



Submission of Pre-Closing Application Files

Training Module

Revised April 2016

This module is intended to assist Lenders in completing and packaging the pre-closing application files that must be sent to SONYMA for review and approval as described in Section 2.706 of the Seller’s Guide. SONYMA reviews each file to ensure compliance with specific IRS regulations. It does not review the creditworthiness of the Mortgage Loan, which is the responsibility of the Lender, the PMI, and the Pool Insurer. Adherence to the following will greatly enhance the likelihood of receiving faster approvals of Mortgage Loans from SONYMA. Please note that any capitalized words or terms shall mean those as defined in the Seller’s Guide. Further, the terms “Mortgagor” and “Borrower” and the terms “Seller” and “Lender” are used in this document interchangeably.

3/2/15 *This module applies to all SONYMA programs except as stated herein. It does not apply to SONYMA Express® loans. For lenders utilizing SONYMA Express®, please refer to “Submission of SONYMA Express® Post-Closing Loan Files Training Module”.*

A. PROCEDURE TO SUBMIT FILES

Each Mortgage Loan file containing the listed documents, completed and executed as set forth below, must be submitted to SONYMA for approval.

Seller must submit the pre-closing loan file to SONYMA for IRS compliance review within 45 days of the loan application date to:

SONYMA
641 Lexington Avenue, 2nd Floor
New York, NY 10022
Attn: Originations Unit

Credit underwriting files are to be sent to the appropriate pool insurance underwriter as follows:

3/2/15

Program	Pool Insurance Underwriter
Low Interest Rate and Achieving the Dream (including Homes for Veterans and RemodelNY loans reserved under these programs and ENERGY STAR® loans reserved under Achieving the Dream)	Genworth Mortgage Insurance Corp. Attn: Central Imaging 6601 Six Forks Road Raleigh, NC 27615
Construction Incentive (including Homes for Veterans loans reserved under this program and ENERGY STAR® loans reserved under the Construction Incentive Program) and Habitat for Humanity	SONYMA MIF 641 Lexington Avenue, 5 th Floor New York, NY 10022 Attention: Mike Esposito

Upon receipt of a Mortgage Loan file, SONYMA will review the file and e-mail a notice of decision to lender within 24 to 48 hours. Lender will be required to access the Lender Online system (LOL) to determine the loan status and if applicable, the documentation required to obtain loan approval. If Lender does not

SONYMA Pre-Closing File Training Module April 2016 (Continued)

receive a response within 72 hours or LOL has not been updated with a status, Lender should contact SONYMA's status line (212-872-0407) to obtain the loan's current status.

B. DOCUMENT SUBMISSION

Computer Produced or Third-Party Printed Documents

SONYMA permits Lenders to computer-produce or third-party print documents. Within 90 days of each Lender's fiscal year-end, Lenders must execute and submit to SONYMA the [Seller/Service Annual Certification Form \(Form 240/1-12\)](#), which certifies, among other things, that Lender has complied with the requirements for reproducing SONYMA documents. Regardless of the entity that produces the forms, Lender is fully responsible for ensuring that the forms will contain the exact language as, and will look similar to the camera-ready versions published by, as applicable, SONYMA, Fannie Mae, Freddie Mac, or HUD. Lender will also be responsible for ensuring that any future changes or revisions to the documents are made by the required implementation dates.

3/2/15

RemodelNY Repair Escrow Option

Many homes in New York State that have been foreclosed and/or sold as a "short sale" suffer from deferred maintenance and require repair. The SONYMA [RemodelNY Repair Escrow](#) Option is designed to provide mortgage financing to homebuyers to purchase and repair homes. This enhancement can be utilized with specific SONYMA programs for 1 and 2 family homes, PUDs and condominiums. Cooperatives, 3- and 4-family homes, and manufactured homes are not eligible for the [RemodelNY Repair Escrow](#) Option.

Refer to the [SONYMA RemodelNY Repair Escrow Option announcement](#) for additional information. For a list of the required documents for the [RemodelNY Repair Escrow Option](#), see Section C of this [Pre-Closing Application Files Training Module](#).

The below documents, unless hereinafter stated otherwise, must be accurately completed and submitted to SONYMA in every pre-closing (compliance) loan application file. The documents should be fastened to the folder in the order listed below.

Pre-Closing Application File Checklist (Form 225/3-15)

Lender uses this form to certify to SONYMA that the loan is being submitted in accordance with SONYMA guidelines. Lender also uses this form to determine if all documentation, as required by SONYMA, is completed and submitted in the appropriate format. The checklist, if used properly, will greatly reduce the possibility of SONYMA rejecting or suspending the file.

Original or photocopy of this document is acceptable.

Lender to complete the form as follows:

- a. On page 1, the SONYMA Reservation Number, Loan Amount, Borrower(s) Name, Property Address, and Lender Name and contact information.
- b. In the appropriate boxes, check applicable box for Program Name and indicate if the borrower selected the DPAL; [RemodelNY](#); ENERGY STAR® Labeled Home; Homes for Veterans Program; or Community Land Trust option(s). Indicate, if applicable, the Automated Underwriting Loan option.
- c. Place an "X" by each item that is applicable to the loan file being submitted.

3/2/15

Note: The Contact Person should be the individual that is most familiar with the loan file. Questions and

SONYMA Pre-Closing File Training Module April 2016 (Continued)

correspondence from SONYMA will be directed to this person.

1. SONYMA Loan Transmittal (Form 213/8-09)

Lender completes this document in its entirety. SONYMA uses the information provided for data entry purposes, upon approval of the Mortgage Loan application.

Original or a photocopy of this document is acceptable.

Lender to legibly complete all fields on the form. The following items require special attention:

- a. Lender Name, Originator ID Number, SONYMA Reservation Number, and Lender Loan Number
- b. Servicer ID Number and Name of Servicer
- c. Subsidy Information, including source, type, and amount (Item 15), as applicable
- d. Section, block, and lot information (Items 25 through 25e). Please see Section 2.703 of the Seller's Guide for more information.

Note: The section, block and lot information must be submitted to SONYMA in either the pre-closing application loan application file or the closed loan file. SONYMA uses this data to coordinate reporting with other New York State housing agencies.

- e. Acquisition Cost (Item 31) as calculated on the Recapture Notification and Mortgagor's Affidavit (see below) **must not exceed the Acquisition Cost Limit** (Item 32) as indicated on the most current Program Purchase Price Limits Chart (see Exhibit A of the Seller's Guide). If the Acquisition Cost exceeds the limit, the Applicant(s) is not eligible under this program.
- f. Total Gross Income (Item 64) **must not exceed the Income Limits** (Item 65) as indicated on the most current Program Income Limits Chart (see Exhibit A of the Seller's Guide). If the total Household Income exceeds the Limits, the Applicant(s) is not eligible under this program.

2. Standard Fannie Mae/Freddie Mac Residential Loan Application (Fannie Mae Form 1003)

Photocopy of the initial (handwritten or computer produced) and verified final application (1003) are required.

3/2/15 Document must be fully completed with any DPAL and renovation amounts added to the Details of Transaction section and any gift funds or subsidies should be shown in the Assets or Details of Transaction section. ***The application must be signed and dated.***

3. Uniform Underwriting & Transmittal Summary (Fannie Mae Form 1008)

Fully completed Transmittal Summary (1008) is required. Document should reflect the interest rate and a 30-year term as reserved on Lender Online.

Original or photocopy of this document is acceptable.

4. Fully Executed Contract of Sale

Photocopy of the original fully executed contract is required. Lenders are permitted to reserve loans with a fully executed binder in lieu of a formal sales contract. *If a binder was used to reserve a loan with SONYMA, a copy of the binder must also be submitted.*

SONYMA Pre-Closing File Training Module April 2016 (Continued)

The contract or binder must predate the application. The contract must contain all terms and conditions, riders, and property condition disclosure or \$500 credit to Applicant(s). Contract must be signed by all Applicant(s) and property sellers. If new construction, any change orders must also be submitted.

If the loan was reserved under SONYMA's ENERGY STAR® Program, the contract of sale must state that the home is being built in accordance with the New York ENERGY STAR® labeled home requirements. ***The loan must not be closed at the special incentive interest rate until the Home Energy Rating Certificate (HERC) is obtained.***

5. Standard Fannie Mae/Freddie Mac Appraisal Report

Photocopy is acceptable; however, SONYMA requires that all photographs must be in color and legible.

Acceptable forms, depending on the property type, are as follows:

- a. Uniform Residential Appraisal Report (Fannie Mae Form 1004/Freddie Mac Form 70);
- b. Individual Condominium Unit Appraisal Report (Fannie Mae Form 1073/Freddie Mac Form 465);
- c. Individual Cooperative Interest Appraisal Report (Fannie Mae Form 2090);
- d. Small Residential Income Property Appraisal Report (Fannie Mae Form 1025/Freddie Mac Form 72);
- e. Manufactured Home Appraisal Report (Fannie Mae Form 1004C/Freddie Mac Form 70B).

Clear, descriptive original or laser-produced color photographs must be incorporated within the report. At minimum, photographs should be: (1) a front view of the property showing the complete improvements; (2) a rear view of the property; (3) a street scene showing neighboring improvements; and (4) interior photographs, which must include the kitchen, all bathrooms, main living area, any examples of physical deterioration, and any examples of recent updates, such as restoration, remodeling, and renovation. Additional color photographs will be necessary as described below.

3/30/16

Lender should instruct appraisers to describe in detail the usage and the interior of any outbuildings, barns, etc. where there is evidence of plumbing or electricity, or evidence of **illegal or other residential** use. Color photos of the exterior and interior of such buildings are required.

3/2/15

If the borrower is utilizing the SONYMA **RemodelNY Repair Escrow** option, the appraisal report must reflect the "as-repaired" value of the property (subject to satisfactory completion). The appraisal must contain a copy of the Specification of Repairs or detailed list of the improvements the appraiser considered in determining the after-improved value. All other conditions of the appraisal report must be satisfied prior to loan closing.

3/30/16

Lender should have appraiser provide detailed comments on any of the following items:

- a. Property does not comply with local zoning ordinances.
- b. Property shows evidence of an **illegal** use.
- c. Property contains more kitchens than housing units (provide clear, color photos of kitchen and surrounding area).
- d. Any grants/subsidies referenced in the purchase contract.
- e. **Property utilizes a private sewer system.**
- f. **Property utilizes a private well as its water source.**
- g. **Property appears to have structural defects, water seepage/damage, evidence of pest infestation/damage, and/or evidence of asbestos.**

3/30/16 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.

11/2/15 Private Water and Sewer Systems

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

SONYMA Pre-Closing File Training Module April 2016 (Continued)

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.

Maximum Lot Size

The lot size must conform to SONYMA’s maximum, as set forth below:

Zoned Areas	
Up to 5 acres	Eligible for financing.
5+ to 10 acres* If Not Subdivided	(*includes properties with more than 1 tax parcel) 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.
If Subdivided	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.
10+ acres	Not eligible for financing.
Rural or Unzoned Areas	
Up to 5 acres*	Eligible for financing.
5+ to 10 acres*	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.
10+ acres	Not eligible for financing.

SONYMA Pre-Closing File Training Module April 2016 (Continued)

Note: SONYMA will not permit the land to be sub-divided post-closing, nor will SONYMA approve any request for a partial release of the mortgage premises.

3/30/16 **6. Recapture Notification and Mortgagor's Affidavit [(Form 211/3-16) (For Non-SONYMA Express® loans) or Form 211/1-12], as applicable**

Mortgagor(s) completes this document which is required for IRS compliance purposes. The form must be accurately completed in its entirety. *No revisions to the form are permitted.*

Photocopy of document is required (**original document is submitted with the post-closing loan file after it is reaffirmed at title closing**). *Form 211/3-16 is required for all loans reserved on or after June 1, 2016.*

Refer to the following website address for a detailed example of completion of this document:

<http://www.nyshcr.org/Topics/Lenders/Lenders/ExamplesOfRecapture.pdf>

Applicant(s) to complete the following sections on the document:

a. Top of Page 1

SONYMA Loan Reservation Number

Lender's Name

Mortgagor(s) Name(s)

Property Seller Name(s)

Number of total persons (including children) expecting to occupy the residence

b. PART II - GENERAL INFORMATION

Mortgagor(s) Name(s) at top of page 2.

Item 2: "X" the appropriate line to indicate if the property is (A) an existing one unit dwelling; (B) a newly constructed one unit dwelling; (C) a newly constructed or existing two unit dwelling, located in a Target Area, OR an existing two unit dwelling not located in a Target Area; or (D) an existing 3- or 4-unit dwelling. If the property is a 3- or 4-family unit dwelling, the number of units must be **checked/circled**.

Item 5: If the property is a 2- to 4-family home, **check/circle** the number of rental units.

Item 9: "X" the appropriate line concerning ownership interest in a principal home during the 3 year period immediately prior to loan closing. *Please note this information is used for IRS reporting purposes. It is based on their definition of first-time homebuyer which differs from SONYMA's definition.*

If Item "B2" is checked, submit an executed Military Veteran's Eligibility Affidavit (SONYMA Form 243).

Item 9(C): Complete only if a Non-Target Area loan or an Achieving the Dream, Habitat for Humanity, and Home of Your Own Program Mortgagor:
"X" the appropriate line or lines which indicate the type of Federal Tax returns filed by the Mortgagor(s) during the previous 3 years.

If the last line is "X", indicate the name(s) of the Mortgagor(s) and the tax year

SONYMA Pre-Closing File Training Module April 2016 (Continued)

in which returns were not required to be filed.

Note: Eligible Military Veterans are not required to complete Item 9(c).

c. PART III - ACQUISITION COST OF THE RESIDENCE

Enter the following:

- Line 1: Purchase Price of Existing or Newly Constructed Home. Cost of Construction, if New Construction, and if land was obtained from a person or entity other than the contractor building the residence. Subtract out any subsidy amount(s) for down payment, *including any DPAL amount*.
- Line 1(a): For Cooperatives, the unit's pro-rata portion of the underlying mortgage (total number of shares allocated to unit divided by total shares in the project, multiplied by the outstanding balance of underlying mortgage).
- Line 2: Subsidy Amount for down payment, *including any DPAL amount*, if applicable.
- Line 3: Cost to complete any unfinished areas of the residence whether or not the cost of completing construction is being financed by the SONYMA loan. Provide a contractor's estimate or an appraiser's comments to support this amount. If the borrower is utilizing the SONYMA [RemodelNY Escrow Repair option](#), the repair cost plus allowable financed fees ([Line B9](#) of the Maximum Mortgage Worksheet) must be entered on line 3.
- Purchase Price of Land, if New Construction, and if land was purchased within the last 2 years immediately preceding the loan application date.
- Do not include the value of land that was gifted or land purchased more than 2 years ago.
- If financed land and the original loan term exceeds 2 years, do not include. The IRS considers payoff of a loan with a term greater than 2 years as a refinance. SONYMA cannot lend for refinance loans. [Purchaser(s) would be required to pay off and satisfy land loans from an acceptable source of funds as of the closing date of the SONYMA loan.] The value of the land would not be included in the Purchase Price/Acquisition Cost Limits in this instance.
- Line 4: Cost of fixtures such as lights and wall-to-wall carpeting not included on Lines 1, 2, or 3 above.
- Line 5: Any amounts paid by Purchaser(s) on behalf of the property seller such as property taxes, settlement, and financing costs that are in excess of the Purchaser(s) usual and customary expenses.
- Line 6: Any personal property such as appliances, not permanently attached to the Eligible Property, and itemized and attributed a value in the sales contract.
- Line 7: Total Acquisition Cost: Add lines 1 through 5 and subtract any amount on line 6.

3/2/15

SONYMA Pre-Closing File Training Module April 2016 (Continued)

Note: If the amount on line 7 exceeds the current applicable SONYMA program Purchase Price/Acquisition Cost Limits, at either the time of application or loan closing, the Mortgagor(s) are not eligible for this program. Also, this amount must equal the figure indicated in Item 2 on the Property Seller's Affidavit.

3/2/15

d. PART IV - INCOME ELIGIBILITY

Enter on the appropriate lines, in the column entitled "At Loan Application" only, the current gross monthly income of all Borrowers (and each Borrower's spouse, regardless of whether they sign the Mortgage documents) and all non-applicant titleholders. *The IRS requires SONYMA to use current income for this calculation and the below listed guidelines should in no way be construed as guidelines to determine a potential Applicant(s) creditworthiness.* Please see Section 3.1 of the Seller's Guide for credit underwriting requirements.

SONYMA uses the following guidelines/calculations to determine if Mortgagor(s) meet income limit eligibility requirements. Not all sources of income are listed in the text of this list; the sources referred to are the ones most commonly submitted by SONYMA Mortgagor(s). For purposes of this section, the term Borrower shall refer to all Borrowers (and each Borrower's spouse, regardless of whether they sign the Mortgage documents) and all non-applicant titleholders.

3/2/15

Reminder: If a Borrower's spouse or non-applicant titleholder is not currently employed (or has no other form of income), the Borrower must provide an explanatory statement indicating such.

4/22/16

1. **Basic Income Calculation:** Obtain year-to-date (YTD) gross income from current paystub. If Borrower(s) does not receive computer-generated paystubs, Lender may obtain a Verification of Employment (VOE). Deductions for pre-tax income (e.g., 401k, 457b contributions, health benefits, etc.) are **not** allowed. Divide **gross** YTD income by number of pay periods elapsed in the current year [using the "*Pay Date*" (check date)] and multiply by 52 if paid weekly, 24 if paid bi-monthly or 26 if paid semi-monthly, to obtain annual income. **Note:** Using this method of calculating income avoids the need to determine income earned in a previous calendar year.
2. **Salary/Job Changes:** If Borrower(s) receives an increase/decrease in pay due to a job change, promotion, or terms of a new employment contract, the new salary will be treated as though it was received the entire year. Obtain employment letter or copy of contract and current paystub or VOE.
3. **Overtime, Bonuses, and Commissions:** Must be included in the YTD income calculation, as above. If the paystubs from application date to current date do not reflect this type of pay, it may be removed from the YTD income calculation as stated above, but the amount must be added back to the total income. This income may be excluded completely if paystubs from application date to current date do not reflect this type of pay and it can be demonstrated that there is no history (in prior years) of receiving this type of income.

Note: Documentation from the employer must be submitted to support any of these scenarios.

3/30/16

4. **Self-Employed Borrower(s):** Obtain YTD Profit and Loss Statement and the previous year's Federal tax return, with all schedules. Corporate Federal tax returns, Partnership Federal tax returns and K-1's may be required. Net profit, after business expenses, will be used to calculate annual income. Any disbursements or distributions received will be added to

SONYMA Pre-Closing File Training Module April 2016 (Continued)

4/22/16

annual income. Divide YTD net profit by number of months represented and multiply by 12 to obtain annual income. Any deviations in income in excess of 25% from the previous year must be explained in writing. SONYMA will accept a P&L from the Borrower(s). The P&L must state that these numbers are true and accurate and must be signed by the applicable borrower(s).

Note: For loan applications dated within the first quarter of the new year, SONYMA will not require a YTD P&L but will accept the previous year's Federal tax return to determine the Borrower(s) income for the current year. If the Borrower(s) has not yet filed a Federal tax return for the previous year, then SONYMA will require a P&L for that tax year. Any major deviations in income from the previous year must be explained in writing.

5. **Retroactive Pay:** Income received in the current year that was earned in a prior year(s) can be excluded as long as there is no continuous history of receiving this type of income and such income will not reoccur.
6. **Sign-On Bonus:** Income can be excluded as long as there is no continuous history of receiving this type of income and such income will not reoccur.
7. **Social Security or Disability benefits:** Do not gross up. Survivor benefits received for a child must be included if the income is being used for the child's living expenses.
8. **Proposed Rental Income:** Do not include proposed rental income anticipated from the purchase of a 2- to 4-unit property.
9. **Child Support/Alimony Paid by Borrower(s):** Cannot be deducted from income.
10. **Child Support/Alimony Received by Borrower(s):** Must be included in income.

Note: If court ordered documents such as a separation agreement or divorce settlement indicate that the Borrower should be receiving child support and/or alimony, but Borrower has not actually received any child support and/or alimony payments for the three months immediately prior to the loan application date and through the current date, this income can be excluded from the compliance income calculation. Further, if Borrower consistently receives less than the court ordered child support/alimony payment, for the compliance income calculation SONYMA will annualize the total YTD payments to determine the actual income received. **In either instance,** SONYMA will require the Borrower(s) to submit a signed statement verifying non-receipt or reduction of the payments.

4/22/16

11. **Relocation Allowance:** This income may be excluded completely if paystubs from application date to current date do not reflect this type of pay and there is no history (in prior years) of receiving this type of income.
12. **Clothing Allowance:** Must be included in income.
13. **Car Allowance:** Must be included in income.
14. **Military Housing and Food Allowance:** Must be included in income.
15. **Unreimbursed Business Expenses for Salaried Employee (Union Dues, Safety Equipment, Business Equipment, etc.):** Cannot be deducted. *However,* if an individual receives 1099

SONYMA Pre-Closing File Training Module April 2016 (Continued)

income and pays self-employment tax, business deductions are allowed.

16. **Foster Care Income:** Payments received as consideration for foster care duties with respect to children in the Borrower(s) care are not considered income for this purpose and should not be included in the income calculation.
17. **Public Assistance:** Any assistance received from Section 8 housing vouchers and expecting to continue after home purchase must be included in income.
18. **Employer Reimbursement:** Income for travel reimbursement or employer-imposed tuition expenses may be excluded if the Borrower(s) can document via a letter from his/her employer that he/she is being reimbursed for expenses incurred while traveling on company business or for completing courses required by his/her employer.
19. **Income for Full-time Students:** If a non-applicant titleholder is classified as a full-time student, an exception applies to dependents (excludes a spouse) who are age 18 years or older. The compliance income for a person(s) aged 18 years or older, with a full-time student status, who is a dependent, will be calculated as follows:

If the income is less than \$480 annually, count all of the income. If the annual income exceeds \$480, count only \$480 and exclude the amount that exceeds \$480.

SONYMA requires verification of full-time student status in the form of any formal school document or verification on school letterhead (i.e. SONYMA will accept copies of recent transcripts, letters from counselors or school advisors, or verifications from the office of registrars, etc.).

20. **Seasonal Income:** If a Borrower has a history of working in a seasonal industry (e.g. construction, landscaping, golf course) where he/she receives unemployment benefits for the same period of time each year (i.e. November – March), the Borrower's wages as well as any annual unemployment income must be included in the compliance income calculation. The employer must provide a letter stating that lay off occurs annually and for what period of time. The Borrower's current YTD gross wages should be divided by the actual number of weeks worked YTD (do not count the weeks unemployment was received) and multiplied by the total number of weeks the Borrower works during a calendar year. Add the Borrower's documented YTD unemployment income to the annualized wages to complete the Borrower's compliance income calculation. The total unemployment benefits received in the previous calendar year (and reported on the prior year's tax return) should be added to the annualized seasonal wages (in lieu of the YTD benefits) if the borrower has not yet received all anticipated unemployment benefits for the current year.

Refer to Items 21 and 22 below for further information regarding other income calculations involving unemployment benefits.

21. **Unemployment Income: Borrowers with history of receiving unemployment benefits (i.e., union electrician) but receipt can vary from year to year:** Must be included in the compliance income calculation. If the Employee is not currently receiving unemployment benefits but received benefits earlier in the year, divide the Borrower's YTD gross wages (from his/her employer) by the actual number of weeks worked YTD (do not count the weeks the Borrower received unemployment benefits) and multiply by the total number of work weeks in the current year (i.e., 52 weeks less the number of weeks unemployment

3/2/15

SONYMA Pre-Closing File Training Module April 2016 (Continued)

benefits were received YTD). Add the documented YTD unemployment benefits to the annualized wages to complete the Borrower's compliance income calculation.

22. **Unemployment Income: Borrower(s) currently receiving long term unemployment benefits**: Must be included in the compliance income calculation. To calculate, multiply the weekly benefit by the number of weeks in the current benefit period. If the Borrower's unemployment benefits have been extended, add the projected income from the current extension to the Borrower's YTD unemployment benefits.

Note: Documentation must be submitted to support the amount of weekly benefits, the start date, and the date the benefits are expected to end.

Note: If Borrower(s) household income exceeds the applicable SONYMA program Income Limits, at either the time of application or loan closing, the Borrower(s) is not eligible for this program. Further, if Borrower (defined as all Borrowers, each Borrower's spouse, regardless of whether they sign the Mortgage documents, and all non-applicant titleholders) gross income on the previous year's tax return (i) exceeds the current SONYMA income limit, and (ii) the income of the Borrower submitted in the loan file by more than 15%, SONYMA will require an explanation from the Borrower as to why the income decreased by more than 15% from the previous year.

3/30/16

e. PART VI - CERTIFICATION

All Mortgagor(s) (and Guarantors, if applicable) must execute the document on the last page of the document. This document cannot be signed by a power-of-attorney.

1. Obtain Notary Public signature and affix notary stamp and/or seal; notary must complete the entire section and include name(s) of all Mortgagors (titleholders).
2. Ensure that the Notary Public commission has not expired prior to execution of this document.
3. "Original Reaffirmation at Title Closing" section: Leave this section blank until the closing. Submit the original reaffirmed document in the closed loan file.
4. Recapture Tax Calculation Attachment(s) must be provided to Applicant(s) at time of application.

7. Documentation Required for the Homes for Veterans Program

In November 2011, SONYMA expanded the Homes for Veterans Program to include active duty US military personnel. The benefit of the program (down payment assistance with no rate increase) applies to all eligible military veterans and active duty service members, but the waiver of ***the first-time homebuyer requirement applies only to veterans discharged or released under conditions other than dishonorable***. As such, the documentation requirements differ depending on the applicant's status at the time of loan application.

US Military Veterans Only:

i. DD Form 214, Certificate of Release or Discharge from Active Duty

A copy of this document is only required for Veteran(s) who served in the active US military, naval, or air service and was discharged or released under conditions other than dishonorable.

ii. Military Veteran's Eligibility Affidavit (Form 243/5-09), if applicable

Borrower(s) completes this form ONLY if he/she is an eligible military veteran who is not a first-time

SONYMA Pre-Closing File Training Module April 2016 (Continued)

homebuyer [or if Veteran's Co-Borrower or any non-applicant Mortgagor is not a first-time homebuyer].

Original or photocopy of document (if photocopy of document is provided, the original document must be submitted with the post-closing loan file.)

Veteran Borrower(s) to complete the form as follows:

- a. Fill in the top of the form.
- b. Enter Veteran Borrower(s) name and the property address being financed.
- c. Must be signed by all Veteran Borrower(s) and notarized.

Active Duty US Military Personnel:

i. Leave and Earning Statement and Military ID Card

Copies of these documents are required only for active military personnel, currently serving in active military (and stationed in New York), National Guard or Reserves.

8. PMI Certificate, if applicable

Photocopy is acceptable.

Lender must submit this certificate if the loan-to-value ratio (LTV) exceeds 80 percent, as evidence that the loan will have primary mortgage insurance coverage. **State law permits SONYMA to require mortgage insurance based on the lower of the sales price or appraised value.**

Lender must ensure that coverage meets SONYMA's requirements as stated in Section 2.221 of the Seller's Guide and that all loan information listed on the certificate is accurate.

9. Pool Insurance Certificate

Photocopy is acceptable.

Lender must submit this certificate for ALL loans as evidence that the loan has been reviewed and approved for credit underwriting by SONYMA's Pool Insurer. Section 3.1 of the Seller's Guide provides the credit underwriting guidelines and Section 2.706(b) states the documentation requirements to obtain Pool Insurer approval.

Lender must ensure that all loan information, including the SONYMA loan number listed on the certificate, is accurate. State of New York Mortgage Agency must be listed as the insured.

10. Federal Income Tax Returns for Previous Three Years

All Mortgagors [Borrower(s) and non-applicant titleholders] must submit signed Federal income tax returns with all schedules for the three years immediately preceding the loan application date. The returns are required by the IRS to determine eligibility under SONYMA's first-time homebuyer requirement and to establish that the property will be used for residential purposes.

Photocopies of the signed Federal returns and all schedules are required; *state returns are unacceptable and not necessary.* In lieu of the signed Federal tax returns, SONYMA will accept Tax Return Verifications (TRVs) from an authorized vendor as long as the TRVs provide all required schedules. *Lenders must order the TRVs by submitting [IRS Form 4506-T \(Rev. 9-2015\)](#) to the IRS. Items 6 through 9 of Form 4506-T must be completed so that the TRVs can be sent directly to the lender.*

Submission of tax returns is waived for loan applications where the subject property is located in a Targeted Area or for eligible military veterans (and any household members); however, may be required by the Pool/PMI Insurer for credit underwriting purposes.

Note: Borrowers applying for the Achieving the Dream Program must be first-time homebuyers and therefore, must submit complete copies of their most recent three years' signed Federal tax returns. This first-time homebuyer requirement is waived for eligible US military veterans who apply for an Achieving the Dream Program loan.

Lender must review the tax returns to determine if Borrower(s) itemized deductions for real estate taxes and/or Mortgage interest. If so, an original notarized affidavit explaining these deductions must be included in the loan file. Depending on the explanation, Borrower(s) may or may not be eligible. See Section 2.301 of the Seller's Guide for more details.

3/30/16

SONYMA has modified its policy regarding the potential use of the financed property by the Borrower(s) for business or commercial purposes. The IRS mandates that the SONYMA-financed property be used for residential purposes and no more than 15 percent of the property can be used for business or income producing purposes. Effective immediately, to satisfy this requirement, SONYMA will rely on the following statements 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:

- a. will not use, nor will any other person use (other than in connection with the rental units of a 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);
- b. will not permit the property to be occupied by more families than is allowed under the applicable certificate of occupancy or its equivalent;
- c. will not subdivide or attempt to subdivide the land containing the property and encumbered by the SONYMA mortgage; and
- d. will not construct another dwelling on the land containing the property that could be used as another residence.

If Borrower's most recent tax return shows evidence of using their current residence for business or commercial use (Schedule C – Profit or Loss from Business indicates their primary residence as their business address), Lender should remind the Borrowers and non-applicant titleholders of the IRS' requirement.

11. Computer-Generated Paystubs for Most Recent 30 Days or Equivalent

Income documentation must be submitted for all Borrowers (and each borrower's spouse, regardless of whether they sign the Mortgage documents) and all other titleholders.

Photocopies are acceptable.

Evidence of income from self-employment, Social Security, pension, disability, and/or child support must also be provided. Equivalent documentation (i.e. a VOE) can be substituted and must reflect YTD earnings. The income derived from such documents must be incorporated into the income calculation described in Item 7(d) above.

4/22/16

If a Borrower, the Borrower's non-applicant spouse, or other titleholder has no income, submit a statement indicating such. The statement must be signed by all Borrowers.

12. Bank Statements and/or Other Asset Documentation

Equivalent documentation can be substituted (see Section 3.105 or 3.110 of Seller's Guide).

If any of the statements include names other than the Borrowers or other Household Members, an affidavit of explanation must be provided by the Borrower(s). The affidavit should include commentary on whether the other person(s) named on the statement will be occupying the SONYMA-financed property. If the other person(s) will be occupying the property, income documentation must be submitted.

13. Residential Mortgage Credit Report or Equivalent

Photocopy is acceptable.

Equivalent documentation can be substituted [see Section 3.103(a) or 3.110 of Seller's Guide].

9/15/15

14. Homebuyer/Landlord Counseling Certificate, if applicable

Required if: (a) LTV exceeds 95%; (b) applicants contribute less than 5% of the purchase price from his/her own funds; (c) the CLTV exceeds 100%; (d) if the applicant is utilizing a DPAL; or (e) if an Achieving the Dream, Home of Your Own, or Habitat for Humanity loan application. All applicants purchasing a 2- to 4-family home must also complete face-to-face landlord counseling (effective for loans reserved 9/15/15 or later).

15. DU/LP Underwriting Findings Report/Feedback Certificate, if applicable

Photocopy is acceptable.

All accompanying reports and documentation to support the conditions of the findings report/feedback certificate must be submitted.

16. FEMA Standard Flood Hazard Determination (FEMA Form 81-93, Dec. 05)

Photocopy is acceptable.

If property is determined to be located in a Special Flood Hazard Area, Lender must ensure that the Eligible Property is covered by a flood insurance policy in conformance with Section 2.219 (e) of the Seller's Guide.

4/22/16

17. Interest Rate Option Form (Form D3/4-16, 8-15 or D3/8-11 as applicable)

Applicant(s) must complete this document regardless of whether opting for DPAL. The document serves as the applicant's acknowledgment and acceptance of the interest rate locked in with SONYMA.

Original or photocopy is acceptable. **Note:** Lender **must** deliver original document in the post-closing package if photocopy was provided with the pre-closing application file. Form D3/4-16 is required for all loans reserved on or after June 1, 2016.

SONYMA Pre-Closing File Training Module April 2016 (Continued)

Applicant(s) to complete the form as follows:

- a. Enter the Lender name, SONYMA Reservation Number, and Loan Amount at the top of the form.
- b. Enter the Borrower(s) name and the Property Address being financed.
- c. Check the appropriate box as to whether Borrower(s) is/is not accepting DPAL and indicate the applicable interest rate and lock-in period (either 120 or 240 days) information.
- d. Must be signed and dated by all Borrowers.

4/22/16

3/30/16

18. Down Payment Assistance Loan (“DPAL”) Recapture Notification (Form D4/3-16 or Form D4/9-09 as applicable), if applicable

If utilizing a SONYMA Down Payment Assistance Loan, **all** Borrower(s) and non-applicant titleholders must complete this document. The document must be accurately completed in its entirety. *No revisions to the document are permitted.*

Original document or photocopy is acceptable. **Form D4/3-16 is required for all loans reserved on or after June 1, 2016. Note:** Lender **must** deliver original document in the post-closing package if photocopy was provided with the pre-closing application file.

Borrower(s) to complete the document as follows:

- a. Enter Lender name, Borrower(s) names(s) and residence at the top of the form.
- b. Must be signed and dated by all Borrowers and non-applicant titleholders.

19. Subsidy Documentation (other than DPAL), if applicable

Lender must submit documentation if any mortgage subsidies, other than any DPAL subsidy, are being utilized in the transaction. Lender must ensure that the subsidy program is acceptable to SONYMA. See Section 3.101(b) of the Seller’s Guide for more information on subsidies.

Photocopy of supporting documentation is acceptable.

Information provided should include name of subsidy provider, subsidy amount, and an indication of how funds are being distributed (purchase price buydown, down payment or closing cost assistance, etc.).

20. Condominium or Cooperative Project Questionnaire, if applicable

If property is a condominium or a cooperative, Lender must submit a completed condominium or cooperative project questionnaire. **Note: Lenders may use similar versions of these questionnaires providing they capture the same information as requested on the SONYMA questionnaires.** Please see Seller’s Guide Section 3.108(j)(x) or 3.109(vi)(J), as applicable, for specific requirements on completing the form.

Photocopy is acceptable.

3/2/15

21. Required Documents for RemodelNY Repair Escrow Option loans

If the loan has been reserved under the RemodelNY Repair Escrow Option, additional forms will be necessary to complete and submit. Please see section C. below.

22. Any other documents as SONYMA may reasonably request.

[Current versions of all SONYMA Documents may be downloaded from our website (<http://www.nyshcr.org/Topics/Lenders/Lenders/ApplicationandClosingForms.htm>)

3/2/15 C. ADDITIONAL DOCUMENT SUBMISSION FOR REMODELNY REPAIR ESCROW OPTION LOANS

In addition to the above listed documents, as applicable, the following documents must also be submitted for loans utilizing the RemodelNY Repair Escrow Option.

1. Homeowner/Contractor Agreement(s) (Form R7/12-14 or Equivalent)

Photocopy of all contracts between Borrower(s) and contractor(s), evidencing the total repair cost, is required. SONYMA Form R7 is recommended but not required. Alternative formats must include:

- a. Borrower's name(s) and subject property address
- b. Contractor's name and contact information
- c. Detailed list of all repairs and materials
- d. List of any warranties being included by the contractor
- e. Completion date within 6 months of closing
- f. Binding arbitration clause

All Borrowers and contractors must execute this document.

2. Contractor Bids (corresponding with work in Specification of Repairs or Work Write-Up, if using a consultant)

Contractor should provide detailed list of work to be completed, and materials to be utilized with corresponding dollar amounts. This should be signed by the contractor and the list should correspond with the scope of work detailed in the Specification of Repairs.

Photocopies of this document is acceptable.

3. RemodelNY Escrow Repair Option Borrowers Acknowledgment (Form R2/12-14)

Photocopy of document signed by all Borrower(s) and a Lender representative is required.

Borrower(s) must check the appropriate box indicating how they would like the interest to be paid.

3/30/16 4. Consultant Agreement, if applicable

A consultant may be used on any RemodelNY transaction and is required under ANY of the following circumstances:

- More than \$35,000 work being completed
- Structural repairs are being completed
- The subject property is vacant
- The utilities are off at the time of inspection
- When the work is being completed by a contractor with any relationship to the borrower

SONYMA Pre-Closing File Training Module April 2016 (Continued)

SONYMA uses HUD-approved 203(k) consultants. Your local non-profit counseling agency may also have a consultant who can perform the scope of work. The fees are permitted to charge are determined by the amount of work being completed and are as follows:

Cost of Repairs	Fee*
≤\$15,000	\$500
≤\$30,000	\$600
≤\$50,000	\$700
>\$50,000	\$800

*Consultants can add \$200 if they perform a feasibility study, and an additional \$100 for a 2 unit property.

Photocopy of the agreement between Borrower(s) and contractor(s) is required.

The agreement should list the terms of the consultant's work for the borrower, including the services to be provided.

5. Consultant Invoice, if applicable

Required only if a consultant is being used and if the Consultant Agreement did not include the fees for services rendered.

Photocopy of this document is acceptable.

Invoice amount should match fee stated on the RemodelNY Repair Escrow Option Maximum Mortgage Worksheet (Form R11).

6. Specification of Repairs or Work Write-up

Photocopy of document signed by all Borrower(s) and contractor(s), and if applicable, the consultant is required.

If the amount or the nature of the renovation requires a consultant (see 4 above), the Specification of Repairs or similar work write-up must have been prepared by the consultant. If the renovation does not require a consultant, the Specification of Repairs or similar work write-up must have been prepared by a contractor or other qualified professional.

The form must be completed as follows:

- a. Borrower's name(s) and property address stated on the form.
- b. All work to be performed itemized with a cost breakdown for each job or stage of the project listed.
- c. Document must be signed by all Borrower(s), the contractor(s) and if applicable, the consultant.

7. Draw Request and Rehabilitation Inspection Report (Form HUD 9746-A)

If consultant prepared the work specifications and work write-up, photocopy of this form must be submitted.

The form must be completed as follows:

SONYMA Pre-Closing File Training Module April 2016 (Continued)

- a. Borrower's name(s) and address and lender's name and address completed at the top of the form.
- b. Column 1 fully completed with totals for each line item matching the Specification of Repairs.
- c. Signed and dated by the consultant, contractor, and Borrower.

3/30/16

8. SONYMA RemodelNY Repair Escrow Option Maximum Mortgage Worksheet (#R11/3-16)

This worksheet lists the anticipated repair/renovation costs and indicates how the Lender arrived at the maximum repair escrow mortgage amount.

Photocopy is acceptable. Form R11/3-16 is required for all loans reserved on or after June 1, 2016.

Total repair cost must be a minimum of \$1,000.

3/30/16

Contingency Reserve Requirements

SONYMA requires at least 10% contingency reserve for all RemodelNY loans. This percentage can be increased up to 20% upon recommendation of a consultant. SONYMA will require a **15% contingency** reserve for all properties utilizing the RemodelNY loan feature in which the utilities are off at the time of the inspection. This allows room to address unforeseen repairs resulting from an inability to test the adequacy of certain systems.

9. Plot plan of property, if applicable

Required only if the exterior footprint of property is being changed.

Photocopy of this document is acceptable.

10. Floor plan, if applicable

Required only if the interior walls are being moved.

Photocopy of this document is acceptable.

11. RemodelNY Repair Escrow Option Contractor Forms (Form R6/12-14)

Photocopies of the following forms must be submitted for each Contractor:

- a. **RemodelNY Contractor's Checklist**
Must be completed for each Contractor.

All of the listed forms as described must be submitted (as applicable).
- b. **Contractor Profile**
Must be completed in its entirety and signed by the Contractor.
- c. **RemodelNY Contractor's Acknowledgement**
Must be completed, signed and dated by the Contractor and Borrower.
- d. **Contractor's License, if applicable**

SONYMA Pre-Closing File Training Module April 2016 (Continued)

- e. **Contractor's Liability Insurance Policy information**
Policy amount should be equal to or greater than the loan amount and cannot be expired at time of closing. If policy expires during course of renovation, an updated binder will be required prior to disbursement of any additional draws.

- f. **Contractor's Lead-Based Paint Certification, if applicable**
Submit only if lead-based paint remediation is part of the scope of work.

- g. **Contractor's Mold Remediation Certification, if applicable**
Submit only if mold remediation is part of the scope of work.

- h. **Contractor's NYS Asbestos Certificate of Competence, if applicable**
Submit only if asbestos removal is part of the scope of work.