



# Correspondent Lending Guide

## Version 12.5

# Recent Updates and Announcements

**11/07/2022**

**Version 12.5**

## **Announcement – November 7, 2022 Program Guidelines Update:**

**All policy changes and updates are referenced below to the appropriate section of the CLG. These policy changes are effective 11/07/2022 unless otherwise noted.**

**To review the program guidelines changes made March 3, 2022, or earlier, please follow [this link](#) to the archived Correspondent Lending Guides.** (You are also able to review the DPA Edge and Rate Advantage products guidelines from the archived March 3, 2022 guidelines.)

**This announcement, and previous announcements, are also available on the [Announcements](#) page of our website.**

**These updates apply to everyone using the Chenoa Fund program—correspondents and TPO.**

### **Announcements—Product Updates**

**Payment Shock:** Payment shock overlays are determined by the lower middle fico scores for qualifying borrowers. Rental payments can be combined for payment shock if borrowers have been living in separate residences.

### **Manufactured Housing:**

6.2.5 Ineligible Features

\* Added single wide units

## **Bonafide and Non-bonafide fees:**

- Bona-fide discount points exist when your company publishes a rate sheet that has, after application of all LLPAs, a par rate or that pays a premium. If a borrower selects a lower rate than that 'par or better' rate, then the discount point charged to get that lower rate would be a bona-fide discount point. CBCMA allows discount points per CFBP guidelines.
- Non-bonafide discount points exist when no 'par or better' rate exists on your company's published rate sheet. If the highest rate available results in a fee to the borrower, this fee is a non-bona-fide discount point. CBCMA allows non-bona-fide discount points, but they must be counted towards the maximum 3% points and fees rule.
- Non-bonafide discount points paid by a seller using a seller concession must be considered in the 3% points and fees calculation.
- Non-bonafide discount points can be paid by a seller as part of 'seller paid items' and not have them count against the 3% points and fees rule by following the guidance in the Buckley-Sandler memo that is published on the [chenoafund.org](http://chenoafund.org) site.

**All FHA:** Allowed. Loans submitted with Refer/Eligible AUS findings and that have been manually underwritten according to FHA guidelines are acceptable with the exception of manufactured home properties, 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.

## **The above changes affect the following sections:**

### **5.12 | Payment Shock Requirements**

#### **6.2.5 | Ineligible Features**

**\* Added Single wide units**

### **7.7 | Added Bonafide and Non-Bonafide Fees**

### **5.25 | Manual Underwriting**

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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.

## 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.

In addition, CBC Mortgage Agency offers exceptional customer service. As part of our commitment, we offer a variety of resources to help answer your questions and to assure a smooth experience. For instance, our Scenario and Exception teams are available for video conferencing and screen sharing, and they can walk you through second mortgage input.

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:

Cari Zwick  
VP, National Program Director  
630-301-2222  
cari.zwick@chenoafund.org

## 3 | Disclaimers

### 3.1 | Loan Performance Notes

CBC Mortgage Agency (CBC Mortgage Agency) 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 CBC Mortgage Agency 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 CBC Mortgage Agency 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 CBC Mortgage Agency 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 shall govern 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 in these terms and conditions, the additional disclosures and disclaimers shall govern those portions or pages.

The correspondent agrees that it will not engage in any activities related to the CBC Mortgage Agency 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 it will establish commercially reasonable security procedures and controls where the CBC Mortgage Agency website or client site requires identification (for access or to perform transactions or processes). The correspondent

agrees to limit access of 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 is not obligated 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 of any kind to the user. By offering information, products, and services via the CBC Mortgage Agency website or the client site, no distribution or solicitation of any kind 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 CBC Mortgage Agency 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 CBC Mortgage Agency 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.

### **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 unenforceable, the remaining terms and provisions shall be unimpaired and the unenforceable terms or provisions shall be replaced by such enforceable terms or provisions that come closest to the intention underlying the unenforceable terms or provisions. These terms and conditions contained herein shall be subject to any other written agreements the correspondent has entered into with CBC Mortgage Agency. The user's access to and use of the CBC Mortgage Agency website and the client site, and terms of this disclaimer, are governed by the laws of the State of Utah.

## 4 | Doing Business with CBC Mortgage Agency on FHA Insured Loans

CBC Mortgage Agency follows applicable published FHA handbooks, mortgagee letters, and announcements with some minimal overlays as outlined in this guide.

### 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.

#### 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)
- 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
- 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 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™).

#### **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.

### 4.7.1 Quality Control Compliance

Quality Control compliance is a cooperative effort to mitigate fraud and risk in our lending environment and is also mandated by governing agencies, such as HUD and Fannie Mae™. Correspondent cooperation is mandatory when it comes to response and delivery of post-closing documentation.

The Mortgage Loan Purchase and Sale Agreement in Section 2(e) and (f) state the following:

- ❑ (e) Failure of Seller to Timely Deliver Mortgage Loan Documents. The Seller shall deliver to the Purchaser, or its designee, for each Mortgage Loan in the related Mortgage Loan Package a complete Mortgage File, and the related Mortgage Loan Schedule. Seller agrees to pay a penalty of \$10.00 per day per document for any document that has not been provided to Seller within 90 days from the Closing Date. Seller agrees to correct any documents within 30 days after being notified by Purchaser that any documents are unacceptable.
- ❑ (f) Quality Control Review. Purchaser shall have the right at any time to perform a quality control review of any Mortgage Loan that it purchases under this Agreement, including, without limitation, independent credit report verifications, appraisal reports, and property inspection. If Purchaser is required by an investor to conduct or assist in a property inspection of the Mortgage Property, Seller agrees to assist the investor or Purchaser in conducting the inspection.

## 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 CBC Mortgage Agency'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 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 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 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.

### 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.

## 5 | Summary of Products

### 5.1 | Chenoa Fund™

Chenoa Fund™ down payment assistance (DPA) is offered in the form of a second mortgage. For DPA products paired with FHA first mortgages, the DPA amount is 3.5% or 5% of the lower of the purchase price or appraised value of the home. This amount is rounded up to the nearest whole dollar. In any case, this assistance may be applied toward 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 CBC Mortgage Agency's behalf, sell the first mortgage to CBC Mortgage Agency and receive a generous YSP. Correspondent lenders also get reimbursed for the second mortgage by CBC Mortgage Agency.

CBC Mortgage Agency offers one unified product that is paired with an FHA-insured first mortgage.

If you would like a visual aid to compare the differences between these three products, please refer to [CBC Mortgage Agency's product matrix](#).

### 5.2 | FHA Offerings

Chenoa Fund™ secondary financing assists homebuyers in meeting their minimum required investment when purchasing a home using an FHA insured mortgage for a primary residence. All buyers must sign the note and deed of trust (or mortgage, in applicable states) for the secondary financing.

Chenoa Fund™ down payment assistance for FHA loans 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. 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. Additional assistance (gift or secondary financing) may be combined with CBC Mortgage Agency's assistance programs as long as the underlying FHA-insured loan is sold to CBC Mortgage Agency and any CBC Mortgage Agency 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, any governmental levied property tax stamps or recording taxes, a courier fee to return the signed documents to the Lender, and a MERS registration/transfer fee.



First mortgage loans must be a fixed rate and conform to standard FHA guidelines. High balance loans are acceptable, except for the 5% down payment assistance product when using the forgivable option. Eligible loan programs:

- ❑ FHA 203(b) 1–2 units, primary residence only

When secondary financing is used, a second lien loan application is not required if disclosed appropriately in conjunction with the first lien. Otherwise, a second lien loan application must be completed and executed by the borrowers. In either instance, the respective loan application must identify the source of funds as CBC Mortgage Agency, including accurate loan amount and repayment terms of the secondary financing.

In all cases, first mortgage loans submitted to CBC Mortgage Agency must conform with HUD's FHA 4000.1 handbook and 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 CBC Mortgage Agency'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 CBC Mortgage Agency overlays, please refer to FHA 4000.1 (found at [www.hud.gov](http://www.hud.gov)).

There is one Chenoa Fund™ down payment assistance product for FHA loans.

### 5.2.1 Chenoa Fund Down Payment Assistance

This second mortgage product is paired with an FHA first mortgage. The product offers 3.5% or 5% down payment assistance to borrowers with an annual income of 135% or less of the AMI for the county or MSA in which they are purchasing a home. (An option is available to higher income borrowers that has no income limits.) All FHA guidelines must be met, as well as Chenoa Fund overlays. This product can be repayable or forgivable. Repayable down payment second loans have a 10-year term with an interest rate 2% higher than the interest rate on the first mortgage.

The forgivable option has a 30-year term, no interest rate, and no monthly payments. Forgiveness is based on the DPA amount:

- **3.5%:** Forgiven once the borrower makes thirty-six (36) **consecutive, on-time** payments on the FHA first mortgage. (The borrower must request forgiveness once forgiveness conditions are met and provide payment for processing the lien release.) This forgiveness period resets if the borrower makes a late payment on the first mortgage. If this forgiveness condition is not met before the end of the 30-year term, then the loan may be forgiven at the borrower's request and upon the borrower's payment of processing the lien release. This loan permanently loses its forgivable status if, during the initial thirty-six (36) payments on the first mortgage, the borrower refinances the first mortgage and state law allows the second mortgage to subordinate without prior consent from CBC Mortgage Agency.
- **5%:** Forgiven if all borrower payments are less than sixty (60) days late on the first one-hundred and twenty (120) payments on the FHA first mortgage. (The borrower must request forgiveness once forgiveness conditions are met and provide payment for processing the lien release.) This forgiveness period does not reset if any of the first one-hundred and twenty (120) payments on the FHA first mortgage are sixty (60) or more days late; in such a situation, the loan would not be forgiven after the first one-hundred and twenty (120) payments on the FHA first mortgage, but the loan would still have a 0% interest rate and no monthly payment for the rest of the 30-year term. If this loan is not forgiven after the first one-hundred and twenty (120) payments on the FHA first mortgage and this loan reaches the end of its 30-year term, then the loan may be forgiven at the borrower's request and upon the borrower's payment of processing the lien release. This loan permanently loses its forgivable status if during the initial one-hundred and twenty (120) payments on the first mortgage the borrower refinances the first mortgage and state law allows the second mortgage to subordinate without prior consent from CBC Mortgage Agency.

Please reach out to [servicing@chenoafund.org](mailto:servicing@chenoafund.org) to discuss subordinations. The loan must be repaid upon refinance or transfer of homeownership if forgiveness conditions are not met.

Please refer to our [daily rate sheet](#) for interest rates on FHA first mortgages.

### 5.3 | Product Comparisons

If you would like a visual of the Chenoa Fund product offerings, please visit our [Product Matrix](#), which provides a summarized version of the Correspondent Lending Guide.

As already mentioned, each Chenoa Fund™ product has its own requirements and guidelines, which are detailed in the rest of this section. The following definitions will help clarify what guidelines refer to which product:

- ❑ **All FHA**—Applicable to Chenoa Fund™ for FHA products (3.5% DPA and 5% DPA; repayable and forgivable)
- ❑ **First Mortgage**—A requirement for the first mortgage that doesn't necessarily apply to the second mortgage

## 5.4 | Program Notes and Disclaimers

*All FHA:* CBC Mortgage Agency adheres to all posted guidelines for FHA eligibility as found in the FHA Housing Handbook, 4000.1. All other posted program notes or guidelines are overlays of CBC Mortgage Agency and Chenoa Fund™.

### 5.4.1 High Balance Loans

A High balance loan is any loan that exceeds the FHFA loan limit (typically the standard conforming loan limit, **not** the individual county conforming loan limit). In AK and HI the FHFA limit is higher than in the continental US and is the threshold used to determine whether or not a loan is High Balance.

High balance loans are acceptable with the following Chenoa Fund™ DPA Products:

- ❑ Chenoa Fund™ for FHA (repayable assistance; 3.5% or 5% DPA)
- ❑ Chenoa Fund™ for FHA (forgivable assistance; 3.5% DPA)

High balance loans are not acceptable for Chenoa Fund™ down payment assistance for the Chenoa Fund™ DPA for FHA product with forgivable assistance in an amount of 5%.

## 5.5 | First Mortgage

*All FHA Programs:* The FHA mortgage paired with Chenoa Fund™ down payment assistance must be a 30-year fixed rate term with full amortization only. **The first mortgage must be purchased by CBC Mortgage Agency.**

The mortgage type must be FHA 203 (b) 1–2 units, primary residence only. The following property types are allowed: SFR, PUD, townhome, condo, attached, detached, modular, and manufactured- double and triple wide only (single wide not eligible). (Note that manufactured homes must meet the requirements outlined in [chapter 6](#) [Manufactured Housing] of this guide.)

### 5.5.1 DPA Funding/Reimbursement

*First Mortgage:* Lenders fund the down payment assistance at closing and will be reimbursed by CBC Mortgage Agency upon purchase of the first mortgage under the terms of the Funding Obligation Letter issued at loan registration.

### 5.5.2 Loan Purpose

*First Mortgage:* Purchase only.

## **5.6 | Borrower Income Limits**

*All FHA:* In order to receive the best rates, borrowers must have a qualifying income less than or equal to 135% of area median income based on the state and county or MSA of the property to be purchased. Annual income must be combined for all borrowers on the loan, excluding non-occupant borrowers.

A no-income-limit option is available with a pricing hit.

### 5.6.1 AMI Calculation

The area median income (AMI) used to calculate program-specific income limits is valid as of the closing date of a loan. CBC Mortgage Agency will require a letter of explanation if more dependents than are on the 1003 are used to set an AMI limit.

*All FHA:* Based on loan qualifying income only (only use the income on the final loan application). Use HUD's [AMI chart](#) for the most recent year.

For more information on how to calculate AMI, please refer to CBC Mortgage Agency's [Training Series](#) under the "How to Calculate AMI" bubble. (Note that you do not need a login to access CBC Mortgage Agency training materials; we merely capture email addresses for tracking purposes. Also note that the training is a Prezi, not a video or traditional slide presentation.)

## **5.7 | Occupancy and Property Type**

*All FHA:* One of the borrowers must occupy the property as their primary residence. All other FHA guidelines apply. SFR, PUD, townhome, condo, attached, detached, modular, and manufactured allowed.

## **5.8 | First-time Homebuyer**

*All FHA:* Not required. However, relevant Agency guidelines may still require first-time homeownership.

## 5.9 | Undisclosed Debt Monitoring and Soft-Pull Credit Refreshes

*All FHA:* In community property states, a soft-pull credit refresh will be required for non-borrowing spouses with debt consideration.

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, CBC Mortgage Agency 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) calendar days of the disbursement date. CBC Mortgage Agency highly recommends correspondents utilize the UDM option, with the intent to emphasize debt monitoring services that check 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.

If there is a new material inquiry, then CBC Mortgage Agency will require that a letter of explanation (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 are 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.

## 5.10 | Minimum Credit Score

CBC Mortgage Agency follows industry standards (middle of three, lower of two) for determining which credit score to use for all Chenoa Fund™ credit score requirements.

*All FHA:* 600 FICO. Use the lowest middle FICO score on the loan.

## 5.11 | DTI Requirements

DTI overlays are determined by the qualifying credit scores on the loan.

*All FHA:*

- ❑ FICO 600+: DTI per AUS approval. If the borrower does not receive Approve/Eligible, a manual underwrite may be allowed; see section [5.25](#) (Manual Underwriting) for more information.

## 5.12 | Payment Shock Requirements

Payment shock overlays are determined by the lower middle fico scores for qualifying borrowers. Rental payments can be combined for payment shock if borrowers have been living in separate residences.

*All FHA:*

- FICO 600–639: 125% or less.
  - Borrowers who lived separately prior to purchasing a home together may combine previous housing payments to determine payment shock.
  - Borrowers may exceed this payment shock requirement if their DTI scores are 31/45% or less; this also applies to borrowers with no present housing payment.
- FICO 640+: No overlay.

## 5.13 | Present Housing Expense & Verification of Housing Payment

*All FHA:* A VOR is not required by Chenoa Fund overlays. However, if required by AUS or a manual underwrite, all verifications of rent or housing expense must come from a third-party source; for example, if the lease or mortgage is in the name of a spouse or significant other and the borrower cohabitates the dwelling, the verification of monthly payment may not come from the spouse or significant other that holds the lease or mortgage.

### 5.13.1 Loan Application Input for the Current Housing Payment

*All FHA:* All applications must contain a “present” housing payment unless the borrower is currently not making a housing payment. The amount “\$0.00” should be entered into the “present” housing payment field on the loan application if the borrower is not making a housing payment. The “present” housing payment field may only be left blank if your LOS does not allow an entry of \$0.00.

## 5.14 | Homeownership Education

*All FHA:* Required for borrowers with qualifying credit scores from 600–639. This course must be taken prior to closing.

Borrowers with a FICO score of 600–619 are required to take a counseling course through Money Management International. This course is accessible [here](#) and is paid for by CBC Mortgage Agency (for borrowers in this FICO band). Borrowers can take the course after their loan is registered in the CBC Mortgage Agency online lender portal and they receive a CBC Mortgage Agency loan number.

Borrowers with a FICO score of 620–639 may use any HUD-approved counseling course (you can access a list of HUD-approved courses [here](#); in addition, the Framework® and Homeview® are allowed as well). CBC Mortgage Agency will pay the course fee for those borrowers who choose to take the above Money Management International course if they are in this FICO band.

Only borrowers with scores less than 640 are required to take a homebuyer education course. Any borrowers on your transaction with a qualifying FICO score equal to or greater than 640 are not required to take a course.

### **5.15 | Acceptable Sources of Funds for Down Payment and Closing Costs**

*All FHA:* Gifts, grants, and CBC Mortgage Agency 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.

### **5.16 | Manufactured Homes**

*All FHA:* Permitted. For more information, see [chapter 6](#) (Manufactured Housing) or our [Manufactured Housing Matrix](#).

### **5.17 | Non-occupant Borrowers**

*All FHA:* 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.

### **5.18 | Loan Amounts (Minimum and Maximum)**

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

### **5.19 | Maximum LTV/CLTV and Subordinate Financing**

*All FHA:*

- ❑ LTV to 90–96.5%

DPA financing may be 3.5% or 5% of the lower of the purchase price or appraised value. 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 through the Chenoa Fund™ program 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.

## 5.20 | Ineligible Borrowers

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

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

## 5.21 | Private Mortgage Insurance (MI) Coverage

*All FHA:* 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](#).

### 5.21.1 Transferring Private Mortgage Insurance

Servicing Transfer address:

**Essex Mortgage**

2100 SE 17th Street

#112

Ocala, FL 34471

Methods to Notify Radian of a Loan Sale or Transfer of Servicing:

- EDI: Initiate EDI submission
- MI Online:
  - Access MI Online: [www.mionline.biz](http://www.mionline.biz)
  - Click the *Loan Servicing* tab and make the appropriate selections
- Email: Send the appropriate forms (the *Activation Notice* or Radian's *Notice of Loan Sale and/or Request for Transfer of Servicing*) to [customercare@radian.com](mailto:customercare@radian.com)

## 5.22 | Guidance on Fees

### 5.22.1 Fees to CBC Mortgage Agency

*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, a courier fee to return the signed documents to the Lender, and a MERS registration/transfer fee.

The admin fee is charged to the correspondent and is reflected on the Purchase Advice as a deduction from the total loan sale proceeds. This fee is a secondary market cost to the correspondent and is not part of the primary transaction, therefore it is not appropriate to charge this fee in section B or C of the LE/CD. Any addition to the lender's fees to the borrower to offset this charge must never reflect as a charge payable to CBC Mortgage Agency and must always be listed in Section A, paid to the correspondent (for example, included in the Origination Charges or as a separate line item charge). Any fees added to Section A must be included in the TRID points & fees test.

Fees on the LE and CD should *never* reflect as payable to CBC Mortgage Agency, CBC Mortgage Agency, or Chenoa Fund, regardless of the section.

Regarding discount points, CBC Mortgage Agency follows CFBP and relevant Agency guidelines for TRID, including the QM 3% Points and Fees test.

#### 5.22.2 Seller Credits and the Buckley-Sandler Memo

CBC Mortgage Agency takes the position that seller credits may be used to pay for origination points or discount points. Please see the addendum to the note (follow [this link](#) and select "Originator Resources"; the addendum follows the Buckley-Sandler memo in the same document) for further explanation of CBC Mortgage Agency's position.

Keep in mind that converting seller credits to seller-paid fees must be done prior to or at closing. Seller credits used to offset points and fees must be disclosed on the initial and final CD; they cannot be corrected after closing.

#### 5.22.3 Fees to Originator

*All Programs:* CBC Mortgage Agency will allow a maximum origination fee of 1.5%. Additionally, the lender may charge for any CBC Mortgage Agency 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 CBC Mortgage Agency LLPAs (if applicable). 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.

### **5.23 | AUS**

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

### **5.24 | Max Units**

*All FHA:* Two. Three to four units ineligible.

### **5.25 | Manual Underwriting**

*All FHA:* Allowed. Loans submitted with Refer/Eligible AUS findings and that have been manually underwritten according to FHA guidelines are acceptable with the exception of manufactured home properties, 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.

### **5.26 | Additional Properties Owned**

*All FHA:* 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 the new residence puts the borrower's commute at an additional distance of thirty minutes to the borrower's place of employment, CBC Mortgage Agency expects this to be referenced in the LOE.

As a reminder, FHA guidelines regarding owner occupancy requirements must be met.

### **5.27 | Appraisal Overlays**

*All FHA Programs:* CBC Mortgage Agency does not purchase loans with a Condition rating of C5.

### **5.28 | General Overlays**

#### **5.28.1 Cash Back to Borrower**

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

### 5.28.2 Minimum Borrower Contribution

*All FHA:* \$0. All funds needed to complete the transaction can come from a CBC Mortgage Agency-approved second lien.

### 5.28.3 HPML, High Cost, & QM Compliance

*All FHA:* HPML transactions are allowed. Lenders must comply with all CFPB & TRID requirements. High Cost loans are not permitted. All first mortgages must adhere to QM/ATR compliance. Mortgage loans exceeding the 3% max points and fees test are not permitted unless cures are applied. Bona fide discount points must adhere to CFPB and any or all state regulations. Bona fide discount points do not count toward the 3% max points and fees test.

### 5.28.4 Rate Sheet Compliance

*All FHA:* CBC Mortgage Agency cannot control whether or not discount points that are charged are bona fide; bona fide discount points may only be offered by retail lenders. The terminology of “discount points” has been clarified with regards to discussions surrounding the price paid by correspondents for rates charged on our rate sheets. Please see the Correspondent Lending Guide, sections [5.22.1](#) (Fees to CBC Mortgage Agency) and [7.8](#) (Important Notice Regarding CBC Mortgage Agency Investor Delivery Fee and Clarification of Rate Sheets), for a complete explanation and correct compliance interpretation.

For loans where discount points are present, correspondents will be required to include the correspondent’s published rate sheet in the purchase package in order to allow CBC Mortgage Agency to determine bona fide discount points from discount points that must be counted toward the 3% max points and fees calculation (non-bona fide discount points). This rate sheet must be from the day the loan was locked.

### 5.28.5 Required Documents

*All FHA:* 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.

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

CBC Mortgage Agency does not normally allow reverse bailees. In the event that an exception is granted, the notes for both mortgages using a reverse bailee must be delivered to CBC Mortgage Agency within three (3) days after the reverse bailee is received.

### 5.28.6 Initial & Final URLA

*All FHA:* We do require both an initial and a final URLA, per agency guidelines.

We require either the initial URLA or the final URLA 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 URLA, or the final URLA, must also be completed with the present housing expense section filled out. No exceptions.

### 5.28.7 Seller's CD

*All FHA:* A copy of the CD provided to the seller at closing is required on all transactions.

### 5.28.8 Ineligible Features

*All FHA:*

- Building on own land
- Construction to Perm
- Easements and deed restrictions that affect marketability must be reviewed and approved by CBC Mortgage Agency to be eligible for purchase, unless the easement or deed restriction expires upon foreclosure (requests for review should be submitted to [scenariodesk@chenoafund.org](mailto:scenariodesk@chenoafund.org)); however, deed restrictions allowed per FHA 4000.1 are permissible
- Loans with resale deed restrictions
- Proposed or under construction (new construction OK provided that the property is complete at the time of purchase)
- Illegal Accessory Units (please follow all HUD guidelines and all zoning laws on allowable features)

Leasehold estates are permissible provided FHA guidelines are met.

### 5.28.9 Escrow Holdbacks

*All FHA:* 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
- Repairs must be required by the appraiser or lender in order to bring the property up to FHA minimum property standards

- ❑ Contractor must provide an invoice with an estimate of work certifying that the work cannot be completed prior to disbursement (due to inclement weather conditions)
  - ❑ Inclement weather conditions are generally considered to be between November and March
- ❑ All repairs should be completed within six (6) months of the Note date
- ❑ The amount of money held in escrow for repairs must be 1.5 times the amount of the invoice plus a sufficient amount required for the FHA appraiser's final inspection
- ❑ The Mortgagee must complete the "Escrow Closeout Certification" screen, in FHA Connection, within thirty (30) days of escrow closing/completion
  - ❑ Prior to Purchase: The lender must provide the executed HUD form 92300, Mortgagee's Assurance of Completion, to indicate the repair escrow has been established
  - ❑ Post Purchase: The lender must provide HUD form 92051, Compliance Inspection Report, to evidence that repairs have been satisfactorily completed
- ❑ All other 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. It is preferred that exception requests be submitted through the [client site](#) while registering a loan. When this isn't an option, email the Chenoa Fund™ Scenario Desk ([scenariodesk@chenoafund.org](mailto:scenariodesk@chenoafund.org)). (The exception hit of 0.25 does not apply to escrow holdbacks.)

#### 5.28.10 Intent to Proceed

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

#### 5.28.11 Gaps in Employment

*All FHA:* FHA guidelines require all loan applications to contain a complete two-year history of employment on the 1003. CBC Mortgage Agency may require an LOX for files with less than two (2) years of employment history. The start date for this two-year history is the application date for the 1003.

#### 5.28.12 IRS Transcripts Requirements

*All FHA:* 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 transcripts unless other QC concerns exist. For W2-borrowers, follow AUS requirements for income documentation, or manual UW requirements if the loan is manually downgraded.

### 5.28.13 Self-employed Borrower Business Verification

*All FHA:* CBC Mortgage Agency requires that self-employed borrowers have their business verified as open and operating within ten (10) calendar days prior to the Note date. The correspondent must provide one of the following to confirm that the business is open and operating:

- Evidence of current work (executed contracts or signed invoices that indicate the business is operating on the day the correspondent verifies self-employment)
- Evidence of current business receipts within ten (10) days of the Note date (payment for services performed)
- Correspondent certification that the business is open and operating (correspondent confirmed through a phone call or other means)
- Business website demonstrating activity supporting current business operations (timely appointments for estimates or service can be scheduled)

### 5.28.14 Mortgage Credit Certificates (MCC)

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

### 5.28.15 Mortgage Insurance Certificate (MIC)

*All FHA:* Upfront MIP must be paid prior to purchase.

MICs are not required to be delivered prior to purchase, but must be delivered to CBC Mortgage Agency within sixty (60) days of the note date. However, loans with a credit reject and manufactured housing are the exceptions to this rule: loans with a credit reject and manufactured housing will not be eligible for purchase until a MIC is delivered to CBC Mortgage Agency.

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](mailto:finaldocs@chenoafund.org).

### 5.28.16 Flood Certificate

*All Programs (First Mortgage):* Flood certifications must include a life of loan certification. Flood certification information must be drawn from a company that uses the CoreLogic or Service Link database. If the flood certificate that does not draw from the CoreLogic or Service Link database is present, CBC Mortgage Agency will pull a CoreLogic flood certificate and bill the correspondent the \$5 fee on the Purchase Agreement.

Flood policies must be in effect at closing.

*All FHA:* If flood insurance is needed, the policy must be written by the National Flood Insurance Program.

Please note that 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](#).

#### 5.28.17 Disaster Certificates

*All FHA:* In counties that have been deemed disaster areas by FEMA, CBC Mortgage Agency will require a 1004D disaster certificate OR a lender certificate, with exterior photos required for both. The certificate must be dated after the incident period.

In the case of ongoing wildfires, CBC Mortgage Agency will make an exception to allow the certification to be issued before the end date. The certification must be issued after the start of the incident and the loan must be insured with FHA.

It is solely the correspondent's responsibility to be aware of and act upon any mortgage loans that were, prior to the sale to CBC Mortgage Agency, impacted by disasters. The correspondent should contact the appropriate source (e.g., a state office, regional Federal Emergency Management Agency (FEMA) office, news agency, etc.) to determine whether properties located in its origination regions are included in a disaster area.

CBC Mortgage Agency's Disaster Policy applies to any of the following:

- FEMA-declared disaster areas eligible for Individual Assistance
- Areas identified by CBC Mortgage Agency
- Properties that the correspondent has reason to believe sustained damage in a disaster

CBC Mortgage Agency does not have the responsibility to provide notification to the seller of disaster areas. If, at any time after loan purchase, CBC Mortgage Agency or a subsequent investor determines that the subject property was damaged and not in fully marketable condition at time of sale, the loan will be subject to repurchase.

#### 5.28.18 Vouchers

*All FHA:* Where relevant Agency guidelines allow, CBC Mortgage Agency will accept Section 8 vouchers.



### 5.28.19 Exceptions

*All FHA:* Exceptions may be considered on a case-by-case basis by our Exceptions Team. Exceptions may be granted but our Exceptions Team to Chenoa Fund™ overlays, but never Agency guidelines.

Exception requests should be submitted while registering a loan on the [client site](#); instructions on how to do this are available in our [Training Series](#) under the “Miscellaneous” category. For loans already registered, email [scenariodesk@chenoafund.org](mailto:scenariodesk@chenoafund.org) and include the following in a secure email:

- CBC Mortgage Agency Loan Number
- A detailed description of the exception and compensating factors
- The following documents:
  - 1st mortgage 1003/URLA (completed with Lender information)
  - Transmittal/1008
  - AUS
  - Credit Report
  - VA Residual Income

(While the loan is not a VA loan, this document is used to determine risk in our exception review process. You may find an Excel sheet to help you complete a Residual Income test on the [Documents and Tools](#) page of our website.)

Exceptions place a non-cumulative hit of 0.25 on loans where the borrower has a FICO score ranging from 600–659. Exception requests will not be considered for loans where the qualifying credit score is less than 620 and there is no present housing payment. Loans must be registered in our lender portal for an exception request to be considered valid; responses to exceptions not registered in our lender portal are considered hypothetical until the loan has been registered and the exception recorded.

## **5.29 | State-specific Guidance**

### 5.29.1 Alaska and South Carolina

*All FHA:* In Alaska and South Carolina the minimum second mortgage loan amount is \$5,000. Therefore, for purchase prices below \$166,666.67 with 3% assistance, \$143,800 with 3.5% assistance, or \$100,000 with 5% assistance, the DPA amount will be \$5,000 in those states.

### 5.29.2 North Carolina

*All FHA:* In North Carolina, per state law, origination fees are capped at 1% for loans under \$300,000. For loans equal to or above \$300,000, lenders may exceed the 1.5% origination fee cap if there are no fees charged in the origination section of the CD (Section A) other than the origination fee. Loans must comply with QM guidelines (i.e. the 3% points and fees test).

### 5.29.3 New York

*All FHA:* Chenoa Fund™ is not offered in the state of New York.

### 5.29.4 Interest Credit Above 10 Days

*All FHA:* In states where law or statute prevents the first payment on the second mortgage from being more than 45 (forty-five) days from the Note date, CBC Mortgage Agency will allow up to 16 (sixteen) days of interest credit.

This will allow for a different first payment due date between the second mortgage and the first mortgage.

## 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 loan purchase
- 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.

Manual underwriting is not allowed with manufactured housing programs.

Non-occupant co-borrowers are not allowed with manufactured housing programs.

New construction is allowed for manufactured housing. The home title conversion to real property must be initiated prior to loan purchase. In Non-certificate of Title States, the house must be recognized as real property prior to loan purchase.

If not mentioned in this chapter, follow FHA guidelines for manufactured housing requirements and Chenoa Fund overlays relevant to specific products.

### 6.2.1 Minimum Required Credit Score

600 FICO minimum.

### 6.2.2 DTI Requirements

Based on FICO score:

- 600–639: 45% DTI.
- 640+: 50% DTI

### 6.2.3 Payment Shock Requirements

Based on FICO score:

- FICO 600–639: 125% or less.
  - Lower middle fico score of qualifying borrowers
  - Borrowers who lived separately prior to purchasing a home together may combine previous housing payments to determine payment shock.
  - Borrowers may exceed this payment shock requirement if their DTI scores are 31/45% or less; this also applies to borrowers with no present housing payment.
- FICO 640+: No overlay.

### 6.2.4 Appraisal Requirements

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.

### 6.2.5 Ineligible Features and Properties

The following features are ineligible:

- Singlewide units
- Building on own land
- Construction to Perm
- Easements and deed restrictions that affect marketability must be reviewed and approved by CBC Mortgage Agency to be eligible for purchase, unless the easement

or deed restriction expires upon foreclosure (requests for review should be submitted to [scenariodesk@chenoafund.org](mailto:scenariodesk@chenoafund.org)); however, deed restrictions allowed per FHA 4000.1 are permissible

- Loans with resale deed restrictions
- Proposed or Under Construction loans
- Flood zones

The following properties are ineligible:

- 2–4 unit properties
- Cooperative
- 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

Leasehold states are permissible provided FHA guidelines are met.

#### 6.2.6 Occupancy

Primary residence only.

#### 6.2.7 FHA MIC

Required for all loans prior to purchase.

#### 6.2.8 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.

#### 6.2.9 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

#### 6.2.10 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.

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

A Structural Engineering Report is required—see HUD Manual for details. The following is an excerpt from the HUD manual:

“For Manufactured Housing, the appraisal must be conditioned upon the certification of an engineer or architect that the foundation is in compliance with the permanent Foundations Guide for Manufactured Housing.”

Note that all correspondent lenders are fully delegated and are subject to reps/warrants. Lenders in pre-purchase review will be expected to meet all FHA guidelines before CBC Mortgage Agency purchases the loan.

## 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.

#### 7.3.1 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.

#### 7.3.2 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.

#### **7.4 | 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.

#### **7.5 | QM Points and Fees Calculation**

CBC Mortgage Agency requires that all first mortgages meet the QM Points and Fees calculation, also called the 3% max points and fees rule.

When a borrower is charged discount points it is required that correspondents include their published rate sheet in the purchase package in order to allow CBC Mortgage Agency to determine bona fide discount points from discount points that must contribute toward the 3% max points and fees calculation (non-bona fide discount points). This rate sheet must be from the day the loan was locked.

Following these guidelines will help to prevent purchase delays.

#### **7.6 | Additional Guidance from CFBP 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. It is recommended to review the CFPB's response. CBC Mortgage Agency follows CFBP and relevant Agency guidelines for TRID, including the QM 3% Points and Fees test.

Correspondents are required to include their published rate sheet in the purchase package in order to allow CBC Mortgage Agency to determine bona fide discount points from

discount points that must contribute toward the 3% max points and fees calculation (non-bona fide discount points).

## 7.7 | Seller and Lender Credits and QM Points and Fees

CBC Mortgage Agency takes the position that seller credits may be used to pay for origination points or discount points. Please see the addendum to the note (follow [this link](#) and select “Originator Resources”; the addendum follows the Buckley-Sandler memo in the same document) for further explanation of CBC Mortgage Agency’s position.

Keep in mind that converting seller credits to seller-paid fees must be done prior to or at closing. Seller credits used to offset points and fees must be disclosed on the initial and final CD; they cannot be corrected after closing.

### ***Bona-fide and Non-bona-fide fees***

- Bona-fide discount points exist when your company publishes a rate sheet that has, after application of all LLPAs, a par rate or that pays a premium. If a borrower selects a lower rate than that ‘par or better’ rate, then the discount point charged to get that lower rate would be a bona-fide discount point. CBCMA allows discount points per CFBP guidelines.

Non-bona-fide discount points exist when no ‘par or better’ rate exists on your company’s published rate sheet. If the highest rate available results in a fee to the borrower, this fee is a non-bona-fide discount point. CBCMA allows non-bona-fide discount points, but they must be counted towards the maximum 3% points and fees rule.

Non-bona-fide discount points paid by a seller using a seller concession must be considered in the 3% points and fees calculation.

Non-bona-fide discount points can be paid by a seller as part of ‘seller paid items’ and not have them count against the 3% points and fees rule by following the guidance in the Buckley-Sandler memo that is published on the [chenoafund.org](http://chenoafund.org) site.

## 7.8 | 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.”

The admin fee is charged to the correspondent and is reflected on the Purchase Advice as a deduction from the total loan sale proceeds. This fee is a secondary market cost to the correspondent and is not part of the primary transaction, therefore it is not appropriate to charge this fee in section B or C of the LE/CD. Any addition to the lender’s fees to the borrower to offset this charge must never reflect as a charge payable to CBC Mortgage Agency and must always be listed in Section A, paid to the correspondent (for example,

included in the Origination Charges or as a separate line item charge). Any fees added to section A must be included in the TRID points & fees test.

Fees on the LE and CD should **never** reflect as payable to CBC Mortgage Agency, CBC Mortgage Agency, or Chenoa Fund, regardless of the section.

Regarding discount points, CBC Mortgage Agency follows CFBP and relevant Agency guidelines for TRID, including the QM 3% Points and Fees test.

#### 7.8.1 Seller Credits and the Buckley-Sandler Memo

CBC Mortgage Agency takes the position that seller credits may be used to pay for origination points or discount points. Please see the addendum to the note (follow [this link](#) and select “Originator Resources”; the addendum follows the Buckley-Sandler memo in the same document) for further explanation of CBC Mortgage Agency’s position.

Keep in mind that converting seller credits to seller-paid fees must be done prior to or at closing. Seller credits used to offset points and fees must be disclosed on the initial and final CD; they cannot be corrected after closing.

### **7.9 | Interest Credit Option**

Loans disbursed on or before the tenth (10<sup>th</sup>) day of the current month may use an interest credit option.

### **7.10 | 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.

### **7.10 | 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/Addendum or form HUD-92800.5B, or both, are satisfied.

### **7.12 | 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.

### **7.13 | 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.

### **7.14 | 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.

#### 7.14.1 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
- Any item that would create liens on the property positioned ahead of the FHA-insured mortgage, other than condominium or Homeowners' Association (HOA) fees

#### 7.14.2 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.

## **7.15 | 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).

Fees on the LE and CD should **never** reflect as payable to CBC Mortgage Agency, CBC Mortgage Agency, or Chenoa Fund, regardless of the section.

### 7.15.1 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.

### 7.15.2 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.

### 7.15.3 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 ten (10) days prior to the disbursement date and provide a per diem interest credit. Any per diem interest credit may not be used to meet the Borrower's MRI. Per diem interest must be computed using a factor of 1/360th of the annual rate.

## **7.16 | 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.

Correspondents are expected to ensure that real estate tax calculations are reasonable and will not drastically increase following closing; for example, tax exemptions that won't apply to the new homeowner should not be included in the calculation.

#### 7.16.1 Existing Construction

CBC Mortgage Agency recommends using the actual assessed property tax figure per the county's assessment/tax rolls; however, if property taxes will increase or decrease significantly from the current assessment after purchase (e.g., the former owner had a senior citizen tax exemption), it is recommended that an estimated value be used that will result in the most likely payment for the borrower. The property tax value used for qualifying the borrower should be consistent throughout the file, including the URLA, AUS, CD, IEADS, and First Payment Letter.

#### 7.16.2 New Construction

CBC Mortgage Agency recommends using a property tax estimate based on multiplying the purchase price (less any homeowner's exemptions) by the mill rates (the tax rates per the county website) that will be in effect in order to determine the payment; this will result in the least amount of payment variation once the property is assessed by the taxing authority. This property tax value (monthly tax payment) used for qualifying the borrower should be consistent throughout the file, including the URLA, AUS, CD, IEADS, and First Payment Letter.

We do understand that, due to local tax collection practices, property taxes may increase significantly during the borrower's first year of homeownership, resulting in the need to prorate taxes at closing based on a much lower figure than what will need to be included in the borrower's monthly payment. We also understand that, in calculating closing figures, the unassessed value may be used to lower the borrower's cash to close and eliminate the collection of excessive tax escrow. In these circumstances, based on most document preparation services' limitations, a First Payment Letter that does not match the URLA, CD, and initial IEADS may be used to reflect the most accurate payment to the borrower; however, the First Payment Letter must match the AUS qualification figures. In addition, a new IEADS reflecting the accurate collection and disbursements of tax payments should be included in the file along with an LOE from the lender.

### **7.17 | 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.

CBC Mortgage Agency does not normally allow reverse bailees. In the event that an exception is granted, the notes for both mortgages using a reverse bailee must be delivered to CBC Mortgage Agency within three (3) days after the reverse bailee is received.

#### 7.17.1 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.

#### 7.17.2 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.

### **7.18 | 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 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

### **7.19 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.

## 7.20 | 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. Prior approval is not required if the following conditions are met:

- Must be weather-related
- Cost of repairs may not exceed \$5,000
- Original appraisal must be completed “subject-to” the repairs required
- Repairs must be required by the appraiser or lender in order to bring the property up to FHA minimum property standards
- Contractor must provide an invoice with an estimate of work certifying that the work cannot be completed prior to disbursement (due to inclement weather conditions)
  - Inclement weather conditions are generally considered to be between November and March
- All repairs should be completed within six (6) months of the Note date
- The amount of money held in escrow for repairs should be 1.5 times the amount of the invoice plus a sufficient amount required for the FHA appraiser’s final inspection
- For FHA loans: the Mortgagee must complete the “Escrow Closeout Certification” screen, in FHA Connection, within thirty (30) days of escrow closing/completion
  - Prior to Purchase: The lender must provide the executed HUD form 92300, Mortgagee’s Assurance of Completion, to indicate the repair escrow has been established
  - Post Purchase: The lender must provide HUD form 92051, Compliance Inspection Report, to evidence that repairs have been satisfactorily completed
- All other FHA guidelines must be adhered to
- Acceptable evidence of completion is provided by the borrower for minor repair or improvement items
- Note Energy Mortgages (NEM) are not allowed at this time

### 7.20.1 Completion Date

Improvements or repairs must be completed within six (6) months of the Note date.



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.

## 7.21 | 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 for the first mortgage
- Evidence of borrowers enrolled in a credit monitoring service (UDM) through disbursement with the results, or, alternatively, a tri-merge/three bureau soft-pull credit report within ten (10) calendar 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-C address, set to match the last filed tax transcripts
- Verbal verification of employment within ten (10) calendar days of the Note date, per agency guidelines, and an independently obtained phone number or address for employer with source documented
- Evidence the FHA UFMIP has been paid
- A W-9 where borrowers have selected a Federal Tax Classification
- A Life of Loan flood certificate
  - Life of the loan flood certificates must be provided by CoreLogic or ServiceLink
  - If a life of the loan flood cert is not provided, or if the flood cert provided is not life of the loan, or if the flood cert provided comes from a vendor other than CoreLogic or ServiceLink, a \$5 fee will be assessed at time of loan purchase and a qualifying flood cert will be ordered.
- Closing Protection Letter (CPL)
- Final settlement ALTA statement, signed by the settlement agent

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.

#### 7.21.1 Documentation—Further Requirements

- 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
- 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 Documentation—Second Loan Requirements

The following documents are required for all second lien loans:

- 2<sup>nd</sup> Lien Loan Application

- Note: Not required when the 2<sup>nd</sup> lien loan application has been disclosed appropriately in conjunction with the 1<sup>st</sup> lien application
- 2<sup>nd</sup> Lien Loan Estimate
- Recommended—Letter of Intent to Proceed
- 2<sup>nd</sup> Lien Closing Disclosure
- 2<sup>nd</sup> Lien 1<sup>st</sup> Payment Letter (Repayable 2nds only)—must reflect CBC Mortgage Agency’s servicing address:

**Essex Mortgage**

**ATTN: Cashiering**

2100 SE 17th Street #112

Ocala, FL 34471

- 2<sup>nd</sup> Lien Note—payment address for repayable 2nds must reflect CBC Mortgage Agency’s servicing address shown above; must be delivered to CBC Mortgage Agency within three (3) days of reverse bailee delivery if a reverse bailee is used
  - 2<sup>nd</sup> Lien Note to be Endorsed to CBC Mortgage Agency, or an Allonge that is wet signed (stamped signature OK if it is an original)
- 2<sup>nd</sup> 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
- 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 2<sup>nd</sup> Lien
- Any additional state-required disclosures

**7.22 | 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
- ❑ Prior to purchase of the first mortgage and reimbursement of the second mortgage, the loss payee clause must be in the lender's name and include the verbiage "Its Successors and/or Assigns ATIMA." (ISAOA/ATIMA is an acceptable abbreviation of this verbiage.)
  - ❑ Alternatively, correspondents may use CBC Mortgage Agency's loss payee clause on the second mortgage only. If this option is used, the second mortgage loss payee clause should be:

**CBC Mortgage Agency**

912 W. Baxter, Suite 150

South Jordan, UT 84095

CBC Mortgage Agency requires the Homeowner Declarations page show an effective coverage date no later than the Note date, along with proof of premium paid.

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

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

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

- ❑ In the event that the issuer of the hazard insurance policy does not meet the above-described rating specifications, the hazard insurance policy may, 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

#### 7.22.1 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 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 14<sup>th</sup>, 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 14<sup>th</sup>, 2015, must be underwritten to FHA Single Family Housing Policy Handbook 4000.1.

### 7.22.2 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 1<sup>st</sup> 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 H06 policy, must both be insured. If the master condo insurance policy does not cover the unit (walls-in) then see the following H06 requirements:

- ❑ The walls-in (H06) policy must state that it provides coverage for 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.

### 7.22.3 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

#### 7.22.4 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;
- 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

#### 7.22.5 Hazard Insurance Deductible

Deductible for hazard policies must conform to HUD guidelines.

### **7.23 | 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.

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 CBC Mortgage Agency second liens, although it may be applied at the lender's discretion. All title insurance requirements are in line with FHA guidelines for lien insurance protection for first liens used in connection with the purchase transaction.

#### 7.23.1 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.



## 8 | Document Packages

### 8.1 | Registration—Procedural Overview

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

A complete closed loan package must be uploaded through CBC Mortgage Agency’s loan portal on or prior to the interest rate lock expiration date in order to meet the lock requirements. Locks that expire on the date of submission or within six (6) days after submission will be extended for seven (7) days from the loan submission date to allow for purchase loan conditions to be released and submitted by the correspondent. After a complete loan image is uploaded, the loan package will be reviewed and, if required, purchase conditions will be issued. If all purchase conditions are not cleared prior to lock expiration (or lock expiration plus the up to the seven [7] day extension, if applicable), roll fees will accrue at .025 per day (.175 per week). All roll fees will be withheld from the purchase advice.

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 CBC Mortgage Agency 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.

#### **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 from 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
- The attorney-in-fact must have executed all closing documents at settlement
- Title must insure the correspondent is in 1<sup>st</sup> lien position without exception to the POA
- POA document must be recorded immediately prior to the closing documents

CBC Mortgage Agency requires a copy of the POA included with the closing package if a POA is being used by the borrower or seller.

### 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 E-SIGN Act, including those relating to disclosures, consent, signature, presentation, delivery, and retention, and any state law applicable to the transaction. The E-SIGN 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
- 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 and Mortgages.

#### 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

#### 8.6.2 Hybrid Closings, eClosings, and RONS

Hybrid closings and e closings are allowed, provided that all promissory Notes and mortgages are wet signed.

Remote Online Notaries (RONS) are not allowed.

### **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 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 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.

### 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) CBC Mortgage Agency 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 the 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 CBC Mortgage Agency:

- Initial Borrower Closing Disclosure
- If multiple CDs:
  - “Final”-marked Borrower’s Closing Disclosure
  - “Final”-marked Seller’s Closing Disclosure
- Settlement agent disbursement sheet
- Fully completed and executed Settlement Agent Certification
- Closing Disclosure provided to the seller at closing/Seller’s Transaction

CBC Mortgage Agency requires the borrower’s or borrowers’ signatures on the Closing Disclosure provided at closing. CBC Mortgage Agency also requires a copy of the CD provided to the seller at closing, but it does not have to be signed. 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 does not require the seller’s signature on the CD containing both buyer and seller transactions, even if a separate seller-signed CD is not provided, but CBC Mortgage Agency will still require a copy of the CD provided to the seller at closing. Alternatively, the settlement agent may provide the seller with a separate disclosure including only the information applicable to the seller’s transaction on the CD. 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; CBC Mortgage Agency will require a copy of this document, but it does not have to be signed. 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

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  $\frac{1}{8}$  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 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
- 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 CBC Mortgage Agency can choose to cancel loans if necessary. Canceled loans fall into two categories: loans canceled before closing, and loans canceled after closing. They are both handled differently.

#### 8.11.1 Loans Canceled Before Closing

Loans canceled 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 Canceled 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 CBC Mortgage Agency and the Correspondent on loans with defects that cannot be cured. To avoid this, one of two following cancellation options must be followed:

### **Option 1: Fulfillment of the Funding Obligation**

This option is recommended if the loan must be canceled but the Correspondent has insured or wants to insure the loan with FHA. By choosing this option, the Correspondent is requesting that CBC Mortgage Agency fulfill its obligation to reimburse the funds that the Correspondent advanced at the closing table on behalf of CBC Mortgage Agency. Once CBC Mortgage Agency reimburses the down payment, the Correspondent will become contractually obligated by the loan purchase and sales agreement to pay a loan non-delivery fee. CBC Mortgage Agency will then wire the down payment funds described in the Funding Obligation Letter to the Correspondent and the Correspondent will then be under contractual obligation to pay a loan non-delivery fee of the reimbursement amount plus 1%.

### **Option 2: Release of the Funding Obligation**

Correspondents desiring to negate the contractual obligation to pay a loan non-delivery fee may sign a legal document releasing CBC Mortgage Agency from the obligation to reimburse the borrower's down payment funds. Once the form is signed, the transaction will be canceled and the Correspondent will retain full ownership of the first mortgage and receive ownership of the secondary financing. Pursuing this option will result in the loan not meeting FHA insuring requirements.

## 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 CBC Mortgage Agency'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](mailto:purchaseclearing@chenoafund.org)

# 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 the mortgage loan. If complete documentation is not received within the eighty-five-day (sixty [60] days from the Note date if FHA MIC) period, CBC Mortgage Agency may require the seller to incur a delivery fee or repurchase the mortgage loan, or both. (However, the notes for both mortgages must be delivered within three [3] days of reverse bailee delivery if a reverse bailee is used.)

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 Documents

**CBC Mortgage Agency**

912 W. Baxter Drive, Suite 150

South Jordan, UT 84095

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

## 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, but never before purchase (MERS ORG #1012881). This MERS transfer **must be initiated** within forty-eight (48) hours to ensure that the MIN will be in CBC Mortgage Agency's name within seventy-two (72) hours. 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
- CBC Mortgage Agency 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 CBC Mortgage Agency loan number as Investor Loan Number
- An interim funder should not be added for any Secondary Mortgage MINs

## 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)
- 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 not required to be delivered prior to purchase and must be delivered to CBC Mortgage Agency within sixty (60) days of the note date. However, loans with a credit reject and manufactured housing are the exceptions to this rule: loans with a credit reject and manufactured housing will not be eligible for purchase until a MIC is delivered to CBC Mortgage Agency. In addition, upfront MIP must be paid prior to purchase.

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](mailto:finaldocs@chenoafund.org).

# 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), CBC Mortgage Agency 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 CBC Mortgage Agency's investor (up to \$3500) or, for loans securitized indirectly by CBC Mortgage Agency, the admin fee will be \$1500. The correspondent will also be required to purchase the second mortgage.

### 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 Fund™ down payment assistance second lien products.

### 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. 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](mailto: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.

To subordinate after this thirty-six-month period, 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). Payments may not be paid forward to satisfy the waiting period, and it is required that all the payments have been made prior to CBC Mortgage Agency issuing a subordination approval.

See section [11.2.3](#) (General Subordination Policy) if the loan qualifies for subordination. To coordinate a payoff, reach out to [servicing@chenoafund.org](mailto:servicing@chenoafund.org).

### 11.2.2 Soft Seconds

Soft seconds do not qualify for subordinations for the initial thirty-six (36) payments on the first mortgage, for 3.5% seconds, or initial one-hundred and twenty (120) payments on the first mortgage, for 5% seconds. The Note specifically dictates that a refinance on the first mortgage would trigger a payoff of the second mortgage. A forgivable second mortgage (currently only offered through the Chenoa Fund™ for FHA product) with 3.5% assistance may be subordinated after the initial thirty-six (36) payments on the first mortgage if it is not forgiven; a forgivable second mortgage (currently only offered through the Chenoa Fund™ for FHA product) with 5% assistance must be forgiven or repaid.

The Chenoa Fund™ for FHA product, when forgivable, will permanently lose its forgivable status if the borrower refinances the first mortgage and state law allows the second mortgage to subordinate without prior consent from CBC Mortgage Agency, but only if this subordination occurs, for 3.5% assistance, during the initial thirty-six (36) payments on the first mortgage; for 5% assistance, this applies if such a subordination occurs during the first one-hundred and twenty (120) payments on the first mortgage. In either case, if the loan's forgivable status is permanently lost then the loan will have a 0% interest rate and no monthly payment, but it will need to be repaid upon refinance, transfer of ownership, or the end of the 30-year term.

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.

To coordinate loan forgiveness, reach out to [servicing@chenoafund.org](mailto:servicing@chenoafund.org). To coordinate a payoff, reach out to [servicing@chenoafund.org](mailto:servicing@chenoafund.org).

### 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](mailto:servicing@chenoafund.org) for review and acceptance
- ❑ A \$150 processing fee is required (payable to CBC Mortgage Agency)
- ❑ 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 mortgage loan, but at CBC Mortgage Agency'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 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 Goodbye Letter: FHA First Mortgages

In order to confirm an accurate notice of transfer of servicing, a "Goodbye Letter," CBC Mortgage Agency 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.

The information of CBC Mortgage Agency's contract Servicer (address, contact information, etc.) to be used for the notice of transfer of servicing, the "Goodbye Letter" for **FHA first mortgages**, may be found in sections [12.3.3](#) (1st Mortgage Contract Servicer General Contact Information), [12.3.4](#) (1st Mortgage Contract Servicer General Mailing Address), [12.5.1](#) (1st Mortgage Payment Address), [12.5.2](#) (First Mortgage Overnight Delivery), and [12.7.1](#) (First Mortgages [Qualified Written Requests]). The general mailing address is included below:

**Essex Mortgage**  
 PO Box 100077  
 Duluth, GA 30096

The primary, toll free customer service number is (888) 892-0881. Hours are Monday through Friday, 9:00am–7:00pm ET. Payments may also be made online at <http://www.essexmortgage.com/MyAccount>.

#### 11.4.2 Goodbye Letter: Repayable Second Mortgages

In order to confirm an accurate notice of transfer of servicing, a “Goodbye Letter,” CBC Mortgage Agency 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 second mortgages.

The information of CBC Mortgage Agency’s contract Servicer (address, contact information, etc.) to be used for the notice of transfer of servicing, the “Goodbye Letter” for **all repayable second mortgages**, may be found in sections [12.3.5](#) (Repayable 2nd Mortgage Contract Servicer General Contact Information), [12.3.6](#) (Repayable 2nd Mortgage Contract Servicer General Mailing Address), [12.5.3](#) (Repayable 2nd Mortgage Payment Address), [12.5.5](#) (Overnight Deliveries 2nd Mortgages), and [12.7.2](#) (Second Mortgages [Repayable] [Qualified Written Requests]). The general mailing address is included below:

**Essex Mortgage**  
**ATTN: Cashiering**  
2100 SE 17th Street #112  
Ocala, FL 34471

The primary, toll free customer service number is (888) 892-0881. Hours are Monday through Friday, 9:00am–7:00pm ET. Payments may also be made online at <http://www.essexmortgage.com/MyAccount>.

#### 11.4.3 Goodbye Letter: Forgivable Second Mortgages

In order to confirm an accurate notice of transfer of servicing, a “Goodbye Letter,” CBC Mortgage Agency 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 and second mortgages.

CBC Mortgage Agency’s address and contact information to be used for the notice of transfer of servicing, the “Goodbye Letter” for **forgivable second mortgages** is as follows:

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

The primary, toll free customer service number is (866) 563-3507. Hours are Monday through Friday, 8:00am–5:00pm MST. Payments do not apply for forgivable seconds.

## 12 | CBC Mortgage Agency 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](mailto:scenariodesk@chenoafund.org)

### 12.1 | CBC Mortgage Agency Department Emails

- ❑ Lock Desk: [locks@chenoafund.org](mailto:locks@chenoafund.org)
- ❑ Loan Submissions: [submissions@chenoafund.org](mailto:submissions@chenoafund.org)
- ❑ Scenario Questions: [scenariodesk@chenoafund.org](mailto:scenariodesk@chenoafund.org)
  - ❑ Exception requests should also be submitted to the Chenoa Fund Scenario Desk
  - ❑ It is preferred that exception requests be submitted through the [client site](#) while registering a loan
  - ❑ See section [5.14.3](#) (Exceptions) for more information on exception requests
- ❑ Accounting: [accounting@chenoafund.org](mailto:accounting@chenoafund.org)
- ❑ Purchase Clearing: [purchaseclearing@chenoafund.org](mailto:purchaseclearing@chenoafund.org)
- ❑ Final and Trailing Docs: [finaldocs@chenoafund.org](mailto:finaldocs@chenoafund.org)
- ❑ Complaints: [complaints@chenoafund.org](mailto:complaints@chenoafund.org)

### 12.2 | CBC Mortgage Agency Codes

- ❑ MERS ID: 1012881 (for TOS and TOB transfers on 1st and 2nd Mortgages in MERS)
- ❑ FHA ID: 9413-00000-8 (for transfer of Beneficiary rights in FHA Connection)
- ❑ NMLS ID: 1186381
- ❑ HUD Servicer ID: 00772-000-4 (for transfer of Servicing rights in FHA Connection)
- ❑ CBC Mortgage Agency 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/](http://www.utahpaiutes.org/bands/cedar/)

### 12.3.2 Loan Operations Center (CBC Mortgage Agency)

#### **CBC Mortgage Agency**

912 W Baxter Drive, #150

South Jordan, UT 84095

Phone: (866) 563-3507

Fax: (435) 237-0022

[www.chenoafund.org](http://www.chenoafund.org)

(**Note:** this is the general contact information to use for repayable second mortgages.)

### 12.3.3 FHA 1st Mortgage Contract Servicer General Contact Information

#### **Essex Mortgage**

Website: <http://www.essexmortgage.com/MyAccount>

Email: [support@myessexmortgage.com](mailto:support@myessexmortgage.com)

Toll Free Numbers:

Customer Service: 855-748-2722

Collections/Payment Assistance: 855-775-2931

Loss Mitigation or SPOC: 855-766-6540

Foreclosure Team: 855-781-3901

Property Tax Team: 833-662-0238

Property Tax Fax Number: 817-310-7507

Insurance Team: 833-811-3064

### 12.3.4 FHA 1st Mortgage Contract Servicer General Mailing Address

#### **Essex Mortgage**

P.O. Box 100077

Duluth, GA 30096

### 12.3.5 Repayable 2nd Mortgage Contract Servicer General Contact Information

#### **Essex Mortgage**

Website: <http://www.essexmortgage.com/MyAccount>

Email Address: [loanservicing@essexmortgage.com](mailto:loanservicing@essexmortgage.com)



General Contact Number: 888-892-0881

12.3.6 Repayable 2nd Mortgage Contract Servicer General Mailing Address

**Essex Mortgage**

**ATTN: Cashiering**

2100 SE 17th Street #112

Ocala, FL 34471

**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 (FHA First Mortgages and All Repayable Seconds)

**Essex Mortgage**

ISAOA/ATIMA

PO Box 29411

Phoenix, AZ 85038-9411

12.4.4 Mortgagee Clause (All Forgivable Seconds)

**CBC Mortgage Agency**

ISAOA/ATIMA

912 Baxter Dr, Ste 150

South Jordan, UT 84095

## **12.5 | Borrower Payment Addresses**

### 12.5.1 FHA First Mortgage Payment Address

**Essex Mortgage**

PO Box 105178

Atlanta, GA 30348-5178

### 12.5.2 FHA First Mortgage Overnight Delivery

**Essex Mortgage**

**ATTN: Lockbox 105178 Services - Essex**

3585 Atlanta Avenue

Hapeville, GA 30354-1705

### 12.5.3 Repayable Second Mortgage Payment Address

**Essex Mortgage**

**ATTN: Cashiering**

2100 SE 17th Street #112

Ocala, FL 34471

### 12.5.4 Forgivable Second Mortgage Payment Address

**CBC Mortgage Agency**

912 W Baxter Drive, #150

South Jordan, UT 84095

### 12.5.5 Forgivable Second Mortgage Overnight Deliveries

**Essex Mortgage**

**ATTN: Cashiering**

2100 SE 17th Street #112

Ocala, FL 34471

## 12.6 | Wiring Instructions (First Mortgages)

### 12.6.1 Forwarded Payments—Payment Clearing

**Beneficiary Name: ServiceMac, LLC**

Bank Name: Wells Fargo

City, State: Atlanta, GA

Beneficiary Account #: 4728377680

ABA Routing #: 121000248

ATTN: Reference to transaction, Company Name or loan number

### 12.6.2 Forwarded Payoffs—Payoff Clearing Beneficiary

**Name: ServiceMac, LLC**

Bank Name: Wells Fargo

City, State: Atlanta, GA

Beneficiary Account #: 4749659454

ABA Routing #: 121000248

ATTN: Reference loan number(s)

## 12.7 | Qualified Written Requests

### 12.7.1 FHA First Mortgages

Qualified Written Requests (QWRs) are required to be submitted to the address listed below. When Essex Mortgage is in receipt of a Qualified Written Request (as defined by RESPA), an acknowledgment notice is sent within five (5) business days. We will respond to you within thirty (30) business days of receipt of your written notice, unless otherwise defined by RESPA guidelines.

**Essex Mortgage**

PO Box 100078

Duluth, GA 30096

### 12.7.2 All Repayable Second Mortgages

Qualified Written Requests (QWRs) are required to be submitted to the address listed below. When Essex Mortgage is in receipt of a Qualified Written Request (as defined by RESPA), an acknowledgment notice is sent within five (5) business days. We will respond

to you within thirty (30) business days of receipt of your written notice, unless otherwise defined by RESPA guidelines.

**Essex Mortgage**

**ATTN: Customer Care**

2100 SE 17th Street #112

Ocala, FL 34471

12.7.3 FHA First Mortgages and All Repayable Second Mortgages

Qualified Written Requests (QWRs) are required to be submitted to the address listed below. When Essex Mortgage is in receipt of a Qualified Written Request (as defined by RESPA), an acknowledgment notice is sent within five (5) business days. We will respond to you within thirty (30) business days of receipt of your written notice, unless otherwise defined by RESPA guidelines.

**CBC Mortgage Agency**

912 W Baxter Drive, #150

South Jordan, UT 84095