



## **MONTHLY LENDER NOTICE**

***Dated: March 1, 2011***

**NOTE TO LENDERS:** *The purpose of the Monthly Lender Notice is to provide Lenders with important program information updates and reminders. Interest rate information is published each week in the "Availability of Funds and Notice of Terms Bulletin". A new Monthly Lender Notice is issued by SONYMA by the first calendar day of each month.*

### **UPDATES**

#### **COMING THIS SUMMER – SONYMA AUTOMATED UNDERWRITING AND IRS COMPLIANCE SYSTEM**

SONYMA is developing a system that will transform the way we do business. This system will provide automated decisions on SONYMA loan eligibility and eliminate the need for Lenders to send Pre-Closing compliance file submissions to SONYMA for review. When completed, the system will: (a) streamline the loan origination process; (b) dramatically reduce the time it takes lenders to originate SONYMA loans; (c) eliminate uncertainty of a borrower's eligibility early in the mortgage application process; (d) lower overall lender costs; and (e) provide lenders with the capacity to submit electronic loan files to the Agency, thus eliminating the need to submit paper files.

The system is being developed by Overture Technologies, Inc. Overture has extensive experience at producing automated underwriting systems. The company's Chairman and Founder was Executive Vice President/CIO at Fannie Mae for over 10 years and led the development of Fannie's Desktop Underwriter system.

Last year, the SONYMA Advisory Council (the "Council") was formed to provide input and recommendations to assist SONYMA in maximizing its role as an effective provider of affordable and sustainable mortgages to low- and moderate-income first-time homebuyers across New York State. The Council is comprised primarily of representatives from a variety of participating lenders as well as professionals from the mortgage insurance, realtor, not-for-profit and builder communities. Through the Council, a committee of participating lenders has been formed to assist us with the development and testing of the system.

Attached is a fact sheet that provides more information on the system.

### **REMINDERS**

#### **REMINDER TO REPORT LOAN CLOSINGS**

On the first business day of each week, lenders are required to submit a report to SONYMA identifying each Mortgage Loan closed during the prior week. The report should contain at minimum the SONYMA Loan Number, Mortgagor's name and the closing date. Attached please find a sample report ([Closed Loan Report, Form #246/ 12-10](#)) that can be used for this purpose. Fax this report to the attention of Lou Germanakos at 917-274-0407 or email this report to [lgermanakos@nyshcr.org](mailto:lgermanakos@nyshcr.org).

#### **SUBMISSION OF SELLER'S ANNUAL CERTIFICATION**

Pursuant to the Seller's Guide, lenders are reminded that if your fiscal year ended December 31, you must submit, no later than March 31, 2011, a fully completed and executed [Seller/Service Annual Certification \(Form 240/2-10\)](#). Please submit the form to Susan Pline, Vice President, Single Family Programs, 641 Lexington Avenue, New York, NY 10022.

Lenders who also service SONYMA loans are required to submit the Annual Certification of Compliance with Minimum Servicing Standards (refer to [Servicer letter dated June 15, 2010](#), for more information).

### **RESPA GUIDELINES FOR SONYMA DOWN PAYMENT ASSISTANCE LOANS**

On October 6<sup>th</sup>, HUD released a notice exempting, among other things, certain down payment and closing cost assistance products from Sections 4 and 5 of the Real Estate Settlement Procedures Act (“RESPA”) requirements. Because SONYMA funds its Down Payment Assistance Loan (“DPAL”) with proceeds from tax-exempt mortgage revenue bonds, DPALs qualify for this exception. However, Item “E. Settlement Cost” of the notice states (as one of six eligibility characteristics) that if the second mortgage settlement charges exceed one percent (1%) of the down payment assistance loan amount, the loan is NOT exempt from the RESPA requirements. SONYMA believes that due to the one percent (1%) settlement cost requirement, most DPALs will not be exempt from RESPA requirements since the combined cost of the recording fee and the New York State mortgage tax for the DPAL will likely exceed one percent (1%) of the second mortgage loan amount. Therefore, lenders should prepare a GFE and HUD-1 for the DPAL when the costs exceed one percent (1%). However, in those instances where the DPAL loan expense is less than one percent (1%), it is not necessary for the lender to prepare the GFE and HUD-1 for the DPAL. Refer to [Lender Letter dated October 27<sup>th</sup>](#) for more details.

***Important Note: Please be advised that SONYMA does not give legal advice. Lenders must make their own determination as to whether these forms are necessary.***

### **NEW E-MAIL DOMAIN FOR SONYMA**

As a result of SONYMA’s integration into the New York State Homes and Community Renewal (HCR), e-mail addresses for all SONYMA employees have changed. The new e-mail address ends with @nyshcr.org instead of the previous address of @nyhomes.org. Please make a note of this change.

### **SUSTAINABLE NEIGHBORHOODS INITIATIVE**

On September 28, SONYMA announced the Sustainable Neighborhoods Initiative (SNI) in support of the Sustainable Neighborhoods Demonstration Program (SNDP) that was created by HCR. SNDP has made \$2 million available to assist local governments, municipal housing authorities and not-for-profit corporations in the rehabilitation and redevelopment of vacant and/or blighted residential properties in upstate New York. SONYMA’s SNI will provide special pricing to borrowers purchasing a home under SNDP. For more information, please see our [Lender Letter dated September 28](#).

## **MORTGAGE INSURANCE/POOL INSURANCE/CREDIT UNDERWRITING**

### **GENWORTH’S JOB LOSS PROTECTION PRODUCT**

Genworth offers job loss protection to any borrower receiving Genworth mortgage insurance. This product is available at no additional cost to borrowers or Lenders and provides protection from temporary unemployment. Borrowers who become involuntarily unemployed will have their mortgage payments covered up to a maximum of \$2,000 a month for a three month period, per occurrence (to a maximum of 6 months). For more information, please see our website (<http://www.nyhomes.org/Home/Buyers/SONYMA/JobLossPaymentProtectionPlan.htm>).

### **POOL INSURER COMMITMENT TIMEFRAMES**

Both Genworth Mortgage Insurance Corporation and SONYMA’s Mortgage Insurance Fund (“MIF”) issue insurance commitments for a 6-month period, starting from the date the loan is approved for mortgage insurance and/or pool insurance. As a reminder, loans not closing within the 6-month commitment period will require a second review by Genworth and/or MIF, as applicable, to ensure the loan application remains a good credit risk. As such, after the 6-month commitment period has expired, Genworth and/or MIF will require updated credit documentation (paystubs, credit report, bank statements, etc.) and an appraisal update with recent comparable sales. If values have declined since the original appraisal, or if the original appraisal is older than 12 months, then a new standard appraisal (i.e., Fannie Form 1004 or Freddie Form 70) will be required. ***The SONYMA loan must close on or prior to the extended expiration date of the MI/pool commitment.***

**INTEREST RATE CHANGES; LAPSE OF COVERAGE; MATERIAL CHANGES TO LOAN FILE AFTER COMMITMENT**

If SONYMA approves an extension of the mortgage commitment, lenders are responsible for notifying the pool insurer and the appropriate PMI insurer, if applicable, of changes in interest rates prior to closing. AN INCREASE IN THE INTEREST RATE MAY RESULT IN A REJECTION OF THE LOAN BY THE POOL INSURER. Lenders are also responsible for ensuring that coverage from such insurer has not lapsed prior to loan closing.

Most lenders update credit documents and appraisals prior to closing. In the event these updates indicate the borrower’s credit, income, or asset position has changed to the point where the borrower’s ability to repay or close on the requested loan amount is impacted, or the value of the property has declined, these updates must be forwarded to the appropriate pool and/or mortgage insurer for reconsideration of the insurance commitment.

**SUBMITTING FILES TO THE POOL INSURER**

All Low Interest Rate and Achieving the Dream Program loan files must be sent directly to Genworth Mortgage Insurance Corporation for pool (and MI, if necessary) insurance underwriting [not to SONYMA’s Mortgage Insurance Fund (MIF)]. Loans for which Genworth elects not to provide mortgage insurance, but which meet SONYMA guidelines, will continue to be approved through Genworth with MIF providing the mortgage insurance. Only loans reserved under the Construction Incentive, Remodel New York, and Habitat for Humanity Programs should be sent directly to MIF for mortgage insurance. Files should be sent as follows:

<b><i>Program</i></b>	<b><i>SONYMA Loan Number Prefix</i></b>	<b><i>Pool Insurer Address</i></b>
<b><i>Low Interest Rate and Achieving the Dream Programs</i></b>	890, 895, 910, 915, 920, 925, 935	Genworth Mortgage Insurance Corporation Attn: Central Imaging 6601 Six Forks Road Raleigh, NC 27615
<b><i>Construction Incentive, Remodel New York, and Habitat for Humanity Programs</i></b>	892, 896, 912, 916, 919, 932	SONYMA Mortgage Insurance Fund 641 Lexington Avenue, 5 <sup>th</sup> Floor New York, NY 10022 Attention: Mike Esposito

**LENDER ONLINE/LOAN RESERVATIONS**

**RESERVATION/RATE LOCK-IN REQUESTS; USE OF LENDER ONLINE**

Lenders must reserve loans via our internet-based Lender Online (“LOL”) system. As a reminder, if you have not been assigned a logon ID and password to allow you to access LOL, please contact your SONYMA Primary Contact. If you do not know whom to contact, please call Lou Germanakos at 212-872-0407 or e-mail him at [lgermanakos@nyshcr.org](mailto:lgermanakos@nyshcr.org). LOL Administrators: When reserving loans on LOL, a Contact Person, Loan Officer and Loan Processor must be assigned to the loan; otherwise, the reservation will not be accepted. Please remember to set up a Contact Person, Loan Officer and Loan Processor for each branch office listed on LOL.

Lenders must be in receipt of a fully executed binder or sales contract, prior to accepting a loan application and registering the loan with SONYMA. Any applications taken without such verification must not be reserved. Reservations made without the proper documentation will be subject to a rate change and possible Lender penalty. *Reminder:* Lenders locking new construction loans as short term are advised that Lender paid penalties may result should the loans close beyond the initial lock term.

**RESERVATIONS NOT ACCEPTED BY LENDER ONLINE**

Lenders will be unable to reserve a loan on Lender Online when (1) the application was taken 7 days or more prior to the reservation date, and (2) the applicant exists on the system from a previous reservation (already reserved, or if the application was denied or withdrawn); only SONYMA personnel can reserve these loans. If you receive a

message that the application is 7 days or older or the applicant has a previous reservation, the reservation must be entered by SONYMA. When this occurs, the Lender is required to submit the below listed documents by fax to the number at the top of the [Loan Reservation Worksheet & Rate Certification Form \(Form #238/10-10\)](#) (917-274-0406):

- \*Fully completed and executed [Loan Reservation Worksheet & Rate Certification Form \(Form #238/10-10\)](#);
- \*1003 (1<sup>st</sup> page & signature page, executed and dated by applicants);
- \*Sales Contract (only the 1<sup>st</sup> page & the last signature page fully executed) or signed Binder; and
- \*Completed and executed [Interest Rate Option Form \(Form #D3/9-09\)](#).

SONYMA will research previously canceled or rejected reservations and will contact the sender of the fax if any issues arise. Additionally, for applications or 7 days or more, SONYMA may require the lender to pay a penalty if SONYMA's rates change during that time.

### **MAINTENANCE OF LENDER ONLINE USERS**

Lenders are reminded that it is your responsibility to maintain a current list of all LOL users within your organization. *In particular, individuals who are no longer employed by your company should be immediately removed.* For more information, please refer to the [Lender Online User's Guide](#).

## **MISCELLANEOUS INFORMATION**

### **LOAN OFFICER WEB PAGE**

SONYMA maintains a web page specifically for Loan Officers. All the tools necessary for a Loan Officer to originate SONYMA mortgages are located on one comprehensive page. To access this page, please click here: [Information for Loan Officers](#).

### **TIPS OF THE WEEK**

Remember to read our weekly Notice of Terms and Availability of Funds Bulletin to review our Tips of the Week. These tips provide Lenders with helpful tips and information regarding SONYMA financing. Note that we maintain an archive of these tips on our website (<http://www.nyhomes.org/Lenders/Lenders/ArchiveofWeeklyLenderTips.htm>), with links from both the Lender and Loan Officer pages.

### **INQUIRIES REGARDING LOAN DECISIONS**

Lenders are advised not to refer applicants to call Genworth, SONYMA, or the MIF regarding loan decisions. All dialogue should be between the SONYMA Lender, and Genworth or SONYMA/MIF.

### **CLOSING INTEREST RATE CALCULATOR**

Lenders are reminded that the [Closing Interest Rate Calculator](#) is the only source available to assist Lenders in determining closing interest rates for SONYMA loans. A revised calculator will be published each Friday morning.

### **SONYMA RELATIONSHIP MANAGERS**

Please contact one of SONYMA's Relationship Managers if you need assistance with training on products, or guidance on policies or procedures. Please feel free to contact them using the following information:

Downstate (Albany and South)

Gail Kresge

Cell 917-576-8250

[gkresge@nyshcr.org](mailto:gkresge@nyshcr.org)

Upstate (North and West of Albany)

Lynn Morris

Cell 917-613-1465

[lmorris@nyshcr.org](mailto:lmorris@nyshcr.org)

## **REMINDER TO NON-SERVICING LENDERS – TIMELY SUBMISSION OF REQUIRED LOAN FILE TO SONYMA’S MASTER SERVICER**

Lenders who do not service loans for SONYMA are reminded of their obligations to transfer servicing of loans to SONYMA’s master servicer, M&T Bank (“M&T”), in accordance with previously agreed to procedures. [Click here to review the procedures](#). Each Lender has represented to SONYMA that it will transfer the servicing of each loan to M&T within 5 business days of the loan closing date. Lenders must advise borrowers at closing that M&T will be servicing their loan. Lenders may not process any servicing transactions prior to transfer and any mortgage payments received are to be sent to M&T for processing. ***Failure to do so may result in SONYMA suspending your company from taking new loan applications.***

### **SONYMA PRE-CLOSING FILE REVIEW**

SONYMA’s review time for loan application files is approximately 24 to 48 hours from receipt of the loan file. Lenders could help us improve our turnaround time by ensuring that all documents are submitted in the manner described on the [Pre-Closing Application File Checklist \(Form #225/12-09\)](#). Files submitted with missing or incomplete documents require us to perform multiple reviews of the same file and slows our response time in reviewing newly submitted loans. Additionally, if your loan file is suspended for deficient or further documentation, please submit any corrective or trailing documents at one time.

### **SONYMA LOAN STATUS**

Lenders can get up-to-date loan status information by accessing Lender Online as discussed above or by calling Lou Germanakos at 212-872-0407.

### **SONYMA COMMITMENT EXTENSION REQUESTS**

Requests for an extension of the commitment, accompanied by appropriate supporting documentation, must be made by completing and submitting the [Commitment Extension Request Form \(Form #235/5-08\)](#) to the attention of Sylvia Roberts, SONYMA Team Leader. SONYMA, at its sole discretion, will determine if the extension request is valid and may assess penalties to the Lender as described on the form. Upon the commitment being extended, the initial interest rate field on Lender Online will display “TBD”.

***REMINDER: When SONYMA extends a commitment, it is extending the time period to close a loan. It is NOT extending the interest rate.***

If the extension is granted, the loan must close at the rate stated in the [Closing Interest Rate Calculator](#). Loans requiring extensions, depending on when reserved, may close at a substantially higher rate than initially locked.

Before closing any loan that has been extended by SONYMA, Lenders must ensure that the higher interest rate is acceptable to any mortgage insurer and the Pool Insurer (Genworth or MIF). In addition, please note that an extension from SONYMA does not imply an extension of the pool insurance commitment. Please see above.

### **LOAN PURCHASE PROCEDURE**

SONYMA will purchase approved post-closing loans on Thursdays. If Thursday is an Agency holiday, the loans will be purchased on Friday. Lenders will be advised by e-mail when each closed loan document file has been approved for purchase. The mortgage loan will be purchased on the next scheduled purchase date. Until further notice, all loans will be purchased under the Mortgage Revenue Bond (MRB) Indenture.

### **SONYMA HOLIDAYS**

***There are no holidays for the month of March.***



# Automated IRS Compliance and Credit Underwriting System Fact Sheet

## SYSTEM PURPOSE

The State of New York Mortgage Agency (“SONYMA”) is developing a web-based automated system (the “System”) to help lenders review and make decisions on the IRS compliance and credit underwriting components of SONYMA loans. The purpose of the System is to:

- Eliminate uncertainty of the borrower’s eligibility for a SONYMA loan early in the process;
- Dramatically improve processing times;
- Lower lender costs;
- Increase SONYMA loan production;
- Provide capacity to allow lenders to deliver post-closing loan files to SONYMA electronically thus eliminating the need to submit a paper file. (**Note:** Certain original post-closing collateral documents such as the note, mortgage, affidavits, etc. would still have to be delivered to SONYMA in paper format).

## MAIN FEATURES

- Built-in interface that would allow lenders to import data from their upfront LOS system to SONYMA’s System;
- Ability to enter loan applications manually should lender choose not to interface;
- Instantaneous IRS compliance and credit underwriting decisions;
- Program Optimizer feature will recommend which SONYMA program is the best fit for the applicant;
- Issuance of a detailed findings report with one of the following decisions:
  - **Approvals** - listing any conditions of the approval and documentation requirements;
  - **Suspends** – listing the reasons why the loan was suspended, as well as documents required to amend the deficiency; and
  - **Denials** - listing the reasons for denial, as well as possible recommendations to reverse the denial decision, if any.
- Lenders who obtain an approval from the System would bypass the process of submitting a pre-closing (compliance) file to SONYMA prior to closing; and
- Built-in interface with SONYMA’s Lender Online system; therefore, lenders would not be required to re-enter the loan reservation data into LOL.

## PROCESS

Below is a description of how SONYMA envisions the loan process will work with the System. This process may be amended as lenders get more comfortable with the System and as SONYMA gets more comfortable with the lenders use of the System.

**Step 1:** Lender takes application using lender’s LOS.

**Step 2:** Application can be immediately imported into SONYMA's System through (1) an interface between lender's LOS and the System; (2) an import of a DU3/MISMO loan file directly into the System's web portal; or (3) via manual entry into the System's web portal.

**Step 3:** The System will produce a real-time findings report with SONYMA's decision from both a credit underwriting and IRS compliance perspective and will recommend the SONYMA program(s) that is/are the "best fit" for the applicant. The findings report will list the conditions and documentation requirements that need to be met. Lenders will be able to print pre-populated SONYMA forms from the System.

**Step 4:** Lenders will be able to automatically and immediately register loans and lock the interest rates on SONYMA's Lender Online system. The System will have a built-in interface with Lender Online and as such, loan data will no longer need to be manually entered into Lender Online.

**Step 5:** Prior to closing, Lenders will be required to submit specific documentation stated on the findings report to SONYMA's pool insurer (Genworth or SONYMA MIF, depending on the loan program) for pool insurance approval. *The System will have a feature that will allow lenders to deliver these documents electronically.* The pool insurer will review the required documentation to ensure that all conditions of the findings report have been satisfied and will check the integrity of the data contained on the findings report.

**Step 6:** Upon pool insurer approval, lender closes the loan at the appropriate SONYMA interest rate.

**Step 7:** Lender electronically submits a post-closing loan file to SONYMA which contains all closing and IRS compliance documents required by the findings reports. SONYMA will review the file to ensure that all required documentation has been received and accurately completed.

**Step 8:** Upon approval of the post—closing loan file, SONYMA purchases the loan.

## SONYMA FREQUENTLY ASKED QUESTIONS

**1) Does SONYMA require a minimum number of credit references?**

Applicants must have at least three lines of credit (trade lines) established for a minimum period of 18 months prior to the mortgage loan application date. If not, the loan must be manually underwritten. Alternative or non-traditional credit references that require regular periodic payments such as rent or utilities may be verified and included in the manual underwriting submission.

**2) In the case of a joint application, must BOTH the borrower and the co-Borrower meet the minimum credit reference requirement?**

No. Only the “primary” borrower (the applicant with the most income) must meet this requirement.

**3) Must a revolving trade line on a traditional credit report be currently “active” in order to be counted?**

No. The revolving trade line must have been “open” for a period of 18 months prior to the date of application. A revolving account that has been open for 18 months *but never used*, however, *would not be eligible*.

**4) Can a paid-off installment loan be counted as an eligible credit reference?**

Yes.

**5) Does a revolving account that was opened more than 18 months prior to loan application but now appears “closed” qualify?**

Yes, as long as the account was used.

**6) If a borrower has only 1 or 2 eligible credit references on his/her traditional credit report, can non-traditional credit references be used to meet the minimum requirement?**

Yes. Any combination of traditional and non-traditional credit may be used to meet the 3 credit reference minimum. If, however, the traditional credit report does not include at least 3 eligible trade lines, the LP or DU decision is not valid and the loan must be manually underwritten.

**7) A borrower has the required number of traditional credit references, meets SONYMA credit underwriting requirements, yet the loan does not receive a standard approval through automated underwriting. May the loan be submitted as a manual underwrite?**

Yes. If the loan meets SONYMA credit underwriting requirements, you may disregard the LP/DU credit decision and submit the loan as a manual underwrite.

**8) What are SONYMA’s qualifying ratios?**

The housing payment and debt ratios for manually underwritten loans (LTV’s of 97% or less) are 40% and 45%, respectively.

**9) When verifying rental payments, is a standard VOR form acceptable documentation?**

A standard VOR is acceptable only if the landlord is a management company. When the landlord is an individual, borrowers must provide either 12 consecutive months of cancelled checks or 12 consecutive monthly bank statements reflecting the clearing of rental payments.

**10) Under what circumstances can a qualified Guarantor be added to the loan?**

If a borrower does not have the minimum number of credit references but otherwise meets SONYMA credit underwriting guidelines, a qualified Guarantor with an acceptable credit history may be added to the loan to provide additional security. The Guarantor’s income MAY NOT be used for qualifying purposes. The Guarantor must be a blood relative and may not be a spouse. Lenders must submit a complete credit package on the Guarantor (i.e. 1003, credit report, income verification). The Guarantor will sign the Note at loan closing and is required to sign the Mortgagor’s Affidavit at both application and loan closing.

**11) What is the age of the credit documents and appraisal reports at time of loan submission? At time of closing?**

Lenders must ensure that credit documents (paystubs, credit report, bank statements) are dated within 90 days and that property appraisals are dated within four (4) months of the date that a file is submitted for MI/Pool insurance consideration. The credit and appraisal documents must be updated upon the expiration of the MI/Pool Certificate. In no event may the appraisal be more than one (1) year old at the time of loan closing.

**12) Does SONYMA require color photographs of the subject property and comparables and where does the Lender send the appraisal for review?**

SONYMA's pool insurer requires that the appraisal report include color copies of photographs of the subject property and of the comparable sales. ***Loans will be suspended by the pool insurer if the appraisal report does not include color copies of the photographs.*** The color photographs should be e-mailed to Genworth Mortgage Insurance Corporation ([branch.albany@genworth.com](mailto:branch.albany@genworth.com)). Please include the SONYMA # and borrower's name in subject line of the e-mail.

**13) What type of Mortgage Insurance (MI) is required on SONYMA loans and what are the monthly premiums?**

The premium rates for both Genworth Mortgage Insurance Company and SONYMA's Mortgage Insurance Fund ("MIF") are attached to this FAQ as exhibits. You will note that the premiums differ. For the programs that Genworth underwrites for Mortgage Insurance (Low Interest Rate and Achieving the Dream), Lenders may wish to disclose to applicants the highest premium which appears on either exhibit for the applicable LTV, to ensure applicants are not quoted a premium lower than they will actually will be required to pay. For all other programs, the MIF will be the primary insurer and thus, MIF's premiums should be used.

**14) Does SONYMA require a walls-in policy for Condominiums?**

Yes. SONYMA requires that borrowers obtain a "walls-in" coverage policy (commonly known as an HO-6 policy) for condominium units, if the condominium master policy does not provide the same interior unit coverage. See our [Seller's Guide Bulletin #2-2010](#) for more details.

**15) Does SONYMA have a list of approved Condominiums and Co-ops?**

SONYMA's list of approved projects under the Project Set-Asides program can be found on SONYMA's website on the [Information for SONYMA Participating Lenders](#) page and the [Information for Loan Officers](#) page. The Project Set-Aside approval list provides information pertaining to SONYMA's approved condominium and cooperative projects. When reserving loans on our Lender Online (LOL) system, lenders must select the appropriate project name from the drop-down list in the "Project" field. If the project name does not appear on the LOL drop-down list, please contact our Project Set-Aside Program Director, Marie Cammarata, at [mcammarata@nyshcr.org](mailto:mcammarata@nyshcr.org) for assistance. If you find that the number of units financed is near the allotted loans available for financing, we strongly recommend that you contact Marie Cammarata to establish if any more units are available for financing.