



## General Overview Training Module Revised December 2017

This module is intended to assist Lenders with the basic requirements and procedures of SONYMA’s various bond-financed mortgage programs. The module is designed to present critical and basic program information in a clear, concise, and up-to-date manner. Please note that any capitalized words or terms shall mean those as defined in the Seller’s Guide.

### FEATURES OF AVAILABLE BOND-FINANCED PROGRAMS

<i>Program/Intended Borrower Population</i>	<i>Max. LTV <sup>(1)</sup></i>	<i>Available Lock Types</i>	<i>Eligible Properties <sup>(2)</sup></i>	<i>First-time Homebuyer Requirement</i>
<b>Low Interest Rate</b> – low- and moderate-income homebuyers purchasing a fully completed home or a home under construction or rehabilitation.	97%	Short (120 days)	Existing 1- to 4-Family (includes condos and coops)	Yes (waived for eligible military veterans and Target Area purchasers)
		Long (240 days)	1- and 2-Family New Construction (includes condos and coops), homes under construction or rehabilitation, and Short Sale properties	
<b>Achieving the Dream</b> – low-income homebuyers purchasing a fully completed home or a home under construction or rehabilitation.	97%	Short (120 days)	Existing 1-Family and 2-Family Homes (includes condos and coops)	Yes (waived for eligible military veterans)
		Long (240 days)	1- and 2-Family Homes (includes condos and coops) under construction or rehabilitation, and Short Sale properties	
<b>Habitat for Humanity</b> – lower income homebuyers purchasing a home built by Habitat for Humanity	99%	Long (240 days)	Newly Constructed or Rehabilitated 1-family (includes condos and coops)	Yes (waived for eligible military veterans)

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### FEATURES OF AVAILABLE PROGRAM ADD-ONS

<i>Intended Borrower Population</i>	<i>Max. LTV <sup>(1)</sup></i>	<i>Available Lock Types</i>	<i>Eligible Properties <sup>(2)</sup></i>	<i>First-time Homebuyer Requirement</i>
<b>Homes for Veterans</b> – low- and moderate-income military veteran purchasing a fully completed home or a home under construction or rehabilitation.	97%	(3)	(3)	(3)

	<b>Intended Borrower Population</b>	<b>Max. LTV <sup>(1)</sup></b>	<b>Available Lock Types</b>	<b>Eligible Properties <sup>(2)</sup></b>	<b>First-time Homebuyer Requirement</b>
	<b>Energy-Star</b> – low- and moderate-income homebuyers purchasing a home built to Energy-Star standards	97%	Long (240 days)	Newly Constructed 1- and 2-Family (includes condos)	(3)
	<b>RemodelNY</b> – low- and moderate-income homebuyers purchasing and renovating a home in need of repair.	97%	Short (120 days)	Existing 1- and 2-Family (includes condos). Coops, manufactured housing and 3- and 4- family homes are NOT ELIGIBLE.	(4)
<b>1/17</b>	<b>Neighborhood Revitalization (NRP)</b> – special program that offers a package of incentives to help home buyers purchase and renovate vacant homes in specific areas of the New York State. <sup>(5)</sup>	97%	Short (120 days)	Existing 1- and 2-Family (includes condos).	No
<b>5/3/17</b>	<b>Graduate to Homeownership (GTH)</b> - special program that offers incentives to recent college graduates who purchase a home in specific areas of the New York State. <sup>(6)</sup>	97%	Short (120 days) Long (240 days)	Existing 1- to 4-Family (includes condos and coops) Short Sale properties	Yes (waived for eligible military veterans and Target Area purchasers)

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- (1) Maximum LTVs are for loan amounts up to \$453,100. For loan amounts exceeding \$453,100, see Maximum LTV and Minimum Borrower Contribution table below.
- (2) For the Low Interest Rate and Achieving the Dream Programs two family homes that are newly constructed must be located in a Target Area or must have been constructed within five years prior to the SONYMA loan application date. For the Energy-Star Program, two family homes that are newly constructed must be located in a Target Area.
- (3) The Homes for Veterans and Energy-Star Programs can be used with the Low Interest Rate and Achieving the Dream Programs and both offer special interest rate pricing.
- (4) RemodelNY Mortgage can be used with the Low Interest Rate and Achieving the Dream Programs (including the Home for Veterans Program) and offers mortgage financing to homebuyers for the purchase and repair of a home suffering from deferred maintenance (e.g., foreclosed properties, properties sold as “short sales”).
- (5) NRP is only available through selected lenders. Borrowers do not have to be first-time homebuyers and income limits are much higher than other programs. [Click here for more specifics on NRP.](#)
- (6) GTH is only available in specific upstate cities. [Click here for more information on GTH.](#)

### GENERAL PROGRAM PARAMETERS

The below parameters apply to all of the above programs unless specifically stated otherwise.

### Maximum Loan Amounts, Loan-to-Values (LTV) and Minimum Borrower Contributions

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<b>Property Type</b>	<b>Loan Limit</b>	<b>Maximum LTV</b>	<b>Minimum Borrower Contribution</b>
<b>1- to 2-Family Homes, including Condominiums</b>	\$453,100	97%	1% of Purchase Price
	\$453,101 - \$500,000	95%	1% of Purchase Price
	\$500,001 & above	90%	3% of Purchase Price

<i>Property Type</i>	<i>Loan Limit</i>	<i>Maximum LTV</i>	<i>Minimum Borrower Contribution</i>
<b>Cooperatives</b>	\$500,000	95%	3% of Purchase Price
	\$500,001 & above	90%	3% of Purchase Price
<b>3- to 4- Family Homes</b>	\$500,000	90%	3% of Purchase Price
	\$500,001 & above	85%	5% of Purchase Price

Notes:

\*All manufactured housing is capped at a maximum loan amount of \$453,100.

\*\*The Habitat for Humanity Program will retain a maximum LTV of 99%, but the maximum loan amount is capped at \$453,100.

\*\*\*Minimum Borrower contribution is waived if Borrower receives gift funds from an acceptable donor or inherits a portion of the home, which in either case, result in a down payment of at least 20%.

**Maximum Combined Loan-to-Value (CLTV)**

No maximum CLTV when government subsidies are being utilized in the transaction.

**Down Payment Assistance**

SONYMA offers with each of its programs a Down Payment Assistance Loan (DPAL). DPALs have the following features:

- Maximum assistance is the higher of:
  - \$3,000; or
  - 3% of the home purchase price (up to a maximum of \$15,000). *For RemodelNY loans, 3% of the home purchase price plus the total repair escrow amount (up to a maximum of \$15,000).*

The Down Payment Assistance Loan cannot exceed the actual down payment and/or closing costs (including single premium mortgage insurance (“SPMI”)) associated with the mortgage loan transaction.

- 0% interest rate;
- Requires no monthly payments and is forgiven after ten (10) years;
- Minimum loan is \$1,000;
- The interest rate for first mortgages utilizing a DPAL will be 0.375% higher than the interest rate for loans without DPAL. (The higher rate does not apply to the Homes for Veterans, Energy-Star, and Habitat for Humanity Programs.)

**RemodelNY Escrow Repair Option**

Provides mortgage financing to homebuyers for the purchase and repair of homes.

- Available under SONYMA’s Low Interest Rate and the Achieving the Dream Programs (including Homes for Veterans Program);
- Financing up to the **lower** of 97% of the “after-improved” appraised value or the Purchase Price plus financeable repairs and allowable “soft” costs;
- Availability of down payment assistance (higher of \$3,000 or 3% of the home purchase price, not to exceed \$15,000);
- SONYMA will purchase the mortgages from Lenders prior to completion of repairs.
- SONYMA will retain and administer the renovation escrow account.

For more information, see the [RemodelNY Repair Escrow Option announcement](#) and [Submission of Pre-Closing Application Files Training Module](#) or the [Submission of SONYMA Express® Post-Closing Loan Files Training Module](#).

**Allowable Loan Terms**

- Term of 30 years only.

### Interest Rates

- Fixed-rate only
- Loans will be automatically locked upon loan reservation at the interest rate available on the reservation date. [All loans must be reserved within seven (7) calendar days of application.] Refer to the most recently published Availability of Funds and Notice of Terms Bulletin for current rates.  
**Note:** At a minimum, the Availability of Funds and Notice of Terms Bulletin will be published on SONYMA’s website and e-mailed to all primary and branch contacts each Friday, by approximately 10:00 am.

### Points and Other Allowable Fees

- Points paid by the applicant(s) are currently 0%.
- Maximum ancillary fees of \$850 (\$900 for loans using SONYMA Express®) including commitment, processing, underwriting, application and doc prep fees. Note that reasonable third party fees (i.e., appraisal, credit report, flood certification) are excluded from this calculation.

### Lock-in Deposit

- Lenders are NO LONGER REQUIRED to collect a lock-in deposit for mortgages reserved with SONYMA.  
**Note:** In order for SONYMA maintain a viable pipeline, it is very important that lenders advise SONYMA immediately upon the rejection or cancellation of a loan. To do this, lenders must complete and submit the [Reservation Cancellation Form \(Form 244/8-15\)](#) by faxing it to the fax number at the top of the form.

### Lender Compensation

- Lenders will be compensated by SONYMA for each loan sold to the Agency. The compensation for each loan is 2% of the original loan amount (2.5% for the RemodelNY loans). *If a loan also has a DPAL, SONYMA will pay the lender an additional 0.5%. Below is a table summarizing our lender compensation:*

10/14/16

Program	Lender Compensation		
	Without DPAL	With DPAL or RemodelNY	With DPAL and RemodelNY
Low Interest Rate, Achieving the Dream, Homes for Veterans, Habitat for Humanity*, Energy-Star*, and Neighborhood Revitalization	2.0%	2.5%	3.0%

\*Programs not eligible for RemodelNY.

- The above amounts will be remitted by SONYMA to the Lender at loan purchase.
- Any penalties for late delivery of pre-purchase, closed loan files (as described below) will be deducted from the Lender compensation.

### Mortgage Insurance (PMI)

- Required for any loan over 80% LTV. LTV is calculated based on the lower of the sales price or the appraised value. *The only exception to the PMI requirement is when the loan amount is 60% or less than the appraised value.*
- Lenders can currently use any private mortgage insurance company authorized to do business in New York State and has a rating from Moody’s Investors Service of Ba1 or higher.
- The SONYMA Mortgage Insurance Fund (MIF) will exclusively provide coverage for Habitat for Humanity and Neighborhood Revitalization Programs.

12/12/16

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**Note:** The MIF will insure loans that meet SONYMA's underwriting guidelines, but for which other insurers are not willing to provide coverage.

- Coverage amount should not exceed the amount necessary to reduce SONYMA's exposure to 72%.

**Note:** SONYMA does not permit PMI to be eliminated based on appreciation of the property's appraised value.

### **Mortgage Pool Insurance**

- All loans require mortgage pool insurance.
- Provides credit enhancement, in addition to PMI, and required by rating agencies to protect SONYMA bondholders.
- MIF is the Pool Insurer for all SONYMA Programs. Genworth Mortgage Insurance Corporation (Genworth) administers the pool policy on behalf of MIF. Unless otherwise notified, all communication and correspondence regarding credit underwriting should be directed to Genworth.
- SONYMA pays the pool insurance premium.

### **Homebuyer Counseling Requirements**

- Required for all Borrowers in any of the following instances:
  - less than 5% of Borrower's own cash is contributed to the transaction;
  - the LTV is greater than 95%;
  - borrower is using SONYMA DPAL;
  - the CLTV is greater than 100% where subsidies are being utilized;
  - for all loans reserved under the Achieving the Dream, RemodelNY, and Habitat for Humanity Programs (regardless of the LTV, cash contribution, etc.); and
  - for all borrowers purchasing a 2- to 4-family home, face-to-face landlord counseling is required.
- Source of counseling must be acceptable to either the PMI insurer, Fannie Mae, Freddie Mac or HUD.
- Landlord counseling must be completed with a HUD-approved counseling agency. For borrowers not located near a HUD-approved counseling agency, online courses, such as the one offered by Genworth, are acceptable.
- Evidence of course completion (and if applicable, a separate certificate for landlord counseling) must be sent to PMI/Pool insurer with PMI/Pool application file.

## **IRS COMPLIANCE REQUIREMENTS**

Because SONYMA issues tax-exempt bonds to fund its programs, all loans, Borrowers, and properties must comply with the following requirements as specified by the IRS. SONYMA has **no** flexibility with these requirements.

### **Borrower(s) Eligibility Requirements**

- **First-time homebuyer requirement**
  - **Definition:** All Borrowers must **not** have had an ownership interest in his/her primary residence for the three (3) years immediately preceding the application date and as of the application date, must not own a vacation or investment home.
  - All Borrowers are required to submit his/her last three (3) years signed Federal tax returns including all schedules (refer to the following page regarding a waiver of this requirement under specific circumstances). SONYMA will accept Tax Return Verifications (TRVs) in lieu of the actual returns. TRVs are required for loans utilizing SONYMA Express®.

- For Borrowers itemizing deductions on Schedule A of Form 1040 for real estate taxes and/or home mortgage interest, Borrower must submit a notarized affidavit to explain deductions. Depending on the explanation, SONYMA will determine if the Borrower is eligible.
- Borrowers who have had an ownership interest in a *timeshare unit* will be eligible for SONYMA financing, even if they have taken deductions on their Federal income tax returns for mortgage and/or real estate taxes. If these deductions have been taken on the Borrower(s) tax returns, Lenders will be required to obtain a notarized affidavit from the Borrower(s), explaining that the reason for the deduction was a result of the timeshare interest. Note that if the deductions taken were substantially larger than those typically taken for timeshares, SONYMA reserves the right to decline the Borrower(s).

**Note:** In order to be eligible for SONYMA financing, SONYMA will require any Borrower(s), who has taken real estate tax and/or home mortgage interest deductions on a property not owned by the Borrowers, to amend their tax returns to eliminate these deductions. It will be the Borrower's responsibility to provide proof to SONYMA that the amended tax returns were filed with the IRS.

- First-time homebuyer requirement and submission of tax returns (unless required for credit underwriting purposes) is waived for:
  - Properties located in designated **Target Areas**. (See below section on Target Areas.) (*This waiver does not apply to the Achieving the Dream or Habitat for Humanity Programs.*)
  - **Military Veterans** who served in active Military, Naval, or Air Service and were discharged or released from their Military Duties under conditions other than dishonorable and for members of the Veteran's household.
- If applicant(s) owned a **manufactured home** during the previous three (3) years, may qualify – must complete Section II, item 9 (A) or (B1) of the Recapture Notification and Mortgage's Recapture Notification and Mortgage's Affidavit to determine eligibility.

- **Owner-Occupancy Requirement**

- Applies to all Borrowers.
- For 2 to 4 Family Properties, all Borrowers must occupy at least one of the units.
- Borrower(s) must occupy within 60 days of the closing date and continue to occupy until such time as the property is disposed or the SONYMA loan is refinanced.

- **Income Limits**

- All Household income (defined below) cannot exceed program limits. Limits are based on HUD-published medians and can differ by program, county where property is located, the household size, and whether the property is located in a Target Area.
- **Household Income definition** includes the income of all:
  - Borrowers;
  - Borrower's spouse (regardless of whether they will be on title); and
  - Any other titleholders.
- Based on current income. For income limit purposes only, calculate year-to-date income and project twelve (12) months to determine annual income. If borrower has changed jobs or received a pay increase in the past year, use the current income amount when annualizing for calculation of compliance income.
- To verify non-Borrower and other titleholder income, SONYMA requires a recent pay stub

(and other documentation, if necessary).

**Note:** Refer to page 9 of the [SONYMA Submission of Pre-Closing Application Files Training Module](#) (page 14 of the [SONYMA Express® Post-Closing File Training Module](#)) for more details on how to treat certain types of income.

- **Potential Federal Recapture Tax**

- Borrower(s) may be subject to a potential recapture tax from IRS. Lender discloses at application via Recapture Notification and Mortgagor's Affidavit (Form 211). SONYMA makes disclosure directly to Borrower(s) after closing. **For loans closed on or after July 17, 2007, Borrower(s) who are required to pay a Federal Recapture Tax will be reimbursed by SONYMA for the full amount of the Federal Recapture Tax actually paid.** [Click here](#) for more information on Federal Recapture Tax and the procedures to follow in order to complete and submit the Request for Federal Recapture Tax Reimbursement form.
- Three events must occur for Borrower(s) to be subject to recapture tax:
  1. Must sell home within first nine (9) years of purchase;
  2. Must realize a profit on the sale of property; and
  3. Household Income (as defined above) must increase above a set amount (depending on the year in which the home is sold).
- Any recapture tax, if due, is paid to the IRS at the time the Mortgagor(s) files his or her Federal tax return for the tax year in which the property was sold.

## Property Eligibility Requirements

- **Definitions**

The following definitions are important in determining whether the property is eligible for SONYMA financing:

- **Existing Housing**  
Previously used as a residence - includes conversions from previous residential uses (e.g. rental apartments).
- **New Construction Housing**  
Completed buildings not previously used as a residence - includes conversions from non-residential uses (e.g. schools, warehouses, etc.). SONYMA provides take-out financing for newly constructed properties. It does not provide construction financing.

- **Eligible Property Types**

<b>No. of Units</b>	<b>Construction Type</b>
<b>One Family</b>	<b>Existing Housing and New Construction</b> (includes condos, coops, PUDs and manufactured homes permanently affixed to real property).
<b>Two Family</b>	<b>Existing Housing and New Construction</b> - Newly constructed properties and properties less than five (5) years old <u>must</u> be located in a Target Area. Properties that are five (5) or more years old as of the application date must have been held out for residential use during the previous five (5) years.
<b>Three and Four Family</b>	<b>Existing Housing only</b> - must be at least five (5) years old as of application date and must have been held out for residential use during the previous five (5) years.

**Note:** Refer to the “Features of Available Programs” table on page 1 for eligible property types for each program.

- **Purchase Price Limits**
  - Purchase Price is based on the acquisition cost calculation in the Recapture Notification and Mortgagor's Affidavit (Form 211), must be within SONYMA limits.
  
- **Property Usage**
  - The SONYMA-financed property must be used for residential purposes. The IRS mandates that no more than 15 percent of the property can be used for business or income producing purposes.
  - In Section 5 of the Recapture Notification and Mortgagor's Affidavit (Form 211), all Borrowers affirm that for the entire term of the SONYMA mortgage that they:
    - (i) will not use, nor will any other person use (other than in connection with the rental units of 2- to 4-family home), more than 15 percent of the property for business or income producing purposes [as determined on Line 3 of IRS Form 8829 (or a successor form) of their Federal tax return(s);
    - (ii) will not permit the property to be occupied by more families than is allowed under the applicable certificate of occupancy or its equivalent;
    - (iii) will not subdivide or attempt to subdivide the land containing the property and encumbered by the SONYMA mortgage; and
    - (iv) will not construct another dwelling on the land containing the property that could be used as another residence.
  
- **Maximum Lot Size**

Each property must not have more land appurtenant to it than required to maintain the basic livability of the residence. The below table sets forth the requirements regarding maximum lot size:

<b>Zoned Areas</b>	
<b>Up to 5 acres</b>	Eligible for financing.
<b>5+ to 10 acres*</b>	(*includes properties with more than 1 tax parcel)
<b>If Not Subdivided</b>	and cannot be subdivided, eligible for financing. Lender must provide a letter from the local municipality or other evidence stating that: (1) the property is not sub-dividable, or (2) if sub-dividable, that any additional lot(s) would not be buildable.
<b>If Subdivided</b>	and additional lot(s) is not buildable, eligible for financing. Lender must provide a letter from the local municipality or other evidence stating that additional lot(s) are not buildable.  If the additional lot is buildable, SONYMA's loan can only secure the lot with the home located on it.
<b>10+ acres</b>	Not eligible for financing.

<b>Rural or Unzoned Areas</b>	
<b>Up to 5 acres*</b>	Eligible for financing.
<b>5+ to 10 acres*</b>	Parcel must be subdivided to no more than 5 acres. As an alternative Lender may provide a letter from the local municipality or other evidence stating the property can only be used for residential purposes and not for a business, commercial, or agricultural use.
<b>10+ acres</b>	Not eligible for financing.

**SONYMA will not permit the land to be subdivided post-closing, nor will SONYMA approve any request for a partial release of the mortgaged premises.**

- **Target Areas**

Federal law permits SONYMA to provide special incentives for Borrower(s) purchasing homes in Federally-designated Target Areas. These incentives are:

- the first-time home buyer requirement is waived (submission of tax returns is also waived, unless required for credit underwriting purposes);\*
- higher Household Income and home Purchase Price Limits; and
- Two-Family homes that are newly constructed or are an existing home that is less than five (5) years old are eligible for financing.

\*However, Borrower(s), and their spouse, must sell their existing home and are not eligible if they currently own and intend to retain ownership of a vacation or investment home.

**Note:** These incentives do not apply to the Achieving the Dream Mortgage Program.



To determine if a property is located in a Target Area, Lender may contact SONYMA with a specific property address, including zip code, by calling **1-800-382-HOME**. The following website can also assist Lenders in determining the census tract of a property:

<http://www.nyshcr.org/Topics/Home/PurchasingaHomeinaTargetArea.htm>

- **Policy for Properties with Second Kitchens**

SONYMA has modified its policy regarding the presence of a second kitchen in a SONYMA property. SONYMA requires that no financed home contain rental units other than those specifically permitted via the Certificate of Occupancy. To ensure compliance with this rule, when a property contains more kitchens than the number of legal living units in the property (e.g., accessory apartment, in-law suite, summer/canning kitchen), SONYMA previously required the removal of additional kitchen's cabinetry, appliances, sinks and the capping of any plumbing inside the relevant wall.

To satisfy this requirement, SONYMA will rely on the following statement made by all Borrowers and non-applicant titleholders in Section 5 of the Recapture Notification and Mortgagor's Affidavit (Form 211) affirming that for the entire term of the SONYMA mortgage, that they will not permit the property to be occupied by more families than is allowed under the applicable certificate of occupancy or its equivalent.

If the appraisal, or any other documentation in the loan file, reflects more kitchens than the number of legal living units, lenders should address any reference made by the appraiser regarding the presence of a potential illegal rental unit. If there is an illegal use, SONYMA will require the removal of the additional kitchen. However, if the loan file shows no indication of an illegal use, SONYMA will no longer require removal of the additional kitchen.

As a reminder, for credit underwriting purposes, a property with an accessory apartment, in-law suite, or summer/canning kitchen must be common to the area and noted as such in the appraisal report. The appraiser must also supply at least one recent comparable in the area and interior access must be present between the units. Lastly, the income from such a unit will not be considered as borrower income for credit qualifying purposes.

1/17

**IMPORTANT NOTE FOR NEIGHBORHOOD REVITALIZATION PROGRAM LOANS: Except for the above Owner Occupancy Requirements, none of this IRS Compliance Requirements section applies if: (1) the borrower does not meet SONYMA's definition of first-time homebuyer and is not an eligible military veteran or purchasing in a Target Area; (2) the borrower will continue to own a vacation or investment home in addition to the subject property; (3) the acquisition cost (purchase price), as defined above, exceeds the applicable Low Interest Rate Program purchase price limit; or (4) the household income, as defined above, exceeds the applicable Low Interest Rate Program income limit. However, the household income must NOT exceed the applicable Neighborhood Revitalization Program income limit.**

#### OTHER REQUIREMENTS

- **Policy on Septic/Cesspool and Well Certifications**

SONYMA requires well and septic/cesspool certifications for all properties where a private water and/or sewer system is utilized. If the property has a septic or cesspool system, it must be tested to determine it is functioning properly and no repairs are required. If the property has a private well, a well water analysis is required. The water sample must meet New York State Department of Health potability requirements. In order to perform on-site well and septic/cesspool inspections, inspectors must meet the following criteria:

1. Inspections should be completed by experienced, reputable, local providers;
2. Perform inspections in accordance with the requirements and standards established by the local or State health authority; and
3. For well water tests, utilize laboratories which are State-certified and meet EPA standards.

Lenders should verify inspector qualifications and review septic/cesspool and well certifications for compliance prior to submission to SONYMA.

For Existing Construction:

Valid septic or cesspool certifications cannot always be obtained on vacant properties, either as a result of municipal regulations or lack of system use. To protect borrowers from a potential significant loss resulting from undetected septic system/cesspool defects, it is necessary to perform additional diligence in certifying the functionality of a septic system or cesspool on a vacant property.

For properties that have been vacant for 60 days or more during the period of November 15 through April 15 or 120 days or more during the period of April 16 through November 14, SONYMA will accept any one of the following:

- A septic/cesspool certification that includes an open tank inspection. The location of the tank can be obtained by accessing the septic plans filed with the municipality.  
**Note: An inspection of the tank using a camera inserted through the pipes is a permissible substitute for the open tank inspection.**
- A septic/cesspool certification without an open tank inspection, but with documentation demonstrating that the system was properly winterized at time of vacancy.
- A septic/cesspool certification without an open tank inspection, but with documentation demonstrating that the system has a valid warranty in place.
- Seller or borrower funded escrow holdback for 125% of septic system/cesspool replacement cost as determined on an estimate from a qualified septic/cesspool contractor.
- RemodelNY renovation escrow including replacement cost of new septic/cesspool as determined on an estimated provided by a qualified contractor.

For New Construction:

A septic/cesspool certification is not required if there is a warranty in place on the system. If there is no warranty in place, we would require that the borrower have funds available to replace the system from either their own funds, seller holdback or RemodelNY escrow.

- **Escrow Holdbacks on Non-RemodelNY Loans**

For non-RemodelNY loans, an escrow holdback will be permitted for weather-related delays only. SONYMA will purchase the loan prior to the completion of the weather-related items. The lender is responsible for setting up the escrow and managing the timeframe for completion of repairs. Prior to disbursing the funds in escrow, a completion inspection, including colored photos, must be obtained and submitted to SONYMA for review. All repairs must be completed in a workmanlike manner and the escrow must be closed out by June 15th of the closing year.

For approval for an escrow holdback, please email your request prior to closing to Cheryl Lindahl at [cheryl.lindahl@nyshcr.org](mailto:cheryl.lindahl@nyshcr.org) and copy Marie Cammarata at [marie.cammarata@nyshcr.org](mailto:marie.cammarata@nyshcr.org) and Michael Esposito at [michael.esposito@nyshcr.org](mailto:michael.esposito@nyshcr.org). A copy of the contractor's bid for repair is required. The appraisal which must be completed subject to the repair and documentation regarding the source of funds for the escrow must be submitted with the request. If the borrower will be providing the funds for the repairs, this amount must be accounted for in the available funds for closing. The escrow amount will be equal to 1½ times the cost of repairs.

***Note: We cannot approve any repairs that are considered health and safety issues. Escrows for structural repairs, roof repairs or foundation repairs will not be allowed.***

- **E-Signatures**

SONYMA will accept electronic signatures on third party provided documents, such as the appraisal and the contract of sale. However, electronic signatures will not be accepted on any SONYMA forms (i.e., Recapture Notification and Mortgagor's Affidavit, Property Seller's Affidavit, DPAL Recapture Notification, etc.), collateral documents (i.e., note, mortgage, assignment of mortgage, etc.), and explanatory statements by the applicants. These forms will continue to require wet signatures.

- **Leaseholds Held by Community Land Trusts**

SONYMA provides mortgage loans to families who wish to obtain financing when purchasing a home on land owned a Community Land Trust (CLT). CLT's are not-for-profit organizations or public entities (such as a local government) that acquire homes or vacant lots for the benefit of the community, helping to provide access to affordable housing for low-to-moderate residents.

CLT Requirements include the following:

- Applicants may apply for any SONYMA program that is available at the time of the loan application. (Interest rate and specific program requirements are the same as for the loan program selected.)
- Eligible properties include one- and two-family homes and condominiums. Three- and four-family homes, manufactured homes, and cooperatives are not eligible.
- Lenders who will service these loans must “flag” the CLT loan on the Lender’s servicing system. *In the event that the Borrower goes into default, the servicer must notify the CLT.*

For further information regarding CLT’s, refer to [SONYMA Seller’s Guide Bulletin #10-2008](#) and SONYMA’s [Credit and Property Underwriting Notes](#).

## LOAN RESERVATION AND RATE LOCK-IN PROCESS

- **All loans must be reserved with SONYMA via Lender Online or if applicable, SONYMA Express®.**

- **Lock-In Periods Defined**

**Short-Term Lock-Ins**

For existing housing and any new construction or rehabilitation loans that can be closed within 120 days of reservation. (Short-term lock-ins cannot be used for the Construction Incentive Program or the Energy-Star Add-on Program.)

**Long-Term Lock-Ins**

For homes under construction or rehabilitation [and homes being sold as a short sale](#). Lender has 240 days from reservation to close the loan. (Long-term lock-ins cannot be used for the RemodelNY Add-on Program.)

- **Prescreen Applicant(s)**

Prior to application, Lender should ensure applicant(s) has a fully executed contract of sale or binder, is within Purchase Price and Income Limits, is a first-time homebuyer (where required and based on SONYMA’s definition), and has preliminary debt-carrying ability.

- **Reserve the Loan with SONYMA**

- Borrower(s) must have a fully executed contract of sale or binder at the time of mortgage application. Loans reserved without verified contracts or binders are subject to penalty.
- Determine whether Reservation/Lock-in will be Short-Term or Long-Term, based on the above lock-in period definitions.
- Obtain interest rate from current Availability of Funds and Notice of Terms Bulletin.
- Reserve the loan with SONYMA by utilizing the automated reservation process or the manual reservation process, as outlined below.

The loan must be reserved within **seven (7)** calendar days of the application date. The Reservation date becomes the Lock-in Date and counts as day one of the rate lock-in period.

**Note:** Reservations not received within seven (7) calendar days of the application date could result in a penalty to the Lender.

- **Automated Reservation Process**

Reserve the loan on the Lender Online system (LOL), or if applicable, SONYMA Express®. For loans reserved through Lender Online, refer to the [Lender Online Guide, Appendix V to the Seller's Guide](#) for detailed procedures. For loans reserved through SONYMA Express®, refer to the [SONYMA Express® Loan Process Steps](#).

- **Manual Reservation Process**

If the Lender is not able to reserve a loan via Lender Online or SONYMA Express®, complete in full the [Loan Reservation Worksheet and Lock Certification Form \(Form 238/12-14\)](#) and fax (917-274-0406) or overnight mail to SONYMA within seven (7) calendar days from application date. Enter Originator ID and branch code, as assigned by SONYMA, on appropriate lines. Check the box for the applicable SONYMA Program. **Submit Form 238 with a copy of the fully executed Interest Rate Option Form (Form D3).**

- **Reservation Confirmation**

All loans are assigned to a temporary program prefix as stated below. The final bond series will be assigned at loan purchase.

1/17

6/15/17

5/3/17

Program	Loan # Prefix
Low Interest Rate (with DPAL) (including RNY and NRP loans)	890 (910)/700 (710)
Achieving the Dream (with DPAL) (including RNY and NRP loans)	895 (915)/705 (715)
Habitat for Humanity	919/719
Homes for Veterans - Low Interest Rate (including RNY and NRP loans)	920/720
Energy-Star – Low Interest Rate	930/730
Energy-Star - Achieving the Dream	935/735
Graduate to Homeownership - Low Interest Rate (including RNY and NRP loans)	940/740

\*Prefixes in red denote SONYMA Express® loans.

- Lenders MUST confirm the status of loans by utilizing the Lender Online system. Lender should report any discrepancies immediately to Zachary Kenny, Loan Reservation Specialist at 212-872-0399 or [Zachary.Kenny@nyshcr.org](mailto:Zachary.Kenny@nyshcr.org).
- Lenders are responsible to make sure the PMI company and the Pool Insurer have approved the loan at an interest rate that is greater than or equal to the lock-in rate.

**Note:** If a lock-in (commitment) expiration date occurs on a weekend or holiday, the loan may close on the next immediate business day and still close at the initially locked-in interest rate. If the loan cannot close by the next immediate business day following the weekend or holiday in which the expiration date occurred, an extension as described below must be requested and if the extension is granted, the loan must close at the appropriate interest rate as stated in the procedures outlined below.

12/12/16

- **Commitment Extensions**
  - Granted at SONYMA’s sole discretion.
  - Must be requested by submitting a completed and executed [Loan Extension and Rate Re-Lock Request Form \(Form #235\)](#) to the fax number at the top of the document. SONYMA no longer requires supporting documents with the extension request. (For SONYMA Express® loans, extension requests must be submitted through SONYMA Express®. See step 13 of the [SONYMA Express® Loan Process Steps](#).)
  - Extension request must be submitted *on or before* the initial rate expires. Lenders who submit the request and supporting documentation *after* the rate expires will be subject to a 0.25% penalty.
  
- **Closing Interest Rates**
  - If the loan closes by the original commitment expiration date, the loan will close at the original locked-in rate.
  - Loans that will not close within their initial lock-in period (120 days for Short-term Lock-ins and 240 days for Long-term Lock-ins) must be re-locked in accordance with the below policy:

<b>Date SONYMA Receives Extension Request*</b>	<b>Maximum Extension (# of Days)*</b>	<b>Re-Locked Interest Rate**</b>	<b>Lender’s Penalty</b>
<b>On or before Initial Rate or Re-Locked Rate Expires</b>	45 days from date of Extension Request	Higher of: (1) the initial lock-in rate or (2) the rate available on the date the extension is requested.	N/A
<b>After Initial Rate or Re-Locked Rate Expires</b>	45 days from date of Extension Request	Higher of: (1) the initial lock-in rate, (2) the rate available on the date the extension is requested.	0.25% of Loan Amount (deducted from Lender’s Loan Funding Proceeds)

\*Extension request date is the date SONYMA receives Loan Extension and Rate Re-Lock Request Form and all required supporting documentation.

\*\*If more than one extension is necessary, the closing rate will be the highest of: (1) the initial lock-in rate; (2) any previously re-locked rate; or (3) the rate available on the most recent extension request date.

12/12/16

- **Option to Retain Original Interest Rate**
  - In the event a Borrower’s initial rate expires, [any combination of the Lender, Borrower, and/or](#) the property seller may pay a [fee](#) to retain the Borrower’s rate to the original locked rate (however, such reduction can be no more than 0.50%). The new rate will be locked for a period of 45 days and will expire 45 days from the Extension Request Date.
  - Lenders should utilize the below chart to determine the [fee](#) amount:

<b>Interest Rate Differential</b>	<b>Fee as % of Loan Amount</b>
<b>0.125%</b>	0.5%
<b>0.25%</b>	1.0%
<b>0.375%</b>	1.5%
<b>0.50%</b>	2.0%
<b>More than 0.50%</b>	NOT AVAILABLE

12/12/16

- For more information on this topic, please see [Seller’s Guide Bulletin #7-2016](#).

- **Loan Cancellations**

- If Lender rejects a reserved loan before submission of the loan file to SONYMA or the Pool Insurer, or if the applicant cancels or withdraws from the application, Lender must complete the [Reservation Cancellation Form \(Form 244/8-15\)](#), and submit to SONYMA. Fax the request to the fax number at the top of the document. (For SONYMA Express® loans, cancellation forms must be submitted through SONYMA Express®. See step 13 on the [SONYMA Express® Loan Process Steps](#).)
- Lenders can confirm cancellation of a loan by viewing the loan status on LOL.

## OVERVIEW OF LOAN PROCESS

**Note:** For lenders utilizing SONYMA Express®, replace steps 4-8 below with the procedures on the [SONYMA Express® Loan Process Steps](#).

The following assumes that the loan application passes each step as listed below.

1. Lender prescreens Borrower(s) as stated above in the Loan Reservation and Rate Lock-In Process section.
2. Lender takes application, reserves loan via [Lender Online](#) and locks the interest rate within **seven (7)** days of the application date. The loan lock-in period begins on the date of reservation.
3. Lender processes application and underwrites loan.
- 12/15/17 4. Lender *electronically* submits loan file via [BlitzDocs®](#) to the PMI Insurer (if LTV exceeds 80%), to the Pool Insurer, and to SONYMA for compliance review (in accordance with the [Pre-Closing Application File Checklist \(Form #225\)](#)).
5. Insurance certificates (pool and if applicable, PMI) will be sent directly to the Lender and uploaded to [BlitzDocs®](#).
6. SONYMA reviews the pre-closing (compliance) loan file and a decision is made within 48 hours of receipt of loan file. Lenders may access the LOL system to review the current status of the loan review. Information will be available as soon as the loan is reviewed and posted to the system.
7. **Prior to closing:**
  - **Extensions:** If loan cannot close by the original expiration date, prior to closing, Lender must request a commitment extension as stated above. In addition, Lender must ensure that the pool insurance certificate has not lapsed.
  - **Changes to Loan Terms/Funds for Closing:** Before closing, any changes to the loan amount, sales price; appraised value; subsidy amounts, product type; or any other material change must be approved by SONYMA and Pool Insurer, including an increase to the interest rate, due to an extension of the commitment. Further, should the closing costs and prepaid expenses estimated at time of closing change, Lender should re-evaluate the borrower's position to ensure they have sufficient funds to close and that the borrower's minimum 1% or 3% cash requirement has been met. *If a SONYMA Express® loan, Lender*

*should enter the final closing costs and prepaids in the Loan screen and rerun and save findings.* In instances where the SONYMA Express® findings come back as Ineligible or for non-SONYMA Express® loans, there is a significant change, which could impact the approval, Lender should amend the 1003 and 1008 to reflect the changes and submit them to the Pool Insurer for approval.

- o Any title exceptions, certificate of occupancy problems, easements, right-of-ways, building violations, etc. that might adversely affect SONYMA’s security or future marketability of the property must receive SONYMA’s prior written approval. Requests for SONYMA consent as well as any escrow issues should be addressed to Olivia Jervis, Assistant Vice President, Post-Closing.
- o Lender **must** escrow for taxes, PMI, hazard insurance and flood insurance, if any.

10. Lender closes loan in Lender’s name. If applicable, Lender shall advance, on behalf of Mortgagor, the amount of the DPAL.

12/15/17

11. Lender must submit to SONYMA *electronically* via BlitzDocs® a complete Post-Closing Purchase Files file (in accordance with the [Post-Closing Loan File Checklist \(Form #223\)](#) – by the **30<sup>th</sup> day** from the closing date. The following **original documents** must be submitted to SONYMA simultaneously with the electronic file submission:

- a. Note, endorsed to SONYMA
- b. Duplicate original of executed Mortgage
- c. Duplicate original of CEMA, if applicable
- d. Building Note and Mortgage, if applicable
- e. Duplicate original of executed Assignment of Mortgage (Form 202)
- f. Duplicate original of executed DPAL Enforcement Note and Mortgage (Form D1), if applicable
- g. Duplicate original of executed Assignment of DPAL Enforcement Note and Mortgage (Form 202), if applicable
- h. Reaffirmed Recapture Notification and Mortgagor’s Affidavit (Form 211)

Files received by 12:00 noon the Friday prior to the next purchase date and approved by SONYMA will be purchased the next immediate Thursday.

12. If SONYMA does not approve the initial post-closing loan file within **35 days** of the closing date, Lender will incur late-delivery penalties as follows:

<i>No. of Days since Closing</i>	<i>Purchase (as a % of the Loan Balance Purchased)</i>	<i>Penalty %</i>
0 - 35 Days	102%	0%
36 – 60 Days	101.75%	0.25%

<i>No. of Days since Closing</i>	<i>Purchase (as a % of the Loan Balance Purchased)</i>	<i>Penalty %</i>
61 – 90 Days	101.50%	0.50%
91 – 120 Days	101%	1%
121 – 180 Days	100%	2%
181+ Days	NO PURCHASE	

13. SONYMA reviews post-closing loan file and within 48 to 72 hours of receipt of the file, advises Lender of its decision by e-mail.

**Files will be returned to Lender if:**

- Any major error occurs (those requiring correction from third parties - e.g. Borrower(s), title companies, etc.).
- Minor errors are not corrected within 72 hours of SONYMA’s review.

14. When a closed loan file is approved, SONYMA will notify Lender of the purchase date (each Thursday, unless Thursday falls a holiday, in which case, the purchase date will fall on the preceding Wednesday).

15. Lender has **180 days** from closing date to submit recorded mortgage, assignment of mortgage and final title policy (the “final documents”), and if property is a Cooperative, the original acknowledgement copy of the county clerk filed National UCC Financing Statement Amendment (Form UCC3), if applicable.

***Note: The fee to record an Assignment of Mortgage to SONYMA is waived under law.***

16. SONYMA will assess penalties for any final documents not delivered to SONYMA with 18 months of the loan closing date. Refer to Section 2.710 of Seller’s Guide.

**PURCHASE PROCESS**

- SONYMA will purchase loans, via wire transfer, at the unpaid principal balance, plus the amount of Lender compensation and the DPAL loan, as applicable.
- SONYMA will net from the loan balance: any penalties/[rate retention fees](#), any SONYMA Express® fees (as applicable), and any short-term interest due SONYMA.
- SONYMA will contact Servicer two days prior to purchase in order to verify the unpaid principal balance and the paid-to date.
- Confirmation of purchase amount will be sent to Lender.
- A report will be sent to the Lender and Servicer identifying the exact amount of interest and

12/12/16

principal that is due SONYMA and the Originator.

- Loans with a DPAL must be flagged on the Servicer's computer system.

All insurance companies and taxing authorities **must** be notified that SONYMA is owner of the Mortgage, in care of Servicer and Servicer's address.

- **Non-Servicing SONYMA Lenders:** If Lender is not servicing SONYMA loans, a copy of servicing file, as required by SONYMA's master servicer, M&T Bank, must be sent to M&T **within five (5) days of closing**, along with a check for all prepaid escrows. Loans subject to post-closing early delinquency intervention counseling must be clearly identified as such on M&T's loan transmittal form.

***Very Important:*** *M&T needs to book loan and begin servicing to provide SONYMA with current unpaid balance. If M&T does not receive file as required, the purchase of the mortgage loan will not take place or will be delayed.* The procedures for transferring mortgage files to the master servicer can be obtained by clicking on the following link:

<http://www.nyshcr.org/assets/documents/TransferServicing.pdf>