

LHC Preferred Conventional Program FAQ

As of 2/19/16

Q. Where can I find the rate?

A. Mortgage loan rates are posted daily on LHC's website, www.lhc.la.gov. Rates are current from 9:00 AM to 6:00 PM Central Time. Click on "Today's Rate" at the top of the home page.

Q. What property types are eligible?

A. Single family, owner-occupied, 1-2 unit principal residences that are detached structures, or condominiums. Manufactured homes are not permitted. HFA Preferred 97% applies to 1-unit properties; HFA Preferred 95% for 2-unit properties.

Q. What is the purchase price limit?

A. Follow the Fannie Mae HFA Preferred Mortgage Limits posted to www.lhc.la.gov.

Q. Must the borrower be a first-time homebuyer?

A. No, but the purchased home must be the borrower's principal residence.

Q. What is the maximum income allowed?

A. The total annual income of the borrower(s) cannot exceed \$99,000, regardless of family size.

Q. Is Mortgage Insurance required?

A. Yes.

Q. What is the minimum credit score allowed?

A. 640 minimum, subject to DU approval and Mortgage Insurer guidelines.

Q. Are co-signers permitted?

A. No. Non-occupant borrowers or co-signers are not allowed.

Q. How much assistance will a borrower receive?

A. The grant is 3% or 4% of the loan amount, which may be used toward down payment or closing costs or prepaid items.

Q. Is there an investment from borrower's own funds required?

A. LHC does not have a minimum required investment. Lenders must follow the Mortgage Insurer guidelines.

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Q. Are there required ratios and reserves?

A. LHC does not have any ratio and reserve requirements however the loan must meet Fannie Mae and Mortgage Insurer requirements.

Q. What amount is allowed toward seller contribution?

A. Follow Fannie Mae and Mortgage Insurer guidelines.

Q. Is homebuyer education counseling required for the borrower?

A. Yes, if the borrower is a first-time homebuyer. Homebuyer Education Classes are offered through HUD approved Counseling Agencies. Additionally, on-line courses are acceptable, but must be approved by the National Industry Standards for Homeownership Education and Counseling (e.g., eHome America).

Q. Will LHC require a compliance package to review and approve the loan?

A. No, but the lender must complete and submit the *Fannie Mae HFA Preferred Program Lender Certification Form (Exhibit C)* regarding the borrower's qualification for the HFA Preferred Program within 20 days of the loan reservation date.

Q. Is Manual Underwriting allowed?

A. No, the loan must receive DU approval, underwriter approval and Mortgage Insurer approval.

Q. What decision engines are acceptable to use?

A. Lenders must use DU (Fannie Mae's decision engine).

Q. What about points and lender fees?

A. No origination or discount points may be charged. Reasonable and customary fees are acceptable. Lender fees will be monitored on the preliminary Closing Disclosure.

Q. What is the lender compensation?

A. A 2% SRP is paid when the loan is purchased by the master servicer (SMC).

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Q. Are there other established fees?

A. Yes: \$175 funding fee (SMC); \$85 tax service (SMC); \$20 wire transfer fee (LHC)
There is no delivery or adverse market fee.

Q. How should the program fees be disclosed?

A. It is the lenders decision how the fees are disclosed to the borrowers. Some lenders charge a flat fee that includes all fees and some indicate them individually.

Q. Are the program fees netted from the purchase advice?

A. Yes

Q. Can all the program fees be charged to the borrower?

A. Yes, if allowed by the loan product.

Q. What is the maximum insurance deductible allowed?

A. Hazard Insurance – 5% of the face amount of the policy and
Flood Insurance – Up to \$10,000.

Q. How are the assistance funds provided at the closing?

A. The lender submits a completed *Fannie Mae HGA Preferred Program Requisition Form/Wiring Instructions (Exhibit E)* to LHC at least 48 hours before a closing along with the completed preliminary Closing Disclosure for review. Upon approval by management, the wire is set up to transfer funds to the title company on the day of closing.

Q. Is there a Gift Letter to be signed by the borrower at closing? Who provides it?

A. Yes, LHC will prepare, sign, and email it to the lender after the wire request is approved.

Q. I've never made a reservation in LHC's system before. How can I get help?

A. Part 1: You must have a user ID and password registered with LHC. Register on our website, www.lhc.la.gov. Select "Buyers", "Fannie Mae HFA Preferred Program", "Information for Lenders", and click on the "Single Family Web Applications" link. Select "Register" under the Login box. Complete the fields and submit.

Part 2: Use the *Fannie Mae HFA Preferred Program Reservation Guide (Exhibit G)* available on our website, www.lhc.la.gov. Select "Buyers", "Fannie Mae HFA Preferred

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Program”, “Information for Lenders”, and select “Exhibit G” from the list of Program Documents. Follow the step-by-step instructions.

If you have trouble in the process, call the Single Family department for technical assistance. LHC’s main number is 225-763-8700.

Q. The Reservation system is down and I need to make a reservation. What do I do?

A. First, please call the Single Family department to report that the reservation system is down. LHC’s main number is 225-763-8700. If confirmed by SF staff, they may direct you to submit a completed *Fannie Mae HFA Preferred Program Reservation Request (Exhibit B)*, fax or email it to the person you spoke to, and a reservation will be completed for you as soon as possible.

Q. How long is the loan reservation good for?

A. Loans must be delivered to SMC, master servicer, no later than 45 days from the loan reservation date. Loans must be purchased and funded by SMC no later than 70 days from the loan reservation date.

Q. Can a reservation ever be extended?

A. A one-time 30-day extension is available upon request prior to the 70 day deadline. A \$375 extension fee will be assessed and netted from the loan purchase price.

Q. Can this program be used for refinances?

A. No – purchase transactions only.

Q. How does my company become an eligible lender?

A. Complete Standard Mortgage Corporation’s required lender package and submit for approval. Once approved, the lender is required to sign a Mortgage Origination Agreement with LHC prior to participation.

Q. Are interest credits allowed?

A. No

Q. If the borrower is obtaining 100% financing and the seller concessions are covering all or most of the closing cost and prepaid items, can the assistance be used to lower the loan amount?

A. Yes

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- Q.** Does the money held in the bank by a borrower affect whether they receive the 3% down payment assistance for Market Rate GNMA or LHC Preferred?
- A.** We would only consider the income from assets toward the annual household income to make sure they are within the limit for the program.