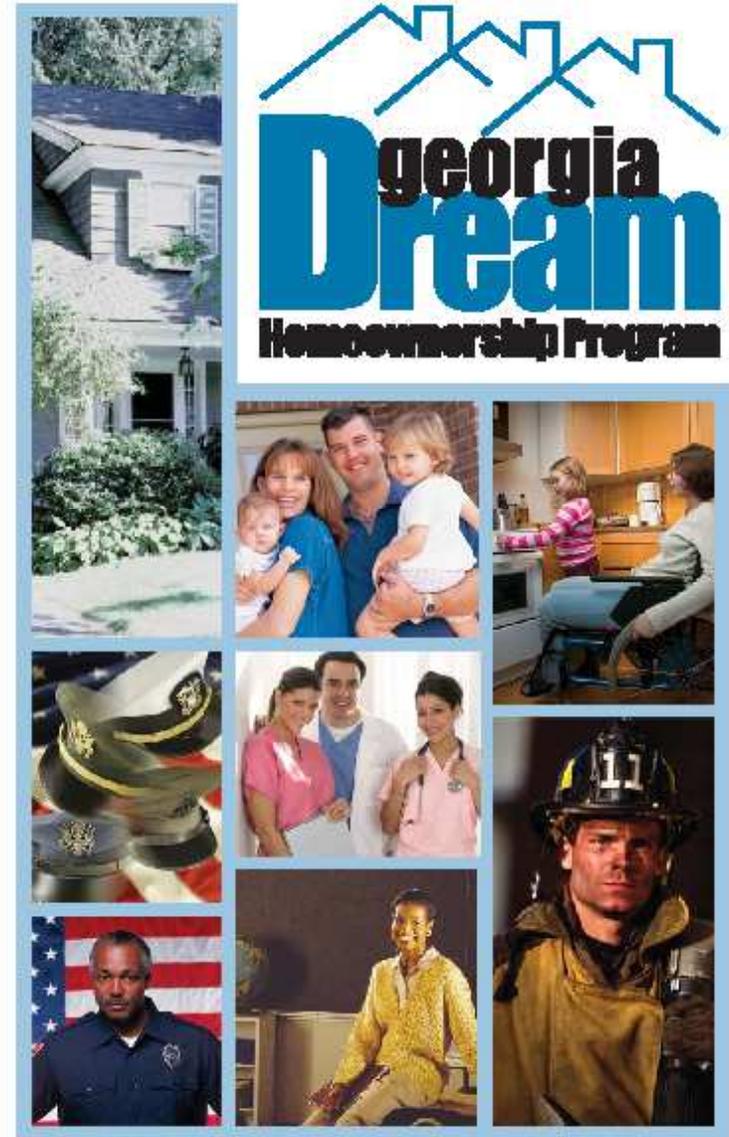




Training Manual for Originators and Underwriters



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Rate Line	679-0581	

The Georgia Dream Homeownership Program



- ★ 30 year first mortgage loans @ low fixed rates
- ★ Down payment assistance loans \$5,000 - \$7,500 @No monthly payments @No interest
- ★ Home buyer education & counseling

Source of Funding

Georgia Dream First Mortgage Loans and some down payment assistance loans are financed with proceeds of certain tax-exempt bonds issued by the Georgia Housing Finance Authority, pursuant to certain state laws and federal income tax laws. Eligible Down Payment Assistance loans are funded with HOME funds issued by HUD.

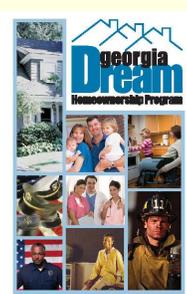
Our tax-exempt status and continued receipt of HOME funding is dependent upon the purchase of loans made in compliance with these laws.



Tools Required To Make A Loan?



- Georgia Dream Brochure
- The most current Georgia Dream Seller Guide
- Checklists and Forms
- A Password for Lender on Line Provided by a designated manager within your company
- Receipt of our weekly rate sheet and program change notifications



The DCA Loan Process



1. Provide borrower with Georgia Dream brochure
2. Refer borrower to Home Buyer Counseling
3. Qualify the borrower and process the loan as you would with any other loan program
4. Obtain the appraisal
5. Reserve the loan on Lender on Line – print the Reservation Accepted screen and complete the required Georgia Dream documents
6. Submit to your company for credit and compliance underwriting approval
7. **Submit all documents listed on the underwriting Package to DCA for compliance underwriting**
8. **CLOSE WITH A DCA COMMITMENT**

Who Qualifies for a Georgia Dream Loan?

First Time Home Buyers



Or - Buyers who have not owned a home in the past 3 years

Or - Buyers who purchase a home in a targeted area



Map of Targeted Counties
Other counties have targeted census tracts – See Appendix (III)

Additional First Time Home Buyer Guidelines Seller Guide Section 303

- Spouses and other adults (18 years old or older) who will live in the mortgaged property and who are not co-applicants and will not be on the Note or Deed are not required to be first-time home buyers.
- DCA does not consider a construction loan or bridge loan of less than 24 months to be a permanent loan. (Seller Guide 302.12)
- Applicants may not own any other residential real estate within or outside the United States as of the date of closing on a Loan. For example, an Applicant may have owned a residential rental property during the previous three (3) years, but must terminate his or her interest in such property prior to closing on a Loan.
- Three years rental history will be included on the Georgia Dream Form SF12 and the addresses should match those found on paystubs, tax returns and credit reports and other loan documents.



Household Income & Purchase Price Limits

Eligible borrowers will have Household incomes less than:

	1 to 2 persons	3 or more persons
Statewide	\$58,500	\$68,500
Atlanta MSA	\$69,000	\$79,500

And purchase a home with a sales price no more than:

Statewide	\$200,000
Atlanta Area	\$250,000

See Seller Guide Sections 307 & 308 for eligible properties and property guidelines

Household Income Guidelines Seller Guide Section 304

Household Income includes the income of ALL Adult Household Members with some exceptions. For example: Non-Applicant adults (18 years of age or older) who are also full time high school or college students must provide evidence of enrollment from the high school or college at the time of application and only \$480 of the students income is included.

We understand that it is not common lending practice to request this information for Non-Applicants, but it is required for Loans made through our Georgia Dream Homeownership Program in order to verify that the Household Annual Income is within our Program's Annual Household Income limits.



Household Income Guidelines

- Household Income is disclosed on DCA Forms SF12 and SF15(Non-Applicants)and on the Household Income Worksheet.
- Income on these forms should equal that shown on paystubs and other verifications of income.
- Household Income can/may be different than the income used for credit qualifying.

Household Income Worksheet

Automated version Available:

- Home page of Lender On Line
- With other Documents in Loan Status on Lender On Line.

You may print a copy from the Georgia Dream Seller Guide

Income Section of SF12

Subordinate Financing

Section 302.9

The Georgia Dream 1st mortgage can be combined with down payment programs approved by the mortgage insurer in subordinate position – especially the Georgia Dream 2nd Mortgage Programs.

Evidence of borrower approval for the subordinate financing other than Georgia Dream must be included with the underwriting package.

As of March 1, 2011 we no longer allow the Layering of Down Payment Programs with our Georgia Dream Down Payment Loan.

Calculation of the Maximum Base Loan Amount

See Seller Guide 302.10 and the Online Form

ADD: Lesser of Sales Price or Appraised Value
PLUS: Required 203b or 203k repairs (If applicable)
Equals: The Total Acquisition cost
LESS: DCA 2nd mortgage or other Subordinate Financing
LESS: \$1,000 DCA Required Borrower Contribution
Subtotal
PLUS: Closing Costs from 1003
PLUS: Prepaid Items from 1003
LESS: Seller Paid Closing Costs
EQUALS: THE MAXIMUM BASE LOAN AMOUNT



DOWN PAYMENT ASSISTANCE LOAN PROGRAMS

Down Payment Assistance Loan Program

Subordinate financing for the payment of closing costs and pre-paid items and the reduction of the 1st mortgage

\$5,000 - \$7,500

No monthly payments

0% Interest

Must be **REPAID** when the home is sold, refinanced or no longer used as the borrower's personal residence. This **LOAN** is **NOT FORGIVEN!**

Additional DPA Loan Requirements



- ❖ Used in conjunction with a Georgia Dream First Mortgage loan
- ❖ Buyers must contribute \$1000 to the transaction. Funds may be a gift, or loan as per the mortgage insurer's guidelines. Seller Guide 411

DPA LOAN \$5,000



All Eligible Borrowers



(PEN) Protectors, Educators and Nurses (Health Care Employees)

**DPA LOAN
\$7,500**



**CHOICE
DPA LOAN \$7,500**

To assist households with individuals who are living with a disability achieve the dream of homeownership!



**Co-Op Communities
DPA Loan \$7,500**



Employees of a city and/or a county government designated as a DCA Co-OP Community (2 year period of designation)

For a complete list of cities and the dates of designation See Seller Guide 401.2d





ENTER DOWN PAYMENT ASSISTANCE AS:

- In DU – Community Second
- In LP – Gift for Approval as subordinate financing to correct CLTV
- In FHA Total Scorecard or pmiAURA – Subordinate Financing



All forms of subordinate financing must be included in the CLTV

FHA has approved the Georgia Dream Second Mortgage Program as provided under Mortgagee Letter 94-2. The combined LTV for all mortgages cannot exceed 100% of the cost to acquire the property plus any normal prepaid expenses, as described in HUD Handbook 4155.1 which may exceed 100%.

Underwriting

The credit decision is made by your company or your contracted underwriting company based on the mortgage product and the MI guidelines.



(Seller Guide 207)

The Lender should also review the loan for compliance with the Georgia Dream Homeownership Program Guidelines.

Include these forms in your underwriting package to DCA

Applicable Mortgage Insurer Certificate:

- FHA Loan Underwriting and Transmittal Summary 92900LT and Conditional Commitment completed and signed by the Direct Endorsement Underwriter
- USDA-RD Form 3550.7 Conditional Commitment
- Proof of the VA automatic or Lender Appraisal Processing Program approval

Automated Underwriting

DCA will accept an Underwriting Package that has received a credit recommendation of: "Accept" from Loan Prospector (LP)
"Approve" from Desktop Underwriter



DCA also accepts automated credit recommendations from FHA Total Scorecard and PMI-AURA

Manual Underwriting

All manually underwritten loans will be considered to have a 620 credit score and must have maximum DTI ratios of no more than 35%/35% and meet the additional overlays as described in Section 207.6.

Manually underwritten conventional loans must meet the requirements of Fannie Mae's My Community Mortgage manual UW guidelines.

FHA loans must comply with the manual underwriting requirements in HUD 4155.1

VA loans must comply with the VA handbook.

Mortgage Insurance

Loans must be insured by FHA, or guaranteed by VA or USDA.

Private Mortgage Insurance :

As of January 1, 2009 there are no Mortgage Insurance Companies rated at least AA and therefore no mortgage insurance companies eligible to insure Georgia Bond Loans. Therefore conventional loans qualify only if the LTV is less than 80%.

Required Down Payment

- All loans must meet the mortgage insurer's down payment requirements. For a Georgia Dream First Mortgage Loan the applicant's funds may be a gift or a loan.
- Funds must be documented in accordance with standard FHA, Conventional, or USDA-Rural Development requirements.

Co-Signors are permitted:

- Co-signers cannot take title to the property or live in the property securing our Loan. (Co-signers who live in the mortgaged property are considered co-Applicants.)
- Co-signers must sign the Note. Co-signers may not sign the Security Deed or DCA forms nor may they hold title to the property
- The co-signers' income is not included in the Household Annual Income but may be used as qualifying income.
- If a co-signer is proposed for a Loan, the Underwriting Package must contain complete credit documentation for the co-signer along with a completed MCAW or 1008 underwriting worksheet;
- Co-signers' credit and ratios must meet the requirements of the applicable Mortgage Insurer.

DCA Compliance Underwriting

- Applicant meets the first time home buyer requirements.
- Applicant's total Household Annual Income does not exceed requirements;
- Acquisition Cost of the subject property is within the published Acquisition Cost limits for the county in which the property is located;
- DCA required forms are complete and accurate
- Loan proceeds are utilized for purchase only transactions
- Complete and accurate information provided on the loan application, support documents and verifications prior to loan closing,
- Data integrity with the information contained in the DU or LP finding
- All underwriting approval conditions set forth by the Lender's Underwriter are satisfied and adequately documented; and
- Collateral meets the requirements of the Georgia Dream Homeownership Program and the Mortgage Insurer.

DCA Underwriting continued

Lenders are required to review the file for compliance with the Georgia Dream Homeownership Program requirements prior to submitting the Underwriting Package to DCA for compliance underwriting.



We reserve the right to require further information to insure compliance with Georgia Dream Homeownership Program requirements and/or Mortgage Insurer requirements.

DCA Underwriting Turn Time – Goal is two days

- Upon our receipt of a complete Underwriting Package, we require up to five (5) Business Days to review the Package and notify you of our underwriting decision. You should consider this underwriting period in your plans to close the Loan. If the Underwriting Package is incomplete when we receive it, you will be notified by fax or email of the missing documentation.
- In periods of unusually heavy activity or due to circumstances beyond our control, it may be necessary for us to extend beyond five (5) Business Days the time required for our underwriting review. If it becomes necessary to extend beyond our five (5) day underwriting time, we will extend your Reservation Period. One day is given, at no charge, for each day beyond our five (5) day underwriting period.
- You may check the status of our underwriting turnaround time by calling the Lender Information Line at (404) 679-0581.

www.Gadream.com

- Access the seller guide
- Register the loan
- Print required DCA forms
- Locate additional information
- Locate Home Buyer Education providers

Underwriting Checklist (cont)

- #11 – Internal Underwriting Approval with conditions
- #12 – Scratch Application
- #13 – Good Faith Estimate
- #14 – Signed Borrower’s Authorization Form
- #15 – 4506 T (Income Tax Verification Form Signed by Borrower)
- #16 - Buydown Schedule – (Seller Guide 302.8 & Appendix IV)



Underwriting Checklist (cont)

- #17 - Credit Report - Dated within 120 days of the loan closing
(If mortgage is referenced verify status)
- #18 - Verbal VOE for all employment for the last twelve months and ALL documentation required by LP or DU requirements
(Seller Guide 304.3)
- #19 - Employment Verification required by DU or LP
- #20 - Verification of income dated within 45 days of the underwriting decision
 - * Pay stub with year to date earnings
 - * Social Security letter – child support verification
 - * Other

Underwriting Checklist (cont)

- #21 – Bank Statement dated within 45 days of the underwriting decision with an **Explanation for deposits totaling \$300 over 1010 language** Seller Guide 305.1



- #22 – Rental History Verification if manual review or if borrower documents do not agree

#23 – 3 years Federal Tax Returns and most recent W2's

Signed copies signed by borrower(s) or computer print outs
or IRS Telefile Tax Record OR IRS Letter 1722

If not required to file:
Applicant may complete DCA Tax Affidavit Form SF6012

Provide explanations if:
Reference to home mortgage interest or deduction for
real estate taxes

Number of dependents does not
match application



**#24 – Sales Contract with all
applicable addenda**



SIGNED BY ALL PARTIES

25 – APPRAISAL Seller Guide 310

Complete appraisal with all attachments including
legible photographs (Can be emailed)

“Property meets HUD minimum property
standards”

Include Collateral Inspection Form SF200 if new
construction with no C.O. and HOME DPA utilized.

If USDA loan and no C.O. Plan Certification - #28 if
applicable

For FHA Loans the appraisal must be dated within
120 days preceding the note and the mortgage



Balance of Checklist

- #26 – FEMA Flood Certification
- #27 – Home Buyer Education Certificate
- #28 – USDA loans only
- #29 – Support documentation for Georgia Dream Second Mortgage Loans if required– (Chapter Four)
- #30 – Preliminary Title Policy with chain of title reviewed by lenders underwriter for insurability issues

DCA UNDERWRITING DECISION

- Upon final approval you will receive a “Firm Commitment” which will include any conditions to be satisfied and included in the purchase package. Any “PTC” or prior to closing conditions must be resolved and emailed to u/w for review PRIOR to Closing.



Make sure any “AC” Requirements are communicated to your closing team!

- If the loan is rejected/denied the loan will be canceled within 10 days unless notification is received that you wish to try to cure the rejection.

Closing Costs HUD-1 for GA Dream 1st Seller Guide 312

- Actual amount of all 3rd party fees – see list
- Up to 2.0% Origination (NO DISCOUNT POINTS)
- FHA 203K Fees allowed by FHA
- Maximum of \$600 in processing fees
- Applicant must contribute \$1,000 if utilizing a GA DREAM 2nd mortgage [Seller Guide 411](#)
- 312.4 - Cash Out at closing allowed only for borrower contribution greater than the required \$1,000
- Tax Service fee = \$67
- Interest Credit at Closing – See Section 312.2

Closing Costs HUD-1 GA Dream 2nd

Seller Guide 409

RESPA now Requires
a separate HUD – 1

The following are the only fees allowed:

- Origination fee of 1% of the principal
- Attorney Fees up to \$150
- Filing Fees for the 10 page deed
- Intangible tax
- \$10.00 GRMA fee



Loan Assumption

■ Seller guide 312

Loan can be assumed if the buyer:

- a) Occupies the property as a principal residence
- b) Meets Georgia Dream eligibility requirements
- c) Has a household income within limits

And if:

The purchase price does not exceed Georgia Dream purchase price limits.

Recapture Tax

- Recapture Tax Disclosures will be Required at closing.

- **DO NOT CONFUSE THE RECAPTURE TAX WITH THE REPAYMENT OF THE DPA LOAN.**

- No Recapture tax calculation is made if home is sold after 9 years.

- **THE DPA LOAN MUST BE REPAYED IF THE HOME IS SOLD, REFINANCED OR NO LONGER USED AS THE BORROWER'S RESIDENCE.**