

Chapter 5

Georgia Dream NSP Purchase Program

501 Georgia Dream NSP Purchase Program

The Georgia Dream NSP Purchase Program is funded with proceeds from an allocation of federal funds from the Housing and Economic Recovery Act of 2008 (HERA). Funds may be used for down payment and rehabilitation assistance on NSP eligible properties. Funds may not be applied to closing costs, discount points, or prepaid items.

NSP funds must be used first for repairs to bring the property up to Housing Quality Standards (HQS). Any remaining funds must be used for down payment assistance. If repairs are not needed or are not made a part of the financing, the entire \$14,000.00 must be used for down payment assistance. The Georgia Dream NSP Purchase Program loan will be provided in the form of a subordinate lien that will be released over a five year period at a rate of 20% each year.

502 Eligible Properties

The subject property must be in an area of greatest need as specified in Section 3201(c) (2) of HERA. (Refer to NSP Appendix I for DCA's determination of eligible counties.)

Eligible properties must have been foreclosed and are now Real Estate Owned (REO) by Fannie Mae, Freddie Mac, HUD, VA. Another governmental entity, bank, or non-profit Real Estate Owned (REO). All properties must meet the requirements specified in Chapter 3, Section 309 of this Seller Guide.

All properties must be vacant.

The following one-unit single family property types are eligible for this program:

- Detached
- Attached
- PUD
- Condominium

Manufactured Homes are not eligible.

The subject property must meet HUD's Housing Quality Standards (HQS) Inspection Requirements.

503 Purchase Discount Requirements

Properties purchased under this program must meet the discount requirements of HERA. In order to determine the statutory purchase discount, an appraisal that meets the requirements for property acquired through federally-assisted programs as set forth at 49 CFR 24.103 and completed within 60 days prior to an offer made for the property is required (i.e., within 60 days from the date of the final offer). Refer to link below for requirements:

The sales contract must reflect the NSP Purchase Discount and supporting documentation must be submitted to DCA to support this provision.

The purchase discount must be at least 15% from the current market appraised value of the home or property as determined by the required appraisal. NSP requires any purchase of a foreclosed-upon home or residential property be at a discount from the current market-appraised value of the home or property. Such discount shall ensure that purchasers are paying below-market value for the home or property. For purchases under the Georgia Dream NSP Purchase Program, a 15% discount is required. An appraisal for purposes of determining this statutory purchase discount is required.

504 Eligible Loans

The Georgia Dream NSP Purchase Program must be used with a fixed rate FHA or VA first mortgage. NSP funds may be used for rehabilitation and down payment assistance. The loan may not be layered with any other type of down payment assistance.

DCA will not fund a Georgia Dream NSP Loan that is not made in conjunction with a new first mortgage loan on the property for the Applicant. Thus, if the Applicant has paid off a previous first mortgage on the property or is seeking to refinance an existing first mortgage, the Applicant is ineligible for the Georgia Dream NSP Purchase Program.

Georgia Dream NSP Loan must be closed in your name as the originating Lender or in the name of an Authorized Originator. In either case, you are fully responsible for all warranties and representations made to us under the Loan Seller Agreement, regardless of who originates and/or packages the Loan.

505 Mortgage Insurance Requirements

All first mortgage loans must be (i) insured by FHA or (ii) guaranteed by VA. We expect you to ensure that the Loan meets the requirements of the Mortgage Insurer. You should check with the Mortgage Insurer to verify the precise requirements.

506 Loan Terms

The Loan amount is \$14,000.00 and will be a second mortgage lien closed with a DCA-approved Lender's first mortgage.

The interest rate for the Georgia Dream NSP Loan is 0% per annum.

The Georgia Dream NSP Loan is a second lien with a five year and six month period of affordability with a portion released each year as follows:

20% within the first 18 months of the affordability period
20% within the 19th through 30th month of the affordability period
20% within the 31st through 42nd month of the affordability period
20% within the 43rd through 54th month of the affordability period
20% within the 55th through 66th month of the affordability period
0% after the 66th month of the affordability period

507 Eligible Applicants

Applications will be evaluated in accordance with normal underwriting requirements. Standard FHA and VA credit underwriting requirements apply. In addition to meeting FHA or VA underwriting guidelines, all applicants must meet the NSP HUD income requirements of being at or below 120% of Area Median Income. (Refer to NSP Appendix II for Household Income limits)

Borrowers must occupy the property as their primary residence.

Applicants are not required to be first time homebuyers.

Applicants must complete eight (8) hours of homebuyer pre-purchase counseling provided by a HUD-approved housing counseling agency as referenced in Section 306 and Appendix VIII. The homebuyer counseling requirement must be fulfilled using a classroom style, individual (one on one) or a combination of both formats. Online homebuyer education classes will not meet this requirement.

508 Loan Origination

DCA recognizes that there are procedural variations among Lenders. Consequently, the procedures outlined in this section only suggest the sequence of events for loan origination:

1. The Lender is encouraged to provide Applicants who inquire about the Georgia Dream NSP Purchase Program with Georgia Dream NSP Purchase Program information and answer any questions the Applicant may have regarding the Georgia Dream NSP Purchase Program, eligibility requirements, and the loan process.
2. The Lender should advise the Applicant to attend homebuyer education. The Applicant will need to provide the Lender with evidence of completion of pre-purchase homebuyer education. The Lender must include this evidence in the Underwriting Package.
3. The Lender determines if the Applicant is eligible for the

Georgia Dream NSP Purchase Program based on information received for Household Annual Income, Acquisition Cost, and other relevant information. If the Applicant is eligible, the Lender takes a formal application. The Lender is required to obtain completed and signed copies of the NSP Purchase Program documents at Application.

4. The Lender reserves funds pursuant to the Reservation procedures in Chapter 2 of this Seller Guide.
5. The Lender completes credit and compliance underwriting and submits a complete Underwriting Package to DCA for compliance underwriting review and approval.

*508.1
Maximum Rate and
Closing Costs for
First Mortgage*

The interest rate on the Lender's first mortgage may not exceed the current 60-day price for Fannie Mae's 30-year fixed rate mortgages by more than 2.00%. The Lender will need to provide DCA with a copy of the interest rate commitment for the first mortgage loan at the time the loan is submitted for Underwriting review. Please see our website at www.dcaloans.com for a daily listing of the Fannie Mae 60-day rate.

The origination fee may not exceed the maximum allowable by the Mortgage Insurer. However, the total of the origination fee and discount points charged by the Lender may not exceed 2.00%. Such fees may not exceed the amount of such fees charged for non-DCA loans and may not in the aggregate exceed \$600. The fees may be called an application, processing or underwriting fee, or other similar name, as long as the name is not unique to our loans and does not include GHFA, Georgia Dream or DCA by name. None of these fees may be based on the amount of the first mortgage loan.

Refer to Chapter 3, Section 313 for a complete list of closing costs.

509 *NSP
Origination Fee*

The Georgia Dream approved Lender will receive a NSP Origination Fee in the amount of \$900.00 when the loan is funded by DCA.

510 *Issuance of
Reservation*

In order to request a Reservation for the Georgia Dream NSP Purchase Program, you must enter the required information via Lender Online as outlined in Chapter 2 Section 204 of this Guide.

511 *Underwriting*

DCA has delegated the credit decision on each Loan to our Lenders. Each Loan submitted to DCA for review must meet the requirements set forth in this Guide as well as the applicable Mortgage Insurer's requirements, as determined by the Lender's underwriter.

DCA will underwrite Loans for compliance with the Georgia Dream NSP Purchase Program guidelines prior to issuing an underwriting decision to the Lender.

DCA will not approve or fund a Georgia Dream NSP Loan if the borrower(s), seller(s), realtor(s) or any other parties to the second mortgage transaction appear on the current HUD Debarred or Suspended lists.

512 *Property Standards/HQS Inspections*

A Housing Quality Standard Inspection (HQS) must be performed on all Eligible Properties. The Lender is responsible for contacting the HQS Inspector and must provide the inspection report to the FHA appraiser prior to the FHA appraiser inspecting the property.

Housing Quality Standards (HQS) are property standards that have been approved by the U.S. Department of Housing and Urban Development for all federally assisted properties to insure that all properties are decent, safe, and sanitary. An HQS Inspection is completed on the most recent HCV Inspection Form, ref handbook 7420.8 form HUD-52580-A (9/00) OMB Approval No. 2577-0169(exp. 9/30/2010). See NSP Appendix III for a list of qualified inspectors.

All eligible properties must meet HUD's HQS property requirements. In addition, all properties must meet the property standards outlined in Chapter 3, Section 310 of this Seller Guide.

513 *Appraisals*

All appraisals must comply with the requirements listed in Chapter 3, Section 311 of this Seller Guide.

The FHA or VA appraiser must be provided with a copy of the HQS Inspection Report and fully executed sales contract. Interior and exterior photos are required.

514 *Environmental Review*

The Lender must provide evidence that reflects whether or not the project is located in a FEMA-identified Special Flood Hazard area. If the project is located in a Flood Zone, then the applicant must obtain Flood Insurance under the National Flood Insurance Program. This documented coverage must be maintained throughout the period of affordability and copy of the policy declaration must be kept on file.

Evidence must be obtained that reflects any impact to the Coastal Barriers Resource Act.

Evidence must be obtained that reflects whether or not the project involves the sale or acquisition of existing property within a Civil Airport's Runway Clear Zone or a Military Installation's Clear Zone. Acceptable evidence is a map of the appropriate Clear Zone that shows that the project is located outside the area of concern, or a signed letter from the Airport Authority that indicates the project is outside of the affected area.

Documentation must be provided to DCA for review with the

underwriting package.

515 Repairs and Final Inspection

You will be responsible for establishing the repair escrow at closing, monitoring repairs, payment of contractors, and obtaining inspection reports to document compliance with the Georgia Dream NSP Purchase Program.

516 Loan Closing Documents

All closing documents and legal documents must reference GHFA (Georgia Housing and Finance Authority), not DCA. GHFA is the legal entity that will fund the Loan.

The Deed to Secure Debt, title policy, and survey each must have a legal description of the subject property which corresponds exactly with the other documents.

Property sellers and Georgia Dream NSP Purchase Program Applicants must execute the Georgia Dream NSP Notice to Seller (Form NSP-72). Federal law requires that we make the property seller aware that even though the Applicant is using federal funds to purchase the home, the Applicant does not have the power of eminent domain often associated with government activities. Further, the use of federal money through the Georgia Dream NSP Purchase Program does not make the property owner eligible for the relocation assistance that may be associated with federally assisted projects.

517 Prepayment

If the Eligible Property is sold, refinanced, or is not occupied as the Borrower's principal residence during the affordability period, the repayment amount will be determined as specified below:

100% within the first 18 months of the affordability period
 80% 19th through 30th month of the affordability period
 60% 31st through 42nd month of the affordability period
 40% 43rd through 54th month of the affordability period
 20% 55th through 66th month of the affordability period