

GSFA PLATINUM FREDDIE MAC HFA ADVANTAGE GUIDELINES



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GSFA PLATINUM FREDDIE MAC HFA ADVANTAGE GUIDELINES



PRODUCT DESCRIPTION (CONVGSFA30) PRODUCT	<ul style="list-style-type: none"> ▪ Purchase or No-Cash Out Refinance ▪ 30 year fixed term with full amortization ▪ As of May 14th, 2018 – must meet Conforming Loan Limits (\$453,100). <ul style="list-style-type: none"> ○ Freddie Mac HFA Advantage Conventional financing, in accordance with Freddie Mac guidelines and Provident Bank Mortgage Classic Conforming Guidelines (Freddie Mac Sections Only) <ul style="list-style-type: none"> ▪ NO EXCEPTIONS
GSFA PLATINUM	<p>The GSFA Platinum Program provides eligible borrowers with DPA in the form of a zero interest, no monthly payment Second Mortgage that is forgiven after three (3) years.</p> <ul style="list-style-type: none"> ○ The DPA is sized up to 5% of the total loan amount and can be used towards down payment and/or closing costs. ○ The program is very flexible. Eligible mortgage loans include Conventional and FHA mortgages, and the income limits are generous
UNDERWRITING	<ul style="list-style-type: none"> ▪ Conforming mortgages: ▪ Freddie Mac “HFA Advantage” available through LPA “Accept” finding or “HFA Preferred” available through DU “Approve/Eligible” finding. <ul style="list-style-type: none"> ○ Select Special Feature Code 741 – HFA Preferred ○ HFA Advantage is available through LPA. If your offering Identifier is numeric, Select “251 Home Possible Advantage for HFAs (eligible users only) <ul style="list-style-type: none"> ➤ Only Accept Risk Class is permitted-no exceptions ➤ “Purchase Eligibility” must indicate “Eligible”. ➤ NOTE: Super-Conforming mortgages must be ran through LPA ONLY. DU is NOT permitted. ➤ Loans utilizing GSFA Paid Mortgage Insurance Options loan amount may not exceed \$453,100.00 ▪ The 3 year Forgivable Lien must be reflected as a subordinate financing on the DU/LPA /1008/CLTV. ▪ MANUAL UNDERWRITES ARE NOT ALLOWED <ul style="list-style-type: none"> ○ NO EXCEPTIONS ▪ Underwriter to pull and review a Soft Pull (Credit Report) within 48 hours of funding. <ul style="list-style-type: none"> ○ NO EXCEPTIONS <p>For more information please visit Freddie Mac’s HFA Advantage website: http://www.freddiemac.com/singlefamily/hfa.html</p>
UNDERWRITING AND CLOSING DOCUMENTS	<p>Underwriting and Closing Documents</p> <ul style="list-style-type: none"> ▪ Underwriter to condition for the following items to be fully executed with loan documents: <ul style="list-style-type: none"> ○ Deed of Trust ○ Disclosure ○ Note ○ GSFA Platinum Program Funding Commitment Notice Letter <p>GSFA Platinum Program Funding Commitment Notice Letter will be provided with Reservation Confirmation. 3 year Forgivable Deed of Trust, Disclosure, Note will be completed and sent with loan docs by Corporate Funding.</p>
WHOLESALE LOANS APPRAISAL REQUIREMENT AND REQUIRED DOCUMENTS	<ul style="list-style-type: none"> ▪ Appraisals: Must be ordered by PBM ▪ Mortgage Loan Origination Agreement (MLOA) or comparable form must be included in the loan file and signed by the broker and a minimum of one borrower. This form needs to identify the source of compensation (borrower-paid or lender-paid), and compensation amount (dollar amount or percentage). These items must also be disclosed on the final Closing Disclosure (CD). ▪ Completed Anti-Steering Certificate (aka) Anti-Steering Disclosure signed by the broker. <ul style="list-style-type: none"> ○ The form title must be appropriately titled (e.g., “Anti-Steering Loan Option Certification”) and should contain a general reference and explanation of the anti-steering rule and safe harbor requirement. ○ The certification must explain the loan options offered and purpose to comply with the rule and include three options for safe harbor boxes (lowest rate; lowest rate without negative amortization, a prepayment penalty, interest-only payments, a balloon payment in the first seven years of the life of the loan, a demand feature, shared equity or shared appreciation; and a loan with lowest origination points/fees). ○ The certification must also contain a signed and dated Broker Attestation Statement the loan options were discussed with the borrower and steering did not occur.

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DESKTOP UNDERWRITING	<ul style="list-style-type: none"> ▪ HFA Preferred is available through DU using the “Additional Data” screen: “HFA Preferred. <ul style="list-style-type: none"> ○ A DU recommendation of Approve/Eligible is required (EXCEPTION: Super Conforming mortgages are NOT permitted to be run in DU.) <li style="background-color: yellow;">○ Loans through DU with a DTI >45% require a minimum representative credit score of 720 ○ Loans through DU may not have non-occupying co-borrowers and no non-borrower household income may be used to qualify the borrower(s) for the mortgage. ▪ The following DU mortgages must comply with Freddie Mac Guide requirements: <ul style="list-style-type: none"> ○ Leasehold estate ○ Resale Restrictions ○ Higher-Priced Mortgage Loan (HPML) or a Higher-Price Covered Transactions (HPCT) ○ Condominium Unit and PUD
DOWNPAYMENT AND CLOSING COST ASSISTANCE	<p>DPA is available from GSFA for Purchase Transactions in the form of a Second Mortgage Loan, forgivable after 3 years.</p> <p>DPA Second Mortgage Loan Terms:</p> <ul style="list-style-type: none"> ▪ DPA Amount: <ul style="list-style-type: none"> ○ Up to 5.00% of the First Mortgage Loan amount. ○ GSFA Paid MI Options: <ul style="list-style-type: none"> ▪ DPA of \$1,000, or ▪ DPA up to 2.50% of the First Mortgage Loan Amount ▪ Note Rate of Second Mortgage is 0%; ▪ Non-amortizing loan with no monthly payments; ▪ Proceeds may be used for down payment and/or closing costs ▪ There must be no cash back to the borrower from the Second Mortgage proceeds; (in excess of the borrower(s) EMD (Earnest Money Deposit). ▪ Second Mortgage is forgiven after three years: <ul style="list-style-type: none"> ○ The outstanding principal amount of the Second Mortgage is reduced by one-third (1/3rd) of the original principal amount on each one-year anniversary date. ○ Upon sale or refinance prior to the end of the 3 years, the total loan forgiveness will be calculated pro rata on a monthly basis with x/36 of the original principal amount being deducted from the original principal amount, x being equal to the total number of whole months completed since the date hereof. ▪ Loan must conform to federal RESPA and Truth-in-lending laws in disclosing the terms of the Second Mortgage ▪ <u>PBM upfronts the DPA amount at closing and will be reimbursed by the Master Servicer (US BANK) on behalf of GSFA upon purchase of the Platinum First Mortgage Loan.</u> https://nhfresportal.nhfloan.org/login.aspx?ReturnUrl=%2 <p style="background-color: yellow; margin-top: 10px;">DPA Second Mortgage Loan Documentation</p> <ul style="list-style-type: none"> ▪ Required Second Mortgage Loan Documents include: <ul style="list-style-type: none"> ○ Promissory Note ○ Deed of Trust ▪ GSFA must serve as the Lender and the beneficiary for the Second Note and Security Instrument; ▪ PBM Funding is responsible for the recording of the Second Mortgage Loan Security Instrument concurrently with the 1st Mortgage Deed of Trust.

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DOWNPAYMENT AND CLOSING COST ASSISTANCE CONTINUED

GSFA Affordable Subsidy-

- **Effective for loan reservations on or after Monday, April 30, 2018**, the GSFA Affordable Subsidy will be calculated as a fixed dollar amount based on qualifying income.
- The amount of the Subsidy will be as follows:
 - **\$2,500 for Qualifying income \leq 50% AMI, OR**
 - **\$1,500 for Qualifying Income \leq 80% AMI**
- The subsidy can be used towards the down payment and/or closing costs (No cash back to borrower.)

- Follow the steps below:
 - Verify that the borrower meets the applicable income limits
 - Select the GSFA Affordable Subsidy option at Registration of the GSFA Platinum loan
 - Print the GSFA confirmation docs (Reservation Confirmation, etc.).
 - Include the GSFA Affordable Subsidy on Page 3, Section L of the Closing Disclosure
 - a. Enter "GSFA Affordable Subsidy" on the line directly below GSFA Platinum Grant
 - b. The GSFA Affordable Subsidy will be based on a percentage of the Loan Amount, either 2.0% or 0.5%, depending on the qualifying income.
 - Process and close the loan. (PBM will be reimbursed for GSFA Affordable Subsidy by the Servicer after loan closing.)

GSFA Affordable Subsidy Income Limits, as of April 30, 2018

http://www.gsfahome.org/lender/guide/platinum/GSFA_Affordable_Subsidy_Promo_Terms.pdf

LOS Job Aid:

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**DOWNPAYMENT
AND CLOSING
COST ASSISTANCE
CONTINUED**

Loan Type	Lien Position
<input checked="" type="checkbox"/> Conv	<input checked="" type="checkbox"/> First
<input type="checkbox"/> FHA	<input type="checkbox"/> Second
<input type="checkbox"/> VA	Refi. Sub. Financing:
<input type="checkbox"/> USDA-RHS	<input type="text"/>
<input type="checkbox"/> HELOC	<input type="button" value="Purch. 2nd Sub. Financing"/>
<input type="checkbox"/> Other - <input type="text"/>	

1. Go to Borrower Summary Origination-PBM form.
2. Click on the Purch. 2nd Sub. Financing box

Subordinate Mortgage Loan Amounts ✕

1st Mortgage	<input type="text" value="286,150.00"/>
2nd Mortgage	<input type="text" value="14,308.00"/>
Additional	<input type="text" value="0.00"/>

3. Enter the amount of the Platinum 3 year forgivable lien
4. Click OK.

VII. Details of Transaction	
a. Purchase Price	<input type="text" value="295,000.00"/>
b. Alterations	<input type="text"/>
c. Land	<input type="text"/>
d. Refinance	<input type="text"/>
e. Estimated prepaid items	<input type="text" value="2,089.20"/>
f. Estimated closing costs	<input type="text" value="10,002.75"/>
g. PMI, MIP, Funding Fee	<input type="text"/>
h. Discount (if Borrower will pay)	<input type="text"/>
i. Total Costs (a through h)	<input type="text" value="307,091.95"/>
j. Subordinate financing	<input type="text" value="14,308.00"/>
k. CC paid by seller	<input type="text"/>
l. Cash Deposit on sales c	<input type="text" value="2,950.00"/>
New First Mortgage	
CC from 2nd	<input type="text"/>
CC paid by Broker, Lender, Oth.	<input type="text"/>
m. Loan Amount	<input type="text" value="286,150.00"/>
n. PMI, MIP Financed	<input checked="" type="checkbox"/>
o. Loan Amount (m + n)	<input type="text" value="286,150.00"/>
Total Credits (j through n)	<input type="text" value="303,408.00"/>
p. Cash from borrower	<input type="text" value="3,683.95"/>

5. This will populate item (j) in the Details of Transaction Subordinate Financing field.

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DOWNPAYMENT AND CLOSING COST ASSISTANCE CONTINUED	<div style="border: 1px solid gray; padding: 5px;"> <p>MORNETPlus Community Lending</p> <p><input checked="" type="checkbox"/> Community Lending <input type="checkbox"/> FannieNeighbors Eligible <input checked="" type="checkbox"/> Community Seconds</p> <p>Metropolitan Statistical Area or County: <input type="text"/></p> <p>Fannie Mae's Community Lending Product: 07 HFA Preferred v</p> <p>HUD Median Income: <input type="text"/></p> <p>Income Limit Adjustment Factor: <input type="text"/> %</p> <p>Community Lending Income Limit: <input type="text"/></p> <p>Community Seconds Repayment Structure: 02 Payments deferred five or more years, fully forgiven v</p> </div> <div style="background-color: yellow; padding: 5px; margin-top: 5px;"> <p>6. Go to FNMA Streamlined 1003 in Forms tab.</p> <p>7. Scroll down to Mornetplus Community Lending Section</p> <p>8. Select Community Lending and Community Seconds</p> <p>9. In FannieMae's Community Lending Product select 07 HFA Preferred from drop down.</p> <p>10. In Community Seconds Repayment Structure select 02 Payments deferred five or more years, fully forgiven from dropdown.</p> <p>11. Your DU will reflect findings for HFA Preferred loans and Community Seconds.</p> </div>
BORROWER ELIGIBILITY	<p>Occupancy:</p> <ul style="list-style-type: none"> ▪ Borrower must occupy the residence as their primary residence ▪ Non-occupant co-borrowers follow Freddie Mac Guidelines concerning non-occupant Co-borrowers. ▪ Max LTV/TLTV – 97%/105% ▪ Approved homebuyer education/counseling required if all borrowers are first time homebuyers <ul style="list-style-type: none"> ○ Please refer to the Home Buyer Education section for specific requirements ▪ Income limits: HFA's maximum Area Median Income (AMI) limit will be acceptable if greater than AMI limits per Freddie Mac or Fannie Mae Selling Guides. ▪ Refer to http://gsfahome.org/programs/dpa/limits.aspx for applicable income limits by county of property. <p>Minimum credit score:</p> <ul style="list-style-type: none"> ▪ For GSFA Paid MI Options: <ul style="list-style-type: none"> ○ 660 if DTI 45% or less ○ 720 if DTI exceeds 45% ▪ For all other loans: 640 <ul style="list-style-type: none"> ○ All borrowers must have a credit score (NO EXCEPTIONS)
DEBT RATIO	<ul style="list-style-type: none"> ▪ For loans underwritten through AUS unless a lower maximum DTI is required for product/property type per GSE, Insurer, or HFA guidelines: <ul style="list-style-type: none"> ○ 45% maximum for loans underwritten through LPA with an "Accept" finding. ○ 50% for loans underwritten through DU with an "Approve/Eligible" finding require a minimum representative credit score of 720 ▪ The borrower's liabilities must be reflected on the mortgage application and considered when qualifying the loan. The mortgage application, credit report, borrower's paystubs (if provided), and all other file documentation must be reviewed for borrower liabilities. Other file documentation can include, but is not limited to, bank statements, tax returns, divorce decrees etc. When an undisclosed reoccurring debt is identified in the loan file, it must be included in the qualification of the loan.
ESCROW WAIVERS	<ul style="list-style-type: none"> ▪ Not Permitted

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PROPERTY ELIGIBILITY	<p>Eligible Properties:</p> <ul style="list-style-type: none"> ▪ 1 unit, Single Family Residences, including PUDs, and Townhomes, as allowed per Agency guidelines ▪ All Condos must be approved by the Investor: The condo project must be approved by the Master Servicer U.S. Bank. If the project is approved prior to CD, there is nothing further required. If the project is declined, it is ineligible. Corporate Administration will check to see, If the project does not appear on the list, submit the project to U.S. Bank’s Project Approval Department (PAD) for review (the submission must designate the loan as Freddie Mac). The condo project type must also not appear on the USHBM Ineligible Condominium Projects list, located the Exhibits folder of the Condominium Project Review folder on the investor’s website. ▪ Properties Not Allowed <ul style="list-style-type: none"> ○ 2-4 units ○ Rental Homes ○ Co-ops ○ Investment properties ○ Recreational, vacation, or second homes ○ Manufactured Housing No Exceptions
UNIFORM CLOSING DATASET (UCD)	<ul style="list-style-type: none"> ▪ U.S. Bank requires a Freddie Mac Loan Closing Advisor Feed Back Certificate in every conventional Golden State Loan file, regardless of which Automated Underwriting System was used. ▪ As Per GSE guidelines. U.S. Bank requires an SSR from Freddie Mac or Fannie Mae in every Conventional loan.
MAXIMUM LOAN AMOUNT	<p>Freddie Mac HFA Advantage Conventional financing in accordance with Freddie Mac guidelines and Primary Mortgage Insurer guidelines</p> <p>Maximum Loan Amount: \$453,100</p> <ul style="list-style-type: none"> ○ Loans utilizing GSFA Paid Mortgage Insurance Options loan amount may not exceed \$453,100. <p>http://gsfahome.org/programs/dpa/limits.aspx For Sales Price limits visit www.gsfahome.org</p>
BORROWER CONTRIBUTION AND RESERVES	<ul style="list-style-type: none"> ▪ No minimum borrower contribution from borrower personal funds is required ▪ Reserves per AUS
TEMPORARY BUYDOWNS	<ul style="list-style-type: none"> ▪ Not allowed
HOMEBUYER EDUCATION	<p>Approved homebuyer education/counseling required if all borrowers are first time homebuyers (please refer to loan agency for specific requirements).</p> <ul style="list-style-type: none"> ▪ Fannie Mae – Follow Fannie Mae Home Ready home buyer education requirements. ▪ Freddie Mac – Follow Freddie Mac Home Possible Advantage home buyer education requirements. <ul style="list-style-type: none"> ○ Courses are required only if all borrowers are first time home buyers. All home buyer education courses must be completed prior to closing. Exception to which course is permitted – if the HFA offers a course this course is permitted to fulfill the home buyer education course requirement. If the HFA does not offer a course, follow the Fannie Mae/Freddie Mac Selling Guide for Home Ready/Home Possible Advantage home buyer education requirements. <p>PBM Manuals > Quick Look Manual > Affordable Housing Programs > HomeReady or Home Possible Advantage</p>
EARLY DELINQUENCY COUNSELING	<ul style="list-style-type: none"> ▪ PBM must provide (at no cost to the borrower) Early Delinquency Counseling to all borrowers who experience problems meeting their mortgage obligations.

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MORTGAGE INSURANCE REQUIREMENTS	<ul style="list-style-type: none"> ▪ No MI necessary if using GSFA Paid MI options <ul style="list-style-type: none"> ○ Branch does NOT obtain a Mortgage Insurance certificate on these loans <ul style="list-style-type: none"> ➢ Mortgage insurance paid by GSFA. ○ Branch IS required to obtain an LPMI Initial Disclosure, to include in the file for delivery and purchase. ▪ Mortgage Insurance – HFA Advantage coverage levels: <ul style="list-style-type: none"> ○ Greater than 95% up to and including 97% LTV: 18% ○ Greater than 90% up to and including 95% LTV: 16% ○ Greater than 85% up to and including 90% LTV: 12% ○ Greater than 80% up to and including 85% LTV: 6% ▪ Lender-paid mortgage insurance premiums are permitted ▪ Not eligible for custom or reduced mortgage insurance or financed mortgage insurance. ▪ Acceptable Mortgage Insurance Companies: <ul style="list-style-type: none"> • RADIAN: www.radian.biz • ESSENT: www.essent.us • MGIC: www.MGIC.com • NATIONAL MI: http://www.nationalmi.com/ • GENWORTH FINANCIAL: https://mortgageinsurance.genworth.com • PMI: www.pmi-us.com • RMIC: www.rmhc.com • ARCH: www.archcapgroup.com <p>For more information, please visit Freddie Mac’s HFA Advantage website: http://www.freddiemac.com/singlefamily/hfa.html</p>
SUBORDINATE FINANCING	<ul style="list-style-type: none"> ▪ For LPA-Affordable Seconds only. The Affordable Second financing cannot be a Home Equity Line of Credit. An Affordable Second that does not require monthly payment before the Due Date of the 61st payment under the Home Possible Mortgage may be entered in the “Total Gift Fund” field in Loan Product Advisor. ▪ For DU- must be an approved Community Second. Underwriters are responsible for verifying that the subordinating financing used meets FannieMae approved eligibility.
REFINANCE TRANSACTIONS	<ul style="list-style-type: none"> ▪ Minimum 3% equity required ▪ No cash out allowed ▪ Full documentation required
OWNERSHIP OF OTHER PROPERTY	<ul style="list-style-type: none"> ▪ There are circumstances when borrowers may hold an ownership interest in a property that are compatible with the intent of HFA Advantage. To accommodate these situations, ownership in other residential property is permitted provided the borrower does not occupy the other property, and the borrower: <ul style="list-style-type: none"> ○ Inherited their ownership interest in the property and shares ownership with another party ○ Owns the property with another party and the debt associated with the property was assigned to the other party by a court order (e.g., a divorce decree). ○ Is a cosigner/guarantor on the related mortgage debt and someone other than the borrower has made payments on the debt associated with the property for the most recent 12 months, as documented with copies of canceled checks or a statement from the lender.

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**HAZARD
INSURANCE
REQUIREMENTS**

U.S. Bank Home Mortgage requires proof of protection against loss or damage from fire and other hazards covered by an extended coverage endorsement along with proof of payment for the first year's premium. This may be in the form of a policy or binder. The insurance agent is required to have an A. M. Best Company Key Rating Guide of Class VIII/A. Appropriate policies should also be obtained for any additional perils (i.e., flood, wind, hail, sinkhole, mine subsidence, volcanic eruption, and avalanche) that are not covered by standard property insurance.

a) Rating of Insurer

The required insurance must be provided by one of the following insurers whose current rating meets the following requirements:

- For an insurer rated by A.M. Best Company, a minimum Financial Strength Rating of B/III, or for a non-U.S. insurer, A/VIII, as reported online at A.M. Best.
- For an insurer rated by Demotech, Inc., a minimum Financial Strength Rating of A as reported online at Demotech.
- For an insurer rated by Standard & Poors, a division of the McGraw-Hill Companies, a minimum Financial Strength Rating of BBB as reported online at Standard & Poors.

b) The policy/binder should include the following:

- Name of the Insurance Company and Insurance
- Policy number
- Agent's address and telephone number
- Policy is in effect on the day of closing (coverage in force).
- Signature of the licensed agent for the company
- The borrower's name(s)
- Effective dates of policy (effective date must be the same or before the date of signing/closing as evidenced by notary signature date)
- Premium amount
- Dwelling Coverage
- Deductible amount.
- **The Loss Payee clause should read:**

*U.S. Bank National Association,
Its Successors and Assigns as Their Interest May Appear.*
c/o U.S. Bank Home Mortgage
P.O. Box 7298
Springfield, OH 45501-7298

c) Amount of hazard coverage for 1-4 family properties, PUDs, and condominiums:

- **Amount of coverage** – if the policy does not indicate guaranteed replacement or 100% full replacement cost of the insurable improvements, the insurance limits must at least equal the higher of:
 - The unpaid principal balance (UPB) of the mortgage
 - 80% of the full replacement cost of the insurable improvements

IMPORTANT NOTE: The coverage must not exceed the replacement cost of the insurable improvements, even when the UPB exceeds the replacement cost.

- **Type of coverage** – must be an all risk or named perils with extended coverage.
- **Maximum deductible** – cannot exceed 5% of the face value of the policies dwelling coverage amount or condominium master policy.

d) Verification of coverage for PUDs and condominiums:

- A copy of the hazard/liability policy for condo projects will be required when applicable
- For properties in an association such as a townhouse or condominium there is customarily a Master Policy with certificates issued to each Borrower. This will be acceptable as evidence of insurance.

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**HAZARD
INSURANCE
REQUIREMENTS
CONTINUED**

e) Acceptable Evidence of Payment of Hazard Insurance

- Policy stating premium amount **paid in full**
- A canceled check, copy of front and back
- A paid receipt from the insurance agent or insurance company
- Payment deducted on and reflected on the Closing Disclosure
- A 60-day binder is acceptable with a one-year paid receipt
- U.S. Bank Home Mortgage will deduct the required amount of hazard insurance escrow from the wire amount to ensure sufficient funds are available to pay the premium when due. PBM will be responsible for collecting any shortage from the Borrower(s).
- If the premium is due within 60 days of closing, U.S. Bank Home Mortgage will require payment of the full premium at closing. Any payment of premiums due before U.S. Bank Home Mortgage purchases the loans will be the responsibility of PBM as will all late charges, penalties, and other costs.

f) Sinkhole Hazard Information

Effective with loans closing on **December 7, 2011** or after, sinkhole coverage will not be required. However, if the appraiser has identified any settlement deficiencies and it is referenced on the property appraisal a sinkhole inspection will be required. Based on the sinkhole inspection, sinkhole insurance coverage may be necessary. We will require a copy of the sinkhole inspection report to be present in the loan purchase file should there be evidence of settlement deficiencies referenced on the property appraisal.

Proof of coverage required for sinkhole coverage may consist of the following:

- Clear evidence on the declarations page of the hazard insurance policy
- Letter from the insurance agent, on their company letterhead referencing borrower, property address, reference borrower's policy # clearly stating borrower has sinkhole coverage as part of their insurance policy and signed by the insurance agent
- Any other clearly identified, official clarification that sinkhole coverage is in effect
- On Condos, same rules apply

When sinkhole coverage is required, catastrophic ground collapse coverage is not acceptable in lieu of sinkhole coverage as it does NOT provide adequate coverage. It will only payout if the property is uninhabitable.

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**FLOOD
INSURANCE
REQUIREMENTS**

Residential Single Family Dwelling (1-unit properties, Planned Unit Developments, detached individual condo unit or a condo unit where the association is not responsible for flood insurance).

The amount of flood insurance must at least equal the lowest of the following:

- **Unpaid Mortgage Balance Plus Secondary Liens.** The unpaid balance of the mortgage and the combined outstanding principal balance of all loans secured by the improved real estate, including U.S. Bank and non-U.S. Bank liens.
- **Insurable Value.** 100% replacement cost of the insurable building and other supporting structures (the cost to replace with the same kind of material and construction without deduction for depreciation); or
- **Maximum Limit Available Under NFIP.** The maximum amount of coverage currently sold under the NFIP insurance program for the type of improvements insured. Please see section on NFIP limits

Residential Condominium Owners Associations

If the condominium consists of high-rise or other vertical dwelling units, the condominium association must maintain coverage that meets the following requirements for the **lower** of:

- **100% Replacement Cost** 100% replacement cost of the insurable building and other supporting structures (the cost to replace with the same kind of material and construction without deduction for depreciation); or
- **\$250,000 multiplied by the number of residential units in the building**
- **Third Party Checkpoint – Insufficient coverage:** The flood insurance policy from the Condominium Association that covers the entire building should be compared to the insurable value of the unit and the minimum amount of coverage required based on the insurance requirements set out in section on Determining Insurable Value.
- If the association’s existing policy is insufficient PBM must:
 - **Request the unit owner/borrower to ask the Condo Association to increase its RCBAP (Residential Condominium Building Association Policy) coverage** or any other policy provided by the condo association to meet the required coverage amount. If the Association does not obtain sufficient coverage;
 - **During the origination process or if a loan has closed and is in servicing, require the borrower to obtain an Individual Dwelling Policy** to provide per unit coverage to make up for the deficiency (gap coverage); or
 - **If closing has not yet occurred, refuse to close or service the loan.**
 - If the loan is in servicing and the borrower fails to provide evidence of adequate coverage, LPFI for the gap amount should be placed after proper notice to the borrower.

Detached Structures (Out Buildings)

All structures on a subject property which are covered by a first or junior lien must have flood insurance coverage subject to the exclusions below.

- Flood insurance is not required on any structure that is not connected to the primary residence and is also not a residence. A structure is part of residential property if the structure is primarily used for a personal, family, or household purpose, instead of an agricultural, commercial, industrial or other business purpose. A detached structure does not serve as a residence if it does not have sleeping, bathroom or kitchen facilities.
 - Definition of Residential. A structure is considered designed for use as a residence when it generally contains sleeping, bathroom or kitchen facilities.
 - While flood insurance is not required on certain non-residential detached structures, it is possible that investor or agency (GSE- Government Sponsored Enterprise) may require flood insurance on non-residential structures. Therefore, USBHM may require flood insurance on non-residential detached structures due to investor or agency requirements.

Exclusion for Detached Structures When the Insurable Value of the Detached Structure is Less than NFIP Deductibles

When the insurable value of a detached structure or any structure within a SFHA is less than or equal to the NFIP minimum deductible, flood insurance nor evidence of flood insurance on those structures is not required.

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Determining Insurable Value

In determining the required flood insurance coverage amount, the Flood Disaster Protection Act (FDPA) requires PBM to utilize the full “insurable value” of the building and/or its contents located in a SFHA, which is the same as 100% Replacement Cost Value (RCV). The “insurable value” established must be inclusive of the value/cost of the foundation. The calculation excludes any cost related to building contents and value of the land.

Below, in order of preference, is a listing of acceptable sources of “insurable value”. In all cases, the highest preferred source available should be utilized to determine the insurable value:

1. **Cost Approach Appraisal:** From the cost approach section of the appraisal use “Total Estimate Cost New” value which includes the value of the foundation. The site/land value should not be included when determining the insurable value.
2. **Hazard Insurance:** If the RCV from the hazard insurance policy is used as the insurable value and it is lower than the total of all liens on the property or the NFIP maximum, then proof must be provided that indicates all structures are included in the RCV noted in the policy.
3. **Construction Cost Calculation:** If this method is used to calculate insurable value, it must indicate the cost of the foundation and other supporting structures and must not be more than 12 months old.
 - **Third Party Checkpoint: Hazard Insurance agents determine RCV through reasonable methods, such as an automated valuation tool or cost approach appraisal. Based on the RCV determined, the agent works with the consumer to ensure the hazard coverage amount adequately covers the structure. While foundation may not be covered in certain perils, it is always included in the RCV used to establish the hazard coverage amount (“Coverage A”).** While Coverage A or Dwelling Coverage is appropriate to use for identifying the insurable value of the main dwelling/primary structure, it does not always reflect the coverage for individual detached structures. In those instances, PBM may default to a cost approach appraisal, consider the hazard coverage amount listed for other structures or contact the insurance agent to determine if the RCV for the detached structures has been captured.

Loans Secured by an Individual Condominium Unit

- **RCBAP Divided By Number of Units:** For loans secured by an individual condominium unit with a Residential Condominium Building Association Policy (RCBAP) in place, PBM should use the replacement cost value (RCV) listed on the RCBAP divided by the number of units to determine the appropriate insurable value on a per unit basis.
- **Absence of RCBAP:** In the absence of an RCBAP when the customer is required to provide an individual dwelling policy for their unit, if the appraisal does not provide a cost approach figure for the unit or building, the business line may look to the association’s hazard policy to determine the insurable value.

Maximum Amount of NFIP Coverage

The building coverage table represents the maximum amount of flood insurance available and required by law under the Emergency and Regular flood insurance programs.

In any instance in which flood insurance coverage is mandatory, the coverage is only required to meet the maximum amounts below for the particular property type to be insured.

Maximum Building Limits of Coverage:

Building Coverage	Emergency Program	Regular Program
Single Family Dwelling	\$35,000	\$250,000

Contents Coverage

Contents or personal property coverage are not required to be included in a flood insurance policy unless the contents or personal property secure the mortgage loan.

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Third Party Checkpoint-Personal Property & Contents Coverage: Master Servicer does not allow mortgage loans to be secured by personal property/contents. Therefore, contents coverage is not mandatory and need not be a part of the coverage requirements if flood insurance is mandatory.

Deductibles

Single Family. As of April 1, 2015, pursuant to the HFIAA of 2014, the maximum deductible for an NFIP flood insurance policy is \$10,000 for single family dwellings.

- **Third Party Check Point – Private Insurance Policies:** Deductibles for private policies may exceed \$10,000. However, master servicer will not accept any flood insurance policies with a deductible that exceeds \$10,000.

Condominiums. The maximum allowable deductible for a condominium association flood insurance policy is \$25,000.

Housing/Bond Agency or Housing Finance Agency (HFA) Loans. The maximum allowable deductible for housing/bond agency loans (HFA) is \$10,000, unless a higher maximum is allowed by state law or bond agency policy.

- **Third Party Checkpoint:** While the NFIP allows for a deductible of up to \$10,000 for single-family dwellings, the determination of an acceptable deductible is a matter of bank policy based on many factors including but not necessarily limited to investor requirements and may differ from limits allowed by the Act, regulation or the NFIP. However, in no circumstance may bank policy exceed the limits set by the Act.

FLOOD INSURANCE POLICY STANDARDS:

Additional requirements to be considered when a flood insurance policy has been issued in conjunction with a mortgaged property are as follows:

Information	Standards
Name of title holder	The full and correct name of all mortgagors taking title (as indicated on the mortgage/deed of trust) must be shown on the policy or the flood application. If applicable, the condominium owners association’s name and address will show as the insured on the condominium master policy (RCBAP).
Address of insured	The complete and correct property address as indicated on the mortgage/deed of trust and the mailing address must be shown on the policy or flood application. If applicable, the condominium owners association’s policy will include the mortgaged unit number and address in the description section of the policy.
Insurance Company name and address	The name of the insurance company, and agent’s name and address must be shown on the policy or flood application.
The loss payable clause must read (with the exception of RCBAPs*):	U.S. Bank N.A. –Its Successors and/or Assigns c/o U.S. Bank Home Mortgage Loan: _____ P.O. Box 7298 Springfield, OH 45501-7298 *U.S. Bank is not required to be listed as a loss payee or mortgage on a condominium association’s policy.

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FLOOD INSURANCE REQUIREMENTS CONTINUED	Exemption of 30-day waiting period	<p>Typically, there is a 30-day waiting period from date of purchase before a policy goes into effect. However, the 30-day waiting period does not apply when the initial purchase of flood insurance is in connection with the making, increasing, extension, or renewal of a loan. The intent of the 30-day waiting period was to prevent the purchase of flood insurance at times of imminent flood loss. Flood insurance must be effective AT TIME OF CLOSING and throughout the life of the loan, unless the property maps out of the flood hazard area.</p> <p>NOTE: A 30 day wait period before a flood policy goes into effect is not acceptable. The master servicer will accept a policy in this scenario if the wait period has lapsed and coverage is in effect before the purchase date.</p>
	Acceptable proof of flood insurance	<p>The applicant must provide either a flood insurance declaration page or application with proof of payment of the premium.</p> <p>A certificate of insurance will only be accepted for existing or renewed policies if the following information is included:</p> <ol style="list-style-type: none"> 1. Policy form/type (GP, DP, RCBAP, PRP) 2. Policy term 3. Policy number 4. Insured's name and mailing address 5. Property location 6. Current flood risk zone 7. Rated flood risk zone (zone use for rating, including when grandfathering or issuing coverage under the PRP Eligibility Extension) 8. Grandfathered: Y/N 9. Mortgagee name and address 10. Coverage limits; deductibles 11. Annual premium <p>Note About RCBAP's: For an RCBAP, the number of units and Replacement Cost Value (RCV) of the building must be listed.</p>

Third Party Checkpoint – Documentation: At the time of loan closing, the following documentation is required:

1. A copy of the flood insurance policy or declarations page
2. An application for flood insurance and paid receipt covering a one full year of period from date of flood application (or no later than date of loan closing)

When an application with proof of payment is received, a declarations page must be received within 30 days from the date of loan closing.

- **Compliance Checkpoint – Insurance Binders:** An insurance binder is not an acceptable proof of insurance.
- **Compliance Checkpoint – Closing Disclosure Proof of Payment:** Proof of payment on the Closing Disclosure is sufficient proof of payment of the flood insurance premium when the premiums are being distributed from the loan proceeds. No additional proof of payment is required.

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- **Compliance Checkpoint – Multiple Structures:** Each structure/building listed in a SFHA must be noted and tracked regardless of whether the structure requires a flood insurance policy. If the structure(s) are covered by a private policy (not underwritten by the NFIP), it is possible and acceptable for a single policy to list multiple buildings. However, a coverage amount should be detailed for each structure. Please see the section Detached Structures or additional guidance on whether a detached structure requires a flood insurance policy.

Escrow Requirements

For any loan secured by Residential Improved Real Estate that is originated, refinanced, increased, extended or renewed on or after January 1, 2016, escrow is required of all premiums and fees for flood insurance, regardless of whether taxes, other insurance premiums, fees or other charges are escrowed. Exemptions to this requirement include:

- Loans that are an extension of credit primarily for business, commercial or agricultural purpose;
- Loans in a subordinate lien position to a senior lien secured by the same property for which the borrower has obtained adequate flood insurance;
- Loans where coverage is provided by a condominium association, cooperative, homeowners association or other applicable group (the mandatory escrow rule applies to supplemental policies provided by the borrower);
- Home equity lines of credit;
- Nonperforming loans;
- Loans with a term of no longer than 12 months.

Borrowers with a loan outstanding prior to January 1, 2016 must be provided with the option to escrow their flood insurance premiums and fees.

Required Documentation:

- **Current flood determination** on the standard flood hazard determination form developed by the Director of FEMA.
- **Signed Notice to Borrower (NTB) or Acknowledgement.** A signed and dated NTB form OR an acknowledgement form signed by the customer indicating they previously received the NTB form. As an example of an acceptable acknowledgement, often MRB (Mortgage Revenue Bond) purchase funded loans contain an acknowledgement form signed and dated by the customer.
- **Proof of Coverage.** Proof of adequate flood coverage in force on or before the date of loan purchase by the master servicer if the loan contains a flood determination that indicates the property is located in a special flood hazard area (SFHA).
- **Proof of Insurable Value** of the improved real estate providing proof from one of the following:
 - Appraisal that includes a Cost Approach method;
 - Replacement Cost Value (RCV) from Hazard Insurance policy. If the RCV from the hazard insurance policy is used as the insurable value and it is the lower than (1) the total of all liens on the property; and (2) the NFIP maximum, then the file must contain proof that indicates the foundation is included in the RCV; or
 - Construction Cost Calculation.
 - Detached Structure Disclosure, If applicable

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DISASTER POLICY	<p>NATURAL DISASTER PROCEDURES</p> <ul style="list-style-type: none"> ▪ Geographic Areas identified as “Presidentially Declared Disasters” on the following FEMA websites: <ul style="list-style-type: none"> ▪ https://www.fema.gov/disasters and having Individual Assistance must be handled as follows: ▪ For any loan secured by property located within a Federally Declared Disaster Area, a re-inspection/certification must be obtained prior to the closing of the loan. Loans with appraisals completed after the dates of the Natural Disaster Incidence (FEMA Declaration dates) are not subject to this requirement unless specifically requested by an Underwriter. ▪ A re-inspection/certification must clearly show the property is habitable and contains no evidence of damage. ▪ A re-inspection/certification may be performed by any of the following parties: <ol style="list-style-type: none"> a. Insurance Company stating that a property is unaffected and remains insurable under their policy b. Original appraiser c. Staff Appraiser employed by investor or PBM d. Company specializing in property inspections ▪ The investor and PBM may waive this requirement on a case-by-case basis if they document the reason for waiving it and provide comments as to how they were able to ascertain that the property was not impacted and that the value and condition are supported. ▪ For any loan secured by a property within a Federally Declared Disaster Area, a re-inspection/certification must be obtained prior to funding ▪ If property is in one of the designated disaster counties but does not have any damage the investor will allow PBM to perform the re-inspection/certification as long as it meets the following requirements: <ol style="list-style-type: none"> a. PBM Lender certification to be performed and executed by an employee that will not receive direct compensation from the transaction and is not associated with the transaction. b. A minimum of 4 photos will be required. Exterior photos for all sides of the house to indicate no property damage c. PBM will determine whether the inspection is to include interior photo. d. PBM certifies the property is habitable and contains no damage, exterior and interior.
TITLE REQUIREMENTS	<p>The outstanding principal balance of each first mortgage loans must be covered by an ALTA Lender’s Policy of Title Insurance,</p> <ul style="list-style-type: none"> ▪ Naming Provident Bank and GSFA Homebuyers Fund as their interests appear.
RESERVATIONS	<ul style="list-style-type: none"> ▪ Corporate will complete all Reservations: <ul style="list-style-type: none"> ✓ The Underwriter will make a PTA condition Corporate Reservation Approval Required. ✓ After ALL PTD CONDITIONS have been signed off by the Underwriter he/she will contact Corporate Specialty Administrator or PBM Secondary Marketing via email to reserve and lock the rate. ✓ PBM reserves DPA 3 year forgivable Second Mortgage Loan at the time of First Mortgage Loan registration. ✓ The Reservation Confirmation is valid for 60 days. ✓ The published Mortgage Rate is subject to change at any time. ✓ A copy of the Reservation Confirmation must be uploaded to the eFolder. ✓ Program Cancellation fee of \$400.00 will be charged to the Branch on all applicable reservations. ✓ Reservation Extensions to reservations will require approval from the GSFA/NHF and will be subject to market conditions. A minimum fee of 0.375% of the First Mortgage loan amount will be applied to extensions. Fees may be higher depending on market conditions. <p>If the Reservation is cancelled you can ONLY re-register after 30 calendar days from cancellation date via the Reservation Portal.</p>

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FEES/POINTS	<p>Fees and Points</p> <ul style="list-style-type: none"> ▪ Origination Fee: can be up to 2.0%; however, (PBM) must never charge less than 1.5% for the Origination Fee. ▪ Discount Points: 0.00% <ul style="list-style-type: none"> ○ <i>(This Program does not allow Discount Points to be charged to the Borrower)</i> ○ Fees charged on the DPA Second Loan cannot exceed 1% of the DPA Second Loan amount (recording fees and transfer taxes are not included in the 1% maximum). ○ PBM Branches may charge customary and reasonable closing costs and fees with full disclosure in accordance with Freddie Mac and federal, state and local laws and regulations. ▪ Funding Fee - \$400.00 ▪ Tax Service Fee \$80 <ul style="list-style-type: none"> ○ Section B of the Loan Estimate (LE) and Closing Disclosure (CD) paid to either CoreLogic Tax Services or vendor of choice, not U.S. Bank. ○ May also disclose the fee as payable to Provident Bank Mortgage ○ The payee should not be listed as TBD or left blank ▪ Refer to Servicer Website for guidelines at: www.hfa.usbank.com
POST CLOSING	<ul style="list-style-type: none"> ▪ A fee of up to 6% of the loan amount will be charged for closed First Mortgage Loans with DPA that are not eligible for purchase by Servicer. ▪ PBM Branches with excessive non-deliveries will be prohibited from participating in the GSFA Platinum Program.
PROGRAM START/END DATE	<p>The Program is ongoing.</p> <ul style="list-style-type: none"> ▪ GSFA may discontinue the program at any time.