



State of New York Mortgage Agency

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By E-mail

December 11, 2013

RE: SONYMA FHA Plus Program

Dear Participating Lender:

Last year, the State of New York Mortgage Agency (“SONYMA”) announced that, as a state housing finance agency, it had the ability to offer down payment assistance on FHA-insured loans, where the down payment assistance could be used towards the borrower’s minimum cash investment. However, it was not until HUD released [Mortgagee Letter 2013-14](#) earlier this year clarifying its position on secondary financing provided by governmental entities that now enables SONYMA to announce its newest mortgage program - the **FHA Plus** program (“FHA Plus”).

FHA Plus combines SONYMA’s Down Payment Assistance Loan (“DPAL”) with an FHA-insured mortgage. As stated above, the DPAL may be used towards the borrower’s 3.5% minimum cash contribution. The program will be available for both home purchases and refinances and has the following additional features:

- Competitively priced, 30-year fixed interest rate mortgages with no required borrower points;
- Eligible borrowers do not have to be first-time homebuyers;
- No income or purchase price limits; and
- Availability of SONYMA down payment assistance:
 - for purchase transactions, up to 3% of the home purchase price.
 - for refinance transactions, up to 3% of the lower of the unpaid principal balance or the appraised value. (The DPAL may be used as a credit against the closing costs and prepaids.)

Approved lenders may begin accepting applications for FHA Plus on Friday, December 13, 2013. As an example and basis for comparison, pricing for these products as of December 11, 2013 are as follows:

Product	Interest Rate*
FHA Plus - No DPAL	4.25%
FHA Plus with DPAL	4.75%

*These rates are for 60-day locks and with no borrower points.

Attached is a Summary of Terms that provides specifics about FHA Plus. Please also be aware of the following:

Lender Compensation

Lenders will be compensated 2.5 *points* for each loan sold and may charge the borrower up to \$850 in ancillary fees.

Program Structure; Delivery of Mortgages to Master Servicer

As with SONYMA's Conventional Plus program, M&T Bank ("M&T") will be the master servicer for all loans originated through FHA Plus. Lenders will originate FHA mortgages (with or without DPALs) in accordance with standard FHA guidelines (except as provided herein) and at the pricing provided by M&T. Lenders will deliver closed loan files and sell the mortgages (and any DPAL) to M&T. Following its satisfactory review of closed loan files, M&T will purchase the mortgages and if applicable, the DPALs. Until loan purchase by M&T, all representations and warranties will be the responsibility of the lender. Loans (other than DPALs) originated under FHA Plus will be pooled by M&T into Ginnie Mae mortgage-backed securities. Lenders will be required to originate loans under the terms of FHA Plus and in accordance with FHA guidelines, and deliver to M&T upon loan closing.

- **Loan Registration and Rate Lock.** Loans must be registered and locked with M&T via their online loan registration system. Both 60- and 90-day locks (90-day locks will be priced slightly higher) will be available. Interest rates **do not** have to be locked at the time of M&T registration. Borrowers may "float" and lock their rate at a later date.

Loans must close within the lock-in timeframe for the borrower to retain the locked rate. Extensions of the rate may be available from M&T depending on market conditions and the amount of additional time requested. In some cases, a fee may be assessed to the borrower to extend the rate.

- **HUD-Imposed Documentation Requirements for Loans with a SONYMA DPAL.** If SONYMA's DPAL is used to fund the borrowers minimum cash contribution, [Mortgagee Letter 2013-14](#) requires the lender to document that SONYMA has "incurred an enforceable legal liability to fund the borrower's minimum cash investment" prior to or at closing. HUD has informed SONYMA that the attached Certificate of the State of New York Mortgage Agency (fully completed and executed by SONYMA and issued prior to closing) will suffice for this purpose. In addition, lenders will be required to deliver to M&T in the post-closing loan file the DPAL-related documents listed in the below section.

PLEASE NOTE THAT IT IS CRITICAL FOR LENDERS TO HAVE THE FULLY EXECUTED SONYMA CERTIFICATE, ENFORCEMENT NOTE AND MORTGAGE, AND ASSIGNMENT OF MORTGAGE IN ITS POSSESSION AS OF THE LOAN CLOSING DATE. OTHERWISE, THE MORTGAGE WILL NOT BE INSURABLE BY FHA.

- **Delivery of Post-Closing File to M&T.** After determining the loan application meets all FHA Plus requirements, the lender will close the loan in its name using documents specified by M&T. Lenders will have until the lock expiration date to deliver the post-closing file to M&T. The file must include all documents required by M&T and if applicable:

1. [DPAL Recapture Notification \(SONYMA Form D4\)](#)
 2. Duplicate original of [DPAL Enforcement Note and Mortgage \(SONYMA Form D1\)](#) (Original should have been sent by lender to the county clerk for recording.)
 3. Duplicate original of [Assignment of DPAL Mortgage \(SONYMA Form 202\)](#) (Original should have been sent by lender to the county clerk for recording.)M&T will review the file and will advise lenders of any deficiencies.
- Purchase of Mortgages. M&T will purchase from lenders, on a Best Efforts basis, all conforming mortgages and DPALs. As SONYMA will be the holder of the DPAL, it will reimburse M&T for all DPALs purchased.
 - Servicing of Loans. M&T will service all mortgages and DPALs it purchases under the Programs. Please note that M&T has agreed not to cross-market its proprietary products to mortgagors of the Programs.

Lender Participation Procedure

Lenders wishing to participate in FHA Plus must be an FHA-approved direct-endorsed lender. Any lender currently participating in the Conventional Plus program (has signed a tri-party mortgage purchase agreement with SONYMA and M&T) is automatically eligible to participate in FHA Plus.

If not participating in Conventional Plus, the lender must complete a correspondent lender application with M&T and will be required to sign the tri-party mortgage purchase agreement with SONYMA and M&T. The tri-party agreement is available upon request. Lenders interested in participating in FHA Plus should contact Jeff Mastro of M&T Bank at jmastro@mtb.com.

We look forward to your participation in FHA Plus. If you have any questions, please do not hesitate to contact me at (212) 872-0392 or gleocata@nyshcr.org, or Sherri Eckles at (518) 473-0090 or seckles@nyshcr.org.

Sincerely,



George M. Leocata
Senior Vice President
Single Family Programs



FHA Plus Program Summary of Terms

MAIN FEATURES

- Competitively priced, 30-year fixed interest rate FHA-insured mortgages;
- Down payment assistance up to 3% of the home purchase price (but not to exceed the maximum CLTV). Under a special agreement with HUD, SONYMA down payment assistance can be used as part of the borrowers 3.5% minimum cash investment.

PROGRAM TERMS

Eligible Products	Standard FHA 203(b) and 234(c) 30 year fixed-rate
Interest Rate	Will be published daily on SONYMA's website.
LLPAs and Adverse Market Fees	None
Borrower Points	None required.
Rate Lock Period	60 or 90 days (90 day locks will have a higher interest rate)
Maximum Lender Compensation and Allowable Fees	2.5% of loan amount M&T Bank may charge applicants up to \$850 in ancillary fees. (For correspondent lenders, ancillary fees may not exceed \$1,200.)
Eligible Loan Purpose	Purchase Money Mortgages and Refinances
Eligible Occupancy	Owner-occupied primary residences only
Eligible Terms	30-year terms only
Maximum LTV/CLTV	<ul style="list-style-type: none"> ➤ 96.5% LTV for 1-to 4-family homes ➤ The Combined Loan-to-Value may exceed the maximum LTV based on FHA guidelines
Subordinate Financing	<ul style="list-style-type: none"> ➤ Acceptable types: <ul style="list-style-type: none"> -Government Agencies (including SONYMA DPAL – see below) -Non Profit Agencies -Other organizations or private individuals
Maximum Loan Limits	Per HUD maximum county limits as found on https://entp.hud.gov/idapp/html/hicostlook.cfm . (Note: Loan amounts higher than GSE conforming loan limits will be priced higher.)
Purchase Price Limits	None
SONYMA Down Payment Assistance Loan (DPAL)	<p>May be used as the borrower's minimum cash contribution</p> <ul style="list-style-type: none"> ➤ Maximum assistance equal to 3% of the home's purchase price (not to exceed the maximum CLTV) ➤ Interest rate on first mortgage will be higher ➤ "Soft" second mortgage. <ul style="list-style-type: none"> ○ 10 year term ○ Requires no monthly payment ○ Must be in a second lien position ○ Bears no interest

	<ul style="list-style-type: none"> ➤ For Refinance transactions, the DPAL amount may not exceed 3% of the lower of the unpaid principal balance or the appraised value. The DPAL may be used as a credit against the closing costs and prepaids.
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BORROWER ELIGIBILITY	
First-Time Homebuyer Requirement	None
Household Income Limits	None
Minimum Down Payment/ Borrower Contribution	Borrowers must provide a minimum down payment of 3.5%. 1% must be from borrower's own funds. Remaining 2.5% can be from DPAL or other acceptable FHA sources.
Pre-Closing Homebuyer Education & Counseling Requirements (Not Required for Refinances)	<ul style="list-style-type: none"> ➤ First-time Homebuyers: Required for at least one borrower. ➤ All non-traditional borrowers. ➤ For 2-4 unit properties, landlord education program is required for all borrowers. <p>Counseling from a HUD-approved homebuyer counseling agency is preferred but web-based counseling from a PMI company is acceptable.</p>
Post-Closing Early Delinquency Intervention Counseling Requirements	Required in the event of a delinquent mortgage payment.
Owner Occupancy	Required for all loans.

PROPERTY ELIGIBILITY	
Eligible Property Types	1- to 4-Family homes including condos and PUDs
Manufactured Housing	NOT eligible
Project Loans	Condos and PUD's must meet FHA guidelines. Co-ops are not eligible.

MORTGAGE INSURANCE	
Mortgage Insurance	FHA insurance is required
Mortgage Insurance Coverage Amounts	Standard FHA coverage
Delegated Underwriting	FHA Direct endorsement lenders only
Pool Insurance	Not required

UNDERWRITING	
Allowable AU Recommendations	All loans must be run through FHA Total Score Card (TSC) for approval. Risk scores of "refer" are not eligible.
Manual Underwriting	Not Permitted
Maximum AU Qualifying Ratios	<ul style="list-style-type: none"> ➤ 31%/43% ➤ Higher ratios with compensating factors may be permitted up to 50% DTI.

Minimum Credit Score	Minimum credit score of 640
Acceptable Sources for Flexible Funds (once minimum borrower contribution has been made, where applicable)	<ul style="list-style-type: none"> ➤ SONYMA DPAL ➤ Gift from family member ➤ Grant or loan from a non-profit organization, municipality or employer
Non-Traditional Credit	Permitted per FHA guidelines.
Reserves	Not required for 1-2 unit primary residences. Three months PITI are required for 3 and 4 unit properties. In addition, the property must be able to support itself based on the market rents less a 15% vacancy factor as opposed to the PITI.
Interested Party Contributions	Up to 6% maximum contribution.

PROGRAM STRUCTURE/MASTER SERVICER

Financing Structure	Ginnie Mae MBS
Master Servicer	M&T Bank
Loan Process	<ul style="list-style-type: none"> ➤ Loans must be registered and locked with the Master Servicer. ➤ Lenders will underwrite and originate loans in accordance with the program terms and Ginnie Mae requirements. ➤ If the loan has a SONYMA DPAL, the loan package MUST INCLUDE: <ul style="list-style-type: none"> ○ “Commitment of the State of New York Mortgage Agency” executed by SONYMA and dated <i>prior</i> to loan closing date; ○ duplicate original of the DPAL Enforcement Note and Mortgage (SONYMA Form D1); and ○ fully executed assignment of the DPAL mortgage from Lender to SONYMA. <p>FAILURE TO DO SO COULD RESULT IN THE LOAN NOT BEING INSURABLE BY FHA.</p> <ul style="list-style-type: none"> ➤ Lender will deliver closed loan files (by the lock expiration date) to the Master Servicer for review and approval. ➤ Loans will be purchased by the Master Servicer who will pool the loans and request Ginnie Mae to issue a mortgage-backed security (MBS).

Except as otherwise stated, loans must be underwritten in accordance with the FHA credit underwriting requirements currently in effect.

Note: SONYMA and its partners continue to discuss the above terms. While we do not expect major deviations from these terms, they are subject to change.



CERTIFICATE OF THE
STATE OF NEW YORK MORTGAGE AGENCY

WHEREAS, the State of New York Mortgage Agency (the "Agency") wishes to assist low- and moderate-income homebuyers and homeowners by offering its Down Payment Assistance Loan ("DPAL") to borrowers obtaining an FHA-insured loan.

WHEREAS, the Agency wishes to allow the DPAL to be used towards the borrower's Minimum Cash Investment, but does not have the legal authority to make or originate mortgages, as required by Section 4155.1 5.C.2.c of the U.S. Department of Housing and Urban Development ("HUD") Handbook.

WHEREAS, to comply with terms of the HUD Mortgagee Letter 2013-14, dated May 9, 2013 (the "HUD Letter"), the Agency makes the following certification:

Reference is made to (a) \$[_____] DPAL to be provided by the Agency towards the Minimum Cash Investment of [insert name of borrower] (the "Borrower") in connection with [insert information identifying the mortgage to be funded] (the "Mortgage") and (b) HUD Letter.

Pursuant to the HUD Letter, this certificate is provided to [name of lender] (the "Mortgagee") as acceptable documentation to demonstrate that \$[_____] to be provided by the Agency to the Mortgagee towards the Borrower's Minimum Cash Investment in connection with the Mortgage is generated through the creation of a legal obligation and legally belongs to the Agency on or prior to the closing date of the Mortgage.

The undersigned, George M. Leocata, Senior Vice President of the Agency, does hereby certify as follows:

1. Under the terms of the Agency's DPAL, the Agency provides funds to the Mortgagee towards the Borrower's required Minimum Cash Investment (within the meaning of the HUD Letter) in connection with the Mortgage.

2. On or prior to the closing date of the Mortgage, the Agency has incurred a legally enforceable obligation to provide such DPAL funds as a result of such agreement to provide such DPAL funds.

IN WITNESS HEREOF, I have set my hand and affixed the seal of the Agency on the [____] day of [____], 20[____].

By: _____
George Leocata
Senior Vice President
Single Family Programs