance if the improvements are or are proposed to be located within a Coastal Barrier Resource System (CBRS).

For more information, please refer to FHA 4000.1.

5.34.5 Rate Sheet Compliance

All Programs: CBC Mortgage Agency does not charge discount points on any of our loan products. The terminology of "discount points" has been clarified with regards to discussions surrounding the price paid to correspondents for rates charged on our rate sheets due to FICO score price adjustments. Please see the Correspondent Lending Guide (section 5.31) for a complete explanation and correct compliance interpretation.

5.34.6 Initial & Final 1003

All Programs: We do require both an initial and a final 1003, per agency guidelines.

We require either the initial 1003 or the final 1003 to contain the signature of the originating MLO. This is not a requirement of just the final. One should be signed, but both are not required.

Either the initial 1003, or the final 1003, must also be completed with the present housing expense section filled out. No exceptions.

5.34.7 Required Documents

All Programs: Secondary financing requires the delivery of a complete second lien file to include an application, LE, CD, and all other state- and federal-required disclosures.

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Secondary financing requires an initial, signed 1003; TRID compliant disclosures; and any state-required disclosures. In addition, we prefer to receive a final, signed 1003 if information in the initial 1003 changes.

The first mortgage file must contain a copy of the note, the deed of trust/mortgage, and a Funding Obligation Letter dated prior to the loan closing date.

5.34.8 Seller's CD

All Programs: A copy of the seller's CD with the seller's signature is required on all transactions.

5.34.9 Ineligible Features

All Programs:

- ❏ Building on own land
- ❏ Construction to Perm
- ❏ Easements and Deed Restrictions that affect value, marketability, or property accessibility as determined by the appraiser and for which no protective title endorsement is available
- ❏ Loans with resale deed restrictions
- ❏ Proposed or under construction (new construction OK provided that the property is complete at the time of purchase)

5.34.10 Escrow Holdbacks

All Programs: Escrow holdbacks are permitted and must meet the following general guidelines:

- ❏ Must be weather-related
- ❏ Cost of repairs may not exceed $5,000
- ❏ Original appraisal must be completed "subject-to" the repairs required
- ❏ Original appraisal must show the subject property meets FHA minimum property standards, or be Fannie approved (for conventional loans)
- ❏ Contractor must provide an invoice with an estimate of work certifying that the work cannot be completed prior to disbursement (due to weather conditions)
- ❏ Inclement weather conditions are generally considered to be between November and March. All repairs should be completed by April 30th, or ninety (90) days from the note date
- ❏ For FHA loans: the Mortgagee must complete the "Escrow Closeout Certification" screen, in FHA Connection, within thirty (30) days of escrow closing/completion

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- ❏ All other Fannie Mae™ & FHA guidelines must be adhered to

Prior, written approval by CBC Mortgage Agency is not required unless a true exception to this policy is required. For all exceptions requested, email: exceptions@chenoafund.org.

5.34.11 Intent to Proceed

All Programs: Documented Intent to Proceed is required on all transactions for all borrowers.

5.34.12 Gaps in Employment

All Programs: Employment gaps greater than thirty (30) days require a borrower Letter of Explanation (LOE) to explain the reason for the gap.

5.34.13 Current Housing Payment

All Programs: All applications must contain a "present" housing payment unless the borrower is currently not making a housing payment. If the borrower is not making a housing payment then $0.00 should be entered into the "present" housing payment field on the loan application and the file must contain a Letter of Explanation from the borrower to specifically address their housing situation. The "present" housing payment field may only be left blank if your LOS does not allow an entry of $0.00.

5.34.14 Additional Properties Owned

HomeReady®: We do not allow borrowers to own additional property.

Conventional Standard 97: Not Allowed.

Rate Advantage: No additional REO allowed.

All DPA Edge Products: Allowed, but a Letter of Explanation is required to explain the motivation to keep current residence while purchasing new. An acceptable reason must be documented for the move, along with the intent behind retaining the current property. Occupancy reasonability must be documented and a QC review may be applied to the transaction. If new residence puts the borrower's commute at an additional distance of thirty minutes to place of employment, Chenoa expects this to be referenced in the LOE.

5.34.15 South Carolina

All Programs: The minimum second mortgage loan amount is $5000. Therefore, for purchase prices below $143,800, the DPA amount will be $5000.

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5.35 | Mortgage Credit Certificates (MCC)

All Programs: Allowed. No longer required to be pre-approved prior to submission. All MCCs must be calculated according to FHA guidelines for adding the credit as income, not a payment reduction.

5.36 | Mortgage Insurance Certificate (MIC)

All Programs: Due to COVID-19, all MICs are required prior to purchase. This is currently a temporary measure, but may become permanent. If a waiver is granted, all mortgage insurance certificates may be delivered to CBC Mortgage agency within sixty (60) days of the note date. However, on manufactured homes, all MICs will be required prior to purchase, always.

This will help us better align with industry standards for mitigating risk and preventing secondary delivery delays. Fees will be applied if delivery dates are not met. For more information, contact finaldocs@chenoafund.org.

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6 | **Manufactured Housing**

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

6.1 | FHA Requirements

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 the title policy
- ❑ Home must have been built to the FMHCSS as evidenced by having a HUD Certification
- ❑ Label/Tag is 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 disbursement
- ❑ Subject is a single-family dwelling
- ❑ Loan is underwritten in accordance with the requirements of the applicable Loan Program Guide
- ❑ Mortgage must cover both the home and the land

6.2 | CBC Mortgage Agency Additional Guidance

Unless otherwise specified here as an overlay, CBC Mortgage Agency adheres to all FHA guidelines for manufactured housing requirements. For more detailed underwriting clarifications, see the FHA housing handbook.

Manufactured homes are only eligible for Chenoa Fund products paired with FHA first mortgages. These guidelines do not apply to conventional loans.

Alternative Qualification Requirements are not applicable on manufactured housing.

Manual underwriting is not allowed with manufactured housing programs.

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Manufactured homes add a 1.5% pricing adjustment when used in conjunction with Chenoa Fund products.

6.2.1 Specific Details on Manufactured Housing

Minimum Required Credit Score: 660 minimum score. No exceptions.

DTI Requirements: Maximum 50% DTI for all programs. No exceptions.

Appraisal: Fannie Mae™ 1004C, Manufactured Home Appraisal Report, is required. We also need Form 1004D, Appraisal Update and/or Completion Report, if this is needed to document repair completion.

Ineligible Features and Properties: The following features are ineligible:

- Building on own land
- Construction to Perm
- Easements and Deed Restrictions that affect value, marketability, or property accessibility as determined by the appraiser and for which no protective title endorsement is available
- Loans with resale deed restrictions
- Proposed or Under Construction loans
- All types of new construction loans

The following properties are ineligible:

- Single wide manufactured homes
- 2–4 unit properties
- Cooperative
- Leasehold Estates
- Manufactured homes in “Parks” not held in fee simple ownership, commonly known as “Mobile Home Parks”
- Properties with resale restrictions
- Site Manufactured Housing Condominiums
- A home that has been previously installed or occupied at any other site

Ineligible Borrowers: Any borrower that does not meet Fannie or FHA definition of a lawful, legal resident of the United States. For borrower residency or VISA classification acceptance, follow FHA guidelines.

Occupancy: Primary residence only. Owner occupancy for all borrowers is required.

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FHA MIC: Required for all loans prior to purchase.

HUD Certification Label/Tag: The Federal Manufactured Home Construction and Safety Standards require that manufactured homes have a HUD Certification Label/Tag (also known as a HUD Seal or HUD Label) affixed to the exterior of the property. The HUD Tag is an aluminum plate, approximately 2 in. by 4 in, that is permanently attached to each transportable section of the manufactured home in a manner that renders it difficult to remove without defacing it. The label number is etched or stamped with a 3-letter designation that identifies the production inspection agency. Each HUD Tag must be marked with a 6-digit number furnished by a label supplier. Tag numbers are not required to be sequential on a multi-section manufactured home.

The HUD Tag must be located at the taillight end of each transportable section of the manufactured home approximately one foot up from the floor and one foot in from the roadside, or as near that location on a permanent part of the exterior of the manufactured home unit as practicable. The roadside is the right side of the manufactured home when one views the manufactured home from the tow bar end of the manufactured home. The appraisal report must include the appraiser's certification that the HUD Tag is affixed to the exterior or that the HUD Tag is missing. If the HUD Tag is missing, the appraiser should either reject the property or notify the lender and condition the appraisal for documentation verifying HUD labels were issued for the manufactured home. For a fee, a HUD Tag Letter of Verification can be obtained from the Institute for Building Technology and Safety (IBTS) and must be included in the file submitted to HUD. The following website provides details regarding the cost and procedures for obtaining a HUD Tag Letter of Verification:
http://www.ibts.org/services/services-in-the-public-good/cert-label-verification.html

Either the HUD tag or the HUD Tag Letter of Verification must be included in the loan file.

Title Requirements: The title policy must evidence the following:

- ❑ The manufactured home is attached to the land
- ❑ The manufactured home is classified and taxed as real estate
- ❑ The title to the manufactured home has been surrendered or purged in accordance with the applicable jurisdictional requirements

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6.2.2 States’ Approaches to Titling:

The following lists provide instruction on how different states handle the certificate of title for a manufactured home, in addition to providing instruction on how the correspondent needs to handle such titles.

Certificate of Title “Surrender” States:

- ❏ Certificate of title is issued upon purchase of manufactured home, but is surrendered after the home is affixed to the foundation and becomes real property
- ❏ Ensure that the certificate of title is surrendered following the state’s procedures

Certificate of Title “No Surrender” States:

- ❏ Certificate of title is issued and remains outstanding (it is not surrendered or canceled)
- ❏ Ensure the MH lien (and no other lien) is indicated on the certificate of title
- ❏ Retain certificate of title in the loan file
- ❏ Ensure that home and land have the same ownership

Non-certificate of Title States:

- ❏ No certificate of title issued
- ❏ Retain in loan file evidence that no certificate of title was issued
- ❏ Ensure that MH is recognized as real property

A manufactured home must be covered by a standard real estate fee simple title insurance policy. Endorsement (ALTA 7, 7.1, or 7.2, or equivalent endorsement) is required as insurance that the manufactured home is part of real property that secures the loan. One clear title at closing is required that states the manufactured home and the land are classified as real estate. An affidavit of affixation, a recorded, signed, and written statement acknowledging that the manufactured home is attached and classified as real property securing the mortgage, is required.

6.2.3 Structural Engineering Report (Engineer’s Certification on Foundation Compliance Report)

A Structural Engineering Report is required—see HUD Manual for details.

The Engineer’s Report must be forwarded to the appraiser and the appraisal must indicate a copy of the report was provided.

If a copy of the Engineer’s Report is not available prior to the completion of the appraisal, the report must still be sent to the appraiser. The appraiser must provide an Appraisal Update or Completion Report (1004D), or both, as confirmation of foundation compliance.

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The underwriter cannot sign off on the foundation's compliance with HUD requirements without confirmation from the appraiser on the original appraisal or an appraisal update.

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7 | **Origination Through Closing**

7.1 | General Mortgage Loan Document Standards

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

7.2 | Document Expiration Dates

Documents used in the origination and underwriting of a mortgage may not be more than one hundred and twenty (120) days old at the disbursement date (including new construction). Documents whose validity for underwriting purposes are not affected by the passage of time, such as divorce decrees or tax returns, may be more than one hundred and twenty (120) days old at the disbursement date (the disbursement 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 (1) is the day after the effective or issue date of the document, whichever is later.

7.3 | 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.

7.4 | 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.

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7.5 | 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.

7.6 | Allowable Mortgage Parameters

Follow all guidance as stated below in addition to the published HUD Handbook 4000.1., all relevant Mortgagee Letters, and Announcements.

A "Rebuttable Presumption Qualified Mortgage" has an APR greater than the APOR + 115 basis points (bps) + the ongoing 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.

7.7 | QM Points and Fees Calculation

See the CBCMA Bona Fide Fees worksheet. If necessary, reach out to info@chenoafund.org for a copy.

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 CBCMA Bona Fide Fees Worksheet when delivering loans to CBC Mortgage Agency where the borrower was charged discount points for the interest given.

7.8 | Additional Guidance from CFPB on Appropriate Interest Rate for Excluding Discount Points Under Final ATR Rule

On August 3, 2013, the 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:

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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 (2) points allowed in the rule.

Example: Starting adjusted rate of 4.250% with a .375% rebate. The 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): There are no requirements for a 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 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 are 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.

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7.9 | 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 the QM points and fees test, the borrower must sign the Addendum Regarding Seller or Lender Contributions (for a sample, click the link and go to the dropdown for CBC Process and Documents) prior to closing.

7.10 | Important Notice Regarding CBC Mortgage Agency Investor Delivery Fee and Clarification of Rate Sheets

CBC Mortgage Agency requires that a $399 Investor Delivery fee be paid by the correspondent. This is also known as an "Admin Fee."

This Admin Fee is charged to the correspondent, as reflected on the Purchase Advice, as a deduction from the total loan sale proceeds. Any addition to the lender fees to be paid by the borrower to offset this charge must never reflect as a charge payable to CBC Mortgage Agency. This fee must **always** be listed in Section A of the first mortgage closing disclosure, either included in the origination charges or as a separate line item admin charge—but **never** reflected as payable to CBC Mortgage Agency. Correspondents who choose to pass this cost along to the borrower must be prepared to have this included in the TRID QM Points & Fees test.

The term "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. These are not discount points—CBC Mortgage Agency does not charge discount points on any of our loan products.

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 then 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

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should not be labeled as a "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, on any given product, the fee listed is 1.000, then the lender will pay that fee out of the offered SRP. 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 can 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 (for a sample, click the link and go to the dropdown for CBC Process and Documents) 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, the addendum to the note that must be completed and signed by the buyer or seller; second, the placement of the fee in the seller's column on the CD.

7.11 | Interest Credit Option

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

7.12 | Mortgage Loan Document Corrections

Corrections to the 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.

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7.13 | Closing in Compliance with Mortgage Approval

The lender must instruct the settlement agent to close the mortgage in the same manner in which it was underwritten and approved.

The lender must ensure that the conditions listed on form HUD-92900-A or form HUD-92800.5B, or both, are satisfied.

7.14 | Closing in the Mortgagee's Name

A mortgage may close in the name of the mortgagee or the sponsoring mortgagee (the principal or 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 or language, or both, prescribed by FHA in the legal documents used for closing the mortgage.

7.15 | 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.

7.16 | Projected Escrow (Taxes and Insurance)

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

7.16.1 Monthly Escrow Obligations

The lender must collect a monthly amount from the borrower that will enable the lender 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:

- ❏ Hazard insurance premiums
- ❏ Real estate taxes
- ❏ Mortgage Insurance Premiums (MIP)
- ❏ Special assessments
- ❏ Flood insurance premiums, if applicable
- ❏ Ground rents, if applicable

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- ❑ Any item that would create liens on the property positioned ahead of the FHA-insured mortgage, other than condominium or Homeowners' Association (HOA) fees

7.16.2 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. Alternatively, the title company may provide the estimate at the time preliminary title is ordered. Documentation from the taxing authorities must be on file to support the estimated monthly tax used for payment calculation.

7.17 | Closing Costs and Fees

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

7.17.1 Collecting Customary and Reasonable Fees

The lender may charge the borrower reasonable and customary fees that do not exceed the actual cost of the service provided. The mortgagee must ensure that the aggregate charges do not violate FHA's 3% points and fees rule (the QM 3% Points and Fees test). This rule is outlined in the Buckley Sandler memo found on Chenoa Fund's Documents and Tools webpage.

7.17.2 Disbursement Date

The "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.

7.17.3 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 seven (7) days prior to the disbursement date and provide a per diem interest credit. Any per diem

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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.

7.18 | Real Estate Taxes Due the Following Month After Loan Purchase

All escrow disbursements due the month following the loan purchase must be paid prior to loan purchase with evidence of payment documented (a copy of a check or a paid receipt) and an updated pay history. For example, if a loan is to be purchased in October and taxes are due in November, the November taxes must be paid prior to CBC Mortgage Agency purchasing the loan. An exception to this rule will be granted if a tax bill is not yet released.

7.19 | 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.

7.19.1 Disbursement of Mortgage Proceeds

The mortgagee must verify that the 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.

7.19.2 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 a similar legal document from the settlement agent.

7.20 | 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 (for a sample

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form, click the link and go to the dropdown for CBC Process and Documents). 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

7.20.1 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.

7.21 | Minimum Required Repairs & Escrow Holdbacks

Minimum required repairs are established by the FHA Roster Appraiser, the FHA DE Lender, or both. CBC Mortgage Agency will accept escrow holdbacks. 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.

Escrow holdbacks must meet the following requirements:

Escrow Holdback Requirements:

- ❏ Allowed for exterior repairs, improvements, or both, including landscaping, not completed prior to disbursement 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 or improvement items may be completed by the borrower provided acceptable evidence of completion is obtained
- ❏ Note Energy Mortgages (NEM) are not allowed at this time
- ❏ The appraiser must include a list of the required exterior repairs or improvements

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7.21.1 Completion Date

Improvements or repairs must be completed within sixty (60) days of the note unless it is during inclement weather season. Inclement weather season is considered to be the time between the months of November through March—repairs, improvements, or both must be completed by April thirtieth (30th) or sixty (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 the transferring investor is not guaranteed. Failure to complete the required repairs may result in repurchase liability.

7.21.2 Escrow Holdback Requirements—Required Form

When using a Escrow Holdback, please review the document found at the following link, and then upload with the closed loan package. Be sure to go to the dropdown for CBCMA Process and Documents.

7.22 | Documentation—General Requirements

CBC Mortgage Agency requires that each loan conforms to and complies with all applicable HUD and FHA underwriting, lending, selling, and servicing requirements, as well as 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, and Points and Fees
- ❏ Evidence of borrowers enrolled in a credit monitoring service through disbursement with the results, or, alternatively, a soft-pull credit report within ten (10) days of disbursement
- ❏ The copy of the deed of trust, stamped as "True and Certified" by the settlement agent
- ❏ A completed tax information sheet
- ❏ The 4506-T address, set to match the last filed tax transcripts
- ❏ Verbal verification of employment within ten (10) days of disbursement, per agency guidelines, and an independently obtained phone number or address for employer

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with source documented (please see COVID-19 Temporary Guidance for temporary additions or revisions to this guideline.)

- ❏ Evidence the FHA UFMIP has been paid
- ❏ A W-9 where borrowers have selected a Federal Tax Classification
- ❏ A Life of Loan flood certificate from a valid vendor (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.)
- ❏ A tri-merge/three bureau, soft-pull credit report, pulled within ten (10) days of the note date or evidence of enrollment in a credit monitoring service through this time period
- ❏ Closing Protection Letter (CPL)

Additionally, the loan must be fully eligible for FHA insurance, and it must already be insured by HUD or will be insured by HUD within sixty (60) days of the purchase date for CBC Mortgage Agency.

7.22.1 Documentation Requirements

- ❏ Fully executed Escrow Holdback Agreement
- ❏ Completed Chenoa Escrow Holdback Lender Acknowledgment
- ❏ Closing Disclosure evidencing escrow of funds at disbursement
- ❏ 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
    - ❏ A qualified professional may be one of the following:
      - ❏ A professionally licensed, bonded, registered engineer
      - ❏ A licensed home inspector
      - ❏ An appropriately registered/licensed tradesperson
    - ❏ 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, and must reflect the escrow amount

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- ❑ Mortgagee's Assurance of Completion, pages 1 & 2, must be signed and 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 then the mortgagee must complete the Escrow Closeout Certification screen in FHAC within thirty (30) days after the escrow account is closed

7.22.2 Second Loan Documentation Requirements

The following documents are required for all second lien loans:

- ❑ 2nd Lien Loan Application
- ❑ 2nd Lien Loan Estimate
- ❑ Recommended—Letter of Intent to Proceed
- ❑ 2nd Lien Closing Disclosure
- ❑ 2nd Lien 1st Payment Letter (Repayable 2nds only)—must reflect CBCMA's servicing address:

  Statebridge Company, LLC

  6061 South Willow Drive

  Suite 300

  Greenwood Village, CO 80111
- ❑ 2nd Lien Note—payment address for repayable 2nds must reflect CBCMA's servicing address shown above
- ❑ 2nd Lien Note to be Endorsed to CBC Mortgage Agency, or an Allonge that is wet signed (stamped signature OK if it is an original)
- ❑ 2nd Lien Mortgage/Deed of Trust
- ❑ CBC Mortgage Agency Secondary Financing Disclosure (for a sample, click the link and go to the dropdown for CBC Process and Documents)
- ❑ CBC Mortgage Agency Letter from the President (for a sample, click the link and go to the dropdown for CBC Process and Documents)
- ❑ CBC Mortgage Agency Quality Control Release form

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- ❑ Addendum regarding seller or lender contributions, if applicable—applies to loans with seller-paid borrower origination charges (for a sample, click the link and go to the dropdown for CBC Process and Documents)
- ❑ Notice of Transfer of Servicing for 2nd Lien
- ❑ Any additional state-required disclosures

7.22.3 Loans Where Property Taxes Are Due the Following Month After Purchase

If a property tax payment is due in or before the month following the date of CBCMA's purchase of the first mortgage, CBCMA must have proof taxes were paid before the company will purchase the loan.

7.23 | Interest Credit Option

Loans disbursed on or before the seventh (7th) day of the current month may use an interest credit option.

7.24 | 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; otherwise, 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 the mortgage loan by CBC Mortgage Agency, there are less than thirty (30) days to policy expiration, CBC Mortgage Agency requires a thirty-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 or closing/settlement date, along with proof of premium paid.

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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 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, nevertheless, be acceptable if the insurer is reinsured by a company that meets either:
    - One of the A.M. Best general policy-holder ratings
    - Standard and Poor's Ratings Group claim-paying ability ratings
- 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 a ninety-day written notice of termination of the reinsurance arrangement; the Assumption of Liability Agreement must be attached to the hazard insurance policy

7.24.1 1–4 Family Residences

1–4 family residences must protect against loss or damage from fire and other hazards covered by the standard extended coverage endorsement. CBC Mortgage Agency will not accept hazard insurance policies that limit or exclude from coverage (in whole or in part) windstorm damages, hurricane damages, hail damages, or any other perils that normally are included under an extended coverage endorsement. A lender must advise the 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

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peril, or from an insurance pool that the state has established to cover the limitations or exclusions.

The insurance 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 November 14th, 2015, see the guidelines in HUD ML 2009-46 B, Condominium Approval Process for Single Family Housing, Section VI, Insurance Requirements, or a more recent HUD issuance, if applicable. FHA mortgage loans with case numbers assigned on or after November 14th, 2015, must be underwritten to FHA Single Family Housing Policy Handbook 4000.1.

7.24.2 Condominiums

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

- ❑ The PUD, condominium homeowners' association, or 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
- ❑ The current master condo insurance policy must provide at least one million ($1,000,000) liability coverage
- ❑ The "Severability of Interest" clause or specific endorsement must preclude the insurer's denial of a unit owner's negligence claim
- ❑ An acceptable fidelity bond is required on condominium projects with more than twenty (20) units
- ❑ The policy should provide for at least ten (10) days' written notice to the homeowners' association before the insurer can cancel or substantially modify it; for condo projects, an additional, similar notice must be given to each holder of a 1st 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), the 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:

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

7.24.3 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 project’s blanket policy.

In addition, the homeowners’ association must maintain a policy that 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

7.24.4 Amount of Hazard Insurance

For first lien home mortgages on 1–4 unit properties, 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;

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- the guaranteed replacement cost endorsement, which provides that the insurer agrees to replace the insurable property, regardless of the cost or the replacement cost endorsement;
- 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; or
- 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 an 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 form from the insurance agency
2. Third party vendor documents (Marshall and Swift [example: Data Quick] may have been used by the vendor)
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

7.24.5 Hazard Insurance Deductible

Deductible for hazard policies must conform to HUD guidelines.

7.25 | Title Policies and Insurance Commitments

All title insurance policies must ensure that the title is generally acceptable and that the mortgage constitutes a lien of the required priority on a fee simple or leasehold estate in the property. The title policy should list any and all other liens as subordinate to the first lien.

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The title policy must be written on an ALTA (American Land Title Association) form. In states where ALTA forms of coverage are not used, the state-standard or short form that provides the same coverage as the ALTA form may be used, provided that the coverage does not impair lien protection to all applicable liens for purchase.

The title policy should be dated as effective (no earlier, or no later) at the date of closing. Lien protection must begin at the time of consummation and extend through the life of the loan.

Please note: title insurance is not a requirement for CBCMA second liens, although it may be applied at the lender's discretion. All title insurance requirements are in line with Fannie Mae™ and FHA guidelines for lien insurance protection for first liens used in connection with the purchase transaction.

7.25.1 Adding Persons to Title and Sales Contracts

CBC Mortgage Agency allows persons to be added to the contract and title that are not on the loan, such as non-purchasing spouses, per Agency and state guidelines.

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8 | **Document Packages**

8.1 | Registration—Procedural Overview

When registering a loan, access CBC Mortgage Agency's Client Site through the following link: CBCMA Client Site

- ❑ Select "Client Portal Login" at the top center of the webpage
- ❑ Enter login credentials
- ❑ Select "Register New Loan" from the four options

8.2 | Lock Policy

Loan locks must be valid through the date of "Good Delivery." Good Delivery refers to the moment the complete loan images (credit and closing packages) are uploaded for purchase review and the moment CBCMA receives 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 worst case pricing comparing the day of the request and the original lock. Please note that an extension may be required to extend the lock through the day of Good Delivery.

After a complete loan image is uploaded, loans will be simultaneously reviewed by our due diligence review company, and, when applicable, our takeout investor. When a takeout investor is involved, conditions from both parties will be released at the same time. Once conditions are released, correspondents will have seven (7) calendar days to satisfy the conditions. If all pre-purchase conditions are not cleared within the seven (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). Pre-purchase roll fees and any extension fees from the period prior to Good Delivery will be withheld from the purchase advice.

Post-purchase conditions will adhere to the same policies. Correspondents will have seven (7) calendar days to satisfy post-purchase conditions. If all post-purchase conditions are not cleared within the seven (7) calendar-day period, roll fees will accrue at .025 per day (.175 per week). Post-purchase roll fees will be billed by separate invoice. If the invoice for post-purchase roll fees are not paid within thirty (30) days of the invoice, these roll fees may be withheld from the next available purchase advice for the next loan purchased.

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Locks that are canceled, or that expire and remain expired, for thirty (30) days or more are eligible for relock at current-day pricing. If a loan is locked and then canceled (or expired), and then a relock request is received within thirty (30) days of the original lock, the loan pricing will be the worse-case of the current day pricing for the remaining lock period of the original lock less a .375 reinstatement fee and the lock period will be the remaining time on the original lock.

The lock is associated with the property address. If a borrower chooses to purchase a different property than was selected at the time of lock, the lock will need to be canceled and a new lock request submitted for the new property.

8.3 | Delivery

The mortgage loan must be delivered to CBC Mortgage Agency in purchasable condition on or before the lock expiration date. Loans must be current at the time of purchase.

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

- ❑ Product and program parameters
- ❑ Federal, state, and local laws and regulations
- ❑ Industry standards, the insuring requirements of FHA, and secondary market investor guidelines
- ❑ The requirements of this guide, including any updates, and the Correspondent Agreement (including in loan documentation)
- ❑ CBC Mortgage Agency specific documentation and CBCMA Loan Delivery Checklist

A closed mortgage loan submitted in non-purchasable form is considered incomplete and may be subject to relocking or repricing 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 Loan Delivery Checklist (see CBC Mortgage Agency's Loan Delivery Checklist). Uploaded documents 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 that impair CBC Mortgage Agency's ability to service or sell the mortgage loan.

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8.4 | 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 signatures, 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 on the following documents:

- ❑ 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.

8.5 | 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 (this exclusion does not apply to any of the borrowers on 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
- ❑ The 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

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- ❑ The attorney-in-fact must have executed all closing documents at settlement
- ❑ Title must insure the correspondent is in 1st lien position without exception to the POA
- ❑ POA document must be recorded immediately prior to the closing documents

8.5.1 Signature requirements for a POA

There are no exceptions to these policies, for signatures or initials. Sign the borrower's name, with the 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, with the POA initials underneath, with the following verbiage: "as attorney in fact" (i.e., JD by MD, as attorney in fact).

8.6 | Electronic Signatures

CBC Mortgage Agency will accept the use of electronic signatures on certain documents when the signing is conducted in accordance with the outlined performance standards 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 the 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:

- ❑ The borrower's consent for the use of any electronic signature or disclosure

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- ❏ The signer's certification that the document is true, accurate, and correct at the time signed
- ❏ The intent to sign the record and the intent to use an electronic signature
- ❏ The attribution of the electronic signature to that signer

Electronic signatures are acceptable on initial application documents. However, the following specific closing documentation will require wet signatures that are not electronic: all Promissory Notes, Mortgages, and Final Closing Disclosures.

8.6.1 Representations and Warranties

In addition to the representations and warranties listed in the agreement and elsewhere in this guide, and when selling a mortgage loan with electronic signatures to CBC Mortgage Agency, the correspondent must make 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 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 that 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

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8.7 | 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 in 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 (6) items that define an application.

The initial LE must also be delivered or placed in the mail at least seven (7) specific business days 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.

8.7.1 Good Faith Requirement and Variance

The 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 the correspondent at the time the LE is made). In these instances, the 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 the correspondent later discovers a technical error, miscalculation, or underestimation of a charge.

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

8.7.2 Variance Limitations

The 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. The correspondent may

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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 disbursement exceed the amounts disclosed on the LE beyond the applicable variance threshold, the correspondent must refund the excess to the consumer no later than sixty (60) calendar days after consummation.

8.7.3 Revisions and Corrections to Loan Estimates

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 [3] general business days of the application) and may not issue revisions to LEs because it later discovers technical errors, miscalculations, or underestimations of charges.

The 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% 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 one under “Rate Lock”)
- ❑ On new construction loan transactions where the creditor reasonably expects that settlement will occur more than sixty (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

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provided, the creditor may not issue revised disclosures, unless otherwise provided for above

8.7.4 Timing for Revisions to the Loan Estimate

Generally, the correspondent must deliver or place in the mail the revised LE to the consumer no later than three (3) general business days after receiving information sufficient to establish that a valid change in circumstance has occurred.

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

The correspondent must ensure that the consumer receives the revised LE no later than four (4) specific business days prior to consummation. If the correspondent is mailing the revised LE and relying upon the three-business-day mailbox rule, the correspondent would need to place in the mail the revised LE no later than seven (7) specific business days before consummation of the transaction to allow three (3) business days for receipt.

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.

8.8 | 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 of 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, and guarantor requirements for the second lien CD. To this end, we are providing the following guidance that our investors have found to be acceptable.

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8.8.1 Properly Identifying Down Payment Assistance Funds on the First CD

On the first mortgage CD, the down payment assistance funds from CBC Mortgage Agency 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," using Lines 4 through 7.

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

8.8.2 Showing Closing Costs for Secondary Financing on the First CD

On the first CD, the total closing costs associated with the second mortgage may be reflected in "Section H" (of the first 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 second lien (from CBC Mortgage Agency) may be shown in the "Amount" Column; however, if net proceeds are shown, the principal balance must also be shown in parentheses in the description field.

Note: if net proceeds are shown in the "Amount" column in Section L, or under "Other Credits" on the first CD, the closing costs associated with the second mortgage CD will not be reflected in Section H of the first 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.

8.9 | CD and Settlement Documentation

The following documents are required to be delivered to CBCMA:

- ❏ Initial Borrower Closing Disclosure
- ❏ If multiple CDs:
    - ❏ "Final"-marked Borrower Closing Disclosure
    - ❏ "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

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CBC Mortgage Agency requires the borrower's and seller's signatures 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.

8.9.1 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 same 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 on the CD. However, if the seller's disclosure is provided in a separate document, the settlement agent will provide the 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.

8.9.2 Delivery of the Closing Disclosure

The CD must be received by the consumer at least three (3) specific business days prior to consummation.

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

The 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)
- ❏ Via mailing the disclosures, which may include overnight delivery
- ❏ Via electronic delivery methods subject to compliance with consumer consent and other applicable provisions of the Electronic Signatures in Global and National Commerce Act (15 U.S.C. 7001 et seq.); note that 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

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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 (3) specific business days after they are mailed, transmitted, or deposited with the courier service (for purposes of determining when the three-business-day waiting period begins). This is commonly referred to as the three-business-day mailbox rule. When the correspondent has evidence that the consumer received the disclosures earlier than three (3) specific business days after mailing or delivery, the 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 an extension of credit is needed to meet a bona fide personal financial emergency.

8.9.3 Revised Closing Disclosures

Once a CD is delivered or mailed to the consumer, consummation cannot occur until three (3) specific business days after the disclosure is considered received by the consumer. According to the TRID rule, there are three (3) categories of changes that require a corrected CD containing all changed terms:

- ❏ Changes that occur before consummation that will require a new three-specific-business-day waiting period:
  - ❏ The disclosed APR becomes inaccurate by more than ⅛ of 1% 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
  - ❏ 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
  - ❏ 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)
- ❏ Changes that occur before consummation that do not require a new three-specific-business-day waiting period (i.e., 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

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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 the correspondent at the time the consumer inspects the document

- Changes that occur after consummation

8.10 | Disclosures Required Post-consummation

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

If, during the thirty-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 thirty (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, the correspondent must deliver or mail a corrected CD no later than sixty (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 the consumer no later than sixty (60) calendar days after consummation. In addition, the correspondent must deliver or mail the corrected CD reflecting such refund no later than sixty (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 three-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.

8.10.1 The CD is Acceptable If:

- It has 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

8.10.2 The CD is not Acceptable If:

- It is understated by more than the $100 tolerance

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- ❏ The Finance Charge is understated by more than $100 or the APR is understated by more than .125%

8.11 | Loan Cancellation Policy

Correspondents and CBCMA can choose to cancel loans if necessary. Cancelled loans fall into two categories: loans cancelled before closing, and loans cancelled after closing. They are both handled differently.

8.11.1 Loans Cancelled Before Closing

Loans cancelled before closing are not assessed a fee or penalized in any way. However, the application for down payment assistance must be started anew if this loan is ever un-cancelled.

8.11.2 Loans Cancelled After Closing

CBC Mortgage agency has a legal obligation to reimburse down payment funds after closing, due to the Funding Obligation Letter provided at the time of loan registration—this has the potential to create a large expense for CBCMA and the Correspondent on loans with defects that cannot be cured. To avoid this, one of two options must be followed:

Option 1: Cost Option for FHA Insuring or Fannie Mae™ Community Seconds® Transactions

This is the best option if the loan must be cancelled but the Correspondent wants to insure that loan with FHA or have it salable to Fannie Mae™, now or in the future. By choosing this option, the Correspondent is requesting that CBCMA honor its obligation to reimburse the funds that the Correspondent advanced at the closing table on behalf of CBCMA. Once CBCMA reimburses the down payment, the Correspondent will be obligated by the loan purchase and sales agreement to pay a loan non-delivery fee. To handle this, CBCMA will wire 3.5% to reimburse the DPA funds and the Correspondent will be required to pay a loan non-delivery fee of 4.5%. In the case of the 5% assistance Rate Advantage loan, CBCMA will wire 5% to reimburse the DPA funds and the Correspondent will be required to pay a loan non-delivery fee of 6%.

Option 2: No Cost Option

This is the best option if the loan does not meet FHA or conventional guidelines due to a defect. The Correspondent will sign a form releasing CBCMA from the obligation to reimburse the borrower's down payment funds and no further action is required. The released loan will not be insurable by FHA as a permissible government-assisted DPA

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transaction or salable to Fannie Mae™ under their Community Seconds® transaction requirements.

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9 | Clearing for Purchase

9.1 | 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 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 the investor, correspondents will be notified via email. All conditions can be viewed on the client site.

Correspondents have the ability to directly communicate with CBC Mortgage Agency's due diligence reviewers to obtain clarification or dispute specific conditions using the escalation process on the client site.

Each loan is assigned a purchase clearing specialist from CBCMA's purchase clearing team. The purchase clearing team's primary function at CBC Mortgage Agency is to assist and expedite the purchase of the correspondent's loans. The purchase clearing team has the ability to waive or clear most conditions; in addition, they are a critical conduit and act as personal liaison to the correspondent for due diligence and investor communications.

The purchase clearing specialist is a critical conduit and acts as a personal liaison to the correspondent for the due diligence and investor communications. To best use this resource, use the escalation log found inside each individual transaction on the website. Specifically, use the escalation log to address questions regarding conditions, to request expedited reviews and waivers of outstanding conditions, or to request information from the purchase clearing specialist.

Contact for CBC Mortgage Agency's Purchase Clearing Team:
purchaseclearing@chenoafund.org

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10 | **Final Documents**

10.1 | Collateral Package Documents

CBC Mortgage Agency requires the original, final collateral documents, with the exception of mortgages (deeds) that are pending being recorded in the appropriate jurisdiction (for which a certified true copy must 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 in the client site as loan conditions. Collateral conditions for corrected or additional original documents should be sent to CBC Mortgage Agency, and a copy of the document should be uploaded to the Client Site.

For each loan purchased by CBC Mortgage Agency, all final closing documents must be delivered by no later than eighty-five (85) days (sixty [60] days for FHA MIC) after the purchase of such mortgage loan. If complete documentation is not received within the eighty-five-day (sixty [60] days from the Note date if FHA MIC) period, CBCMA may require the seller to incur a delivery fee or repurchase the mortgage loan, or both.

CBC Mortgage Agency advises correspondents to use an express shipping service to track shipments and ensure timely delivery of the original note, collateral package, and trailing documents.

10.1.1 Shipping for Collateral

CBC Mortgage Agency

912 W. Baxter Drive, Suite 150

South Jordan, UT 84095

Email Contact: **finaldocs@chenoafund.org**

10.1.2 Shipping for Trailing Docs

CBC Mortgage Agency

C/O DocProbe

1820 Swarthmore Avenue

P.O. Box 2133

Lakewood, NJ 08701

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10.2 | 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, first and second liens, **must** be transferred to CBC Mortgage Agency as Investor (owner/beneficiary) and Servicer through MERS at the same time the first mortgage is transferred, which will be within seventy-two (72) hours after the first mortgage is purchased, but never before purchase (MERS ORG #1012881). To emphasize, this transfer **must** be made (for the first and second lien) within seventy-two (72) hours of the first mortgage loan purchase. We remind all correspondents of the following when registering and transferring MINs:

- ❏ Select the correct lien type for the loan
- ❏ Ensure the loan amount is correct
- ❏ Lender organization ID is entered as the Originator for all first mortgages
- ❏ CBCMA organization ID is entered at the Originator for all second mortgages
- ❏ The borrower's or borrowers' social security number(s) is correct
- ❏ FHA Case Number is entered and is correct (if applicable)
- ❏ Enter the CBCMA loan number as Investor Loan Number

10.2.1 Loss Payee Change

Prior to purchase, the second mortgage mortgagee clause should be:

CBC Mortgage Agency

Its Successors and/or Assigns ATIMA

912 W. Baxter, Suite 150

South Jordan, UT 84095

10.3 | FHA Connection

10.3.1 FHA Mortgage Record Change

The correspondent is responsible for completing the mortgage record change to CBC Mortgage Agency in FHA Connection (FHAC). To report servicer/holder transfer, the correspondent must log in to FHAC to complete the transfer. Mortgage record changes must be completed within fifteen (15) business days from the date of purchase.

- ❏ Access the Mortgage Record Changes menu
- ❏ Click Servicer/Holder Transfer (HUD Form 92080)

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- ❑ Enter the FHA Case Number (including the dash)
- ❑ Enter original mortgage amount, including UFMIP (do not enter $ sign or comma)
- ❑ Enter the first five digits of the CBC Mortgage Agency ID “94130“ into the Holding Mortgagee
- ❑ Complete the new Servicing Mortgagee field

Enter the date of transfer (Purchase Date)

10.3.2 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 eighty-five (85) calendar days of the closing of such mortgage loan (or thirty [30] calendar days from closing in the case of the FHA Mortgage Insurance Certificate).

10.4 | FHA Mortgage Insurance Certificate

MICs are generally required to be delivered within sixty (60) days of the note date.

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11 | Servicing

11.1 | Early Payment Default

An early payment default (for the purpose of the agreement between the correspondent and CBC Mortgage Agency) is defined as the first payment that becomes thirty (30) days or more delinquent, or any of the second through sixth payments that become sixty (60) days or more delinquent, or if the mortgagor becomes a debtor in bankruptcy (or any similar type of proceeding). A payment is considered delinquent if a payment is not received within thirty (30) days of the due date designated on the mortgage note (first or second).

In the event that a borrower goes into an early payment default (EPD), CBCMA will invoice the correspondent lender for any premium pricing paid to the correspondent at the time of loan purchase plus an admin fee. The admin fee will be equal to the admin fee charged by CBCMA's investor (up to $3500) or, for loans securitized indirectly by CBCMA, the admin fee will be $1500. The correspondent will also be required to purchase the second mortgage.

Please see COVID-19 Temporary Guidance for temporary additions or revisions to this guideline.

11.1.1 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 monthly payment (due to the purchaser or its assigns) following the closing date, the seller shall:

- ❏ 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,
- ❏ if a grant or gift has been provided through the purchaser in connection to the mortgage loan, the seller shall also refund the amount of the grant or gift.

11.2 | Subordination Policy

CBC Mortgage Agency rarely accepts subordination requests for our Chenoa second programs.

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11.2.1 Amortized & Repayable Second Mortgage:

CBC Mortgage Agency does not allow for subordinations in the thirty six months beginning with the first payment on the loan. To qualify under these circumstances, the borrowers must have made thirty-six (36) payments on both the primary and secondary loans, with no late payments (defined as more than thirty [30] days late). If a borrower would like to refinance their first mortgage prior to the thirty-sixth month, CBC Mortgage Agency will not subordinate, and thus the second mortgage must be paid in full. For payoff information, please contact servicing@chenoafund.org.

During the aforementioned non-subordination period, if it is discovered that the original loan has a loan defect, this may be cured by the original maker of the loan via a refinance, and CBC Mortgage Agency would subordinate to this refinance.

Payments may not be paid forward to satisfy the waiting period, and it is required that all the payments have been made prior to CBCMA issuing a subordination approval.

11.2.2 Soft Seconds

Soft seconds do not qualify for subordinations. The note specifically dictates that a refinance of the first mortgage would trigger a payoff of the second mortgage.

If it is discovered that the original loan has a loan defect, this may be cured by the original maker of the loan via a refinance, and CBC Mortgage Agency would subordinate to this refinance.

11.2.3 General Subordination Policy

Should a loan qualify for subordination, the following process is required:

- ❏ The requesting party should email a copy of the subordination agreement to servicing@chenoafund.org for review and acceptance
- ❏ A $150 processing fee is required (payable to CBCMA)
- ❏ 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.

11.3 | 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

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mortgage loan, but at CBCMA's discretion may include a return to CBC Mortgage Agency by the 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 the correspondent.

11.4 | Transfer of Servicing

After purchase of the loan by CBC Mortgage Agency, the correspondent must immediately notify (within five [5] days) HUD and each borrower of the sale of the first mortgage loan. All disclosures and notifications to the borrowers must meet current applicable federal, state, local, and regulatory law requirements.

The correspondent must issue all borrower notifications after the purchase of the loan and no less than fifteen (15) days before the effective date of the transfer of servicing duties.

Notifications must perform the following:

- ❏ Indicate and identify 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 the correspondent will no longer accept payments on the mortgage loan
- ❏ Identify the transferee of the servicing duties
- ❏ Provide the correspondent's name and, for both companies involved in the transfer, a complete address, the 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

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notes and comments should be written in a manner that is appropriate to share with the borrower when required under the applicable law.

11.4.1 Loan Package Contents and Delivery

In order to confirm an accurate notice of transfer of servicing, a "Goodbye Letter," CBCMA requires a sample copy of the notice of transfer of servicing to be included in the loan package at time of delivery. This applies to all first mortgages.

CBC Mortgage Agency's address and contact information to be used for the notice of transfer of servicing, the "Goodbye Letter" for the first mortgage, is as follows:

> **CBC Mortgage Agency**
> Its Successors and/or Assigns ATIMA
> 912 W Baxter Drive, #150
> South Jordan, UT 84095

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, the "Goodbye Letter" for the second mortgage (repayable seconds only), is as follows:

> **Statebridge Company, LLC**
> 6061 South Willow Drive
> Suite 300
> Greenwood Village, CO 80111

CBC Mortgage Agency's address and contact information to be used for the notice of transfer of servicing, the "Goodbye Letter" for the second mortgage (forgivable seconds only), is as follows:

> **CBC Mortgage Agency**
> Its Successors and/or Assigns ATIMA
> 912 W Baxter Drive, #150
> South Jordan, UT 84095

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12 | CBCMA Key Contact Information

The following sections contain contact information and shipping addresses for various parts of the Cedar Band Corporation and CBC Mortgage Agency.

As a reminder, for all credit, underwriting, or compliance questions, please email our Scenario Desk: scenariodesk@chenoafund.org

12.1 | Department Emails

- Lock Desk: locks@chenoafund.org
- Loan Submissions: submissions@chenoafund.org
- Scenario Questions: scenariodesk@chenoafund.org
- Exception Requests: exceptions@chenoafund.org
- Accounting: accounting@chenoafund.org
- Purchase Clearing: purchaseclearing@chenoafund.org
- Final and Trailing Docs: finaldocs@chenoafund.org
- Complaints: complaints@chenoafund.org

12.2 | CBCMA Codes

- MERS ID: 1012881
- FHA ID: 9413-00000-8
- NMLS ID: 1186381
- CBCMA EIN: 46-2780478

12.3 | Contact Information

12.3.1 Cedar Band of Paiutes Headquarters

Cedar Band of Paiutes

600 N 100 E

Cedar City, UT 84721

(435) 586-9433

www.utahpaiutes.org/bands/cedar/

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12.3.2 Loan Operations Center

CBC Mortgage Agency
912 W Baxter Drive, #150
South Jordan, UT 84095
Phone: (866) 563-3507
Fax: (435) 237-0022
www.chenoafund.org

12.4 | Shipping Addresses

12.4.1 Shipping for Collateral

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

12.4.2 Shipping for Trailing Docs

CBC Mortgage Agency
C/O DocProbe
1820 Swarthmore Avenue
P.O. Box 2133
Lakewood, NJ 08701

12.4.3 Mortgagee Clause

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

12.5 | Borrower Payment Addresses

12.5.1 1st Mortgage

CBC Mortgage Agency
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912 W Baxter Drive, #150

South Jordan, UT 84095

12.5.2 Repayable 2nd Mortgages

Statebridge Company, LLC

6061 South Willow Drive, Ste 100

Greenwood Village, CO 80111

12.5.3 Forgivable 2nd Mortgages

CBC Mortgage Agency

Its Successors and/or Assigns ATIMA

912 W Baxter Drive, #150

South Jordan, UT 84095

12.5.4 Overnight Deliveries

Statebridge Company, LLC

6061 South Willow Drive, Ste 300

Greenwood Village, CO 80111

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