State of New York Mortgage Agency
641 Lexington Avenue, New York, NY 10022
(212) 688-4000 • Fax: (212) 872-0789

By E-mail

August 14, 2015

RE: Elimination of the 1% Lock-in Deposit; Escrow Holdbacks on Non-RemodelNY Loans; Landlord Counseling; E-Sign Policy; Acceptance of Title Insurance from OneTitle National Guaranty Company, Inc.; Modified Definition of Household Income; Revised Genworth MI Premiums; Updated Student Loan Policy; Cooperative Flip Tax Calculation; Policy on Septic/Cesspool and Well Certifications; Policy on Properties with No Kitchen Appliances

Seller's Guide Bulletin #4-2015

Dear Participating Lender:

Please be advised of the following guideline reminders/changes to all State of New York Mortgage Agency ("SONYMA") programs, where applicable. You'll note that some of these changes were previously announced, but not previously published in a Seller's Guide Bulletin. Unless otherwise stated herein, the changes go into effect immediately.

Elimination of the 1% Lock-in Deposit

Effective immediately , SONYMA will no longer charge the 1% lock-in deposit fee. Any fees collected on loans registered with SONYMA at this time should be refunded to the borrower. The General Overview Training Notes document has been updated to reflect this change and is posted on the website.

Please note that it is critical for SONYMA to ensure it is maintaining a viable pipeline and it is very important that lenders advise SONYMA immediately upon the rejection or cancellation of a loan. For that reason, we have revised and renamed the Reservation Cancellation/Request for Lock-in Fee Waiver Form (Form 244/5-08) to the Reservation Cancellation Form (Form 244/8-15). Attached is a hard-copy version of the revised form. An interactive version of the form will be published on our website in the near future.

Escrow Holdbacks on Non-RemodelNY Loans

On April 14th, SONYMA issued Seller's Guide Bulletin #2-2015 which describes enhancements to our RemodelNY Repair Escrow Option. Under RemodelNY, homebuyers can finance the purchase and renovation of homes suffering from deferred maintenance. For non-RemodelNY loans, SONYMA recently made some adjustments to our guidelines for escrow holdbacks.

Escrow Holdbacks will be permitted for weather-related delays only. 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 considered.

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.

In order to get approval for an escrow holdback, please email the request prior to closing to Cheryl Lindahl at cheryl.lindahl@nyshcr.org. A copy of the contractor's bid for repair, the appraisal which must 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 must be equal to 1½ times the cost of repairs. Cheryl can be reached at 518-486-5654 if you have any questions regarding a potential escrow holdback.

Landlord Counseling Policy

Effective for all applications dated on or after September 15, 2015, SONYMA will require Landlord Counseling for any borrower purchasing a 2-4 family property. Counseling should be completed by a HUD-approved counseling agency and the certificate provided along with the borrower's regular Homebuyer Education Certificate.

Updated Student Loan Policy

Effective December 1, 2014, deferred student loans must be included as part of the borrower's liabilities. If the credit report does not indicate a payment, copies of the borrower's payment letters must be obtained. In absense of payment letters, a monthly payment of 1% of the outstanding loan will be used.

For Income-Based Repayment (IBR) Loans, documentation must be submitted for the monthly payment amount which has been **approved** by the student loan servicer. If the loan is not in repayment, a monthly payment will be calculated using 1% of the outstanding loan balance. The maximum total debt to income ratio for borrowers enrolled in an IBR program, or a student loan program which requires interest only payments, is 42%.

If the borrower is receiving assistance or a forgiveness grant toward the repayment of student loans, documentation of the assistance must be provided and the assistance will be added to the borrower's monthly qualifying income. The assistance must continue for at least 3 years from the mortgage loan application date to be considered, and the student loan payment must be included in the borrower's liabilities as described above.

E-Sign Policy

Effective immediately, SONYMA will accept documents with electronic signatures EXCEPT for collateral documents and the SONYMA specific documents (i.e. Recapture Notification and Mortgagor's Affidavit, Property Seller's Affidavit, and Interest Rate Option forms).

Acceptance of Title Insurance from OneTitle National Guaranty Company, Inc.

SONYMA is pleased to announce that it will accept title insurance policies from OneTitle National Guaranty Company ("OneTitle"). OneTitle is a New York-based company that offers lower cost title insurance than other title insurers. They are able to do this by working directly with lenders and attorneys and not through a title agent. According to the company's website, savings to the homebuyer can be well in excess of 20%. The company is approved by the New York State Department of Financial Services and is eligible to provide title insurance on Fannie Mae, Freddie Mac, and FHA loans. They are rated "Substantial" by Demotech, Inc., a leading title insurer ratings agency.

Modified Definition of Household Income

The policy regarding the calculation of household income for IRS compliance purposes has been modified. SONYMA has redefined household income as income of all borrowers (and each borrower's spouse, regardless of whether they sign the Mortgage documents) and all titleholders. We will no longer include the income of other household members not meeting this definition.

Revised Genworth MI Premiums

Effective February 17, 2015, Genworth Mortgage Insurance ("Genworth") issued new mortgage rate cards. The new rates only apply to new loans submitted to Genworth February 17th or later. Loans submitted prior to this date retain the previous rates.

On the Borrower Paid MI Card, Genworth has combined the premiums for FICO ranges 600-679 and 620-659 into one range of 620-679. They have also increased eligibilty by including premiums to insure 3- and 4-family properties with FICO scores exceeding 719.

The DPAL Funded Single Premium Card reflects an expanded number of FICO ranges and the new premiums based on these ranges. New premium add-ons also apply to 3- and 4-family homes. Note that these premiums apply only for loans where SONYMA's DPAL is sufficient to pay the entire single premium. Otherwise the borrower-paid premiums must be used.

Cooperative Flip Tax Calculation

SONYMA will now allow up to a 5% flip tax (previously 3%) on cooperatives without requiring adjustments when determining the maximum loan amount. However, if the flip tax exceeds 5% of the appraised value, the amount exceeding 5% will be deducted from the appraised value and the LTV will be based on the lower of the adjusted value or the purchase price.

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 system or cesspool, it must be tested to determine it is functioning properly. 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 inspections, engineers must meet the following criteria:

1. Hold a current State license which authorizes them to perform such inspections;
2. Perform inspections in accordance with the requirements and standards established by the local or State health authority; and
3. Utilize laboratories which are State-certified and meet EPA standards.

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

Policy on Properties with No Kitchen Appliances

If a property is sold without kitchen appliances, the borrower must have sufficient reserves verified after closing to purchase them, or the lender can add $40 per month to the borrower's non-housing expenses (the total debt-to-income ratio cannot exceed 45% including the additional $40). The borrower may also provide paid receipts evidencing the purchase of the appliances.

Thank you for your interest in our programs. We value our business relationships and look forward to continued success providing financing to first-time homebuyers. If you have any additional questions, please contact the undersigned at (518) 473-0090 or sherri.eckles@nyshcr.org, or your SONYMA Business

Development Officer [Downstate: Gail Kresge at (848) 218-2102 (gail.kresge@nyshcr.org), Western NY: Dawn Adams (646) 539-8776 (dawn.adams@nyshcr.org) or North Country, Capital District & Hudson Valley: Bill Teague (518) 573-5936 (william.teague@nyshcr.org)].

Sincerely,

Sherri Eckles
Vice President
Single Family Program

RESERVATION CANCELLATION FORM

(Fax completed form to 917-274-0406)

Participating Lender: _____ Date: _____

Contact Name: _____ Tel. #: _____ Email: _____

Please complete the below information and check the primary reason(s) for loan rejection/cancellation.

Applicant(s) Name: _____

Property Address: _____

SONYMA Loan No: _____ **Reservation Date**: _____

UNDERWRITING REQUIREMENTS

PROJECTS

- Project presale requirement not met
- Investor concentration requirement not met
- Other _____

CREDIT

- No credit reference
- Insufficient credit
- Unable to verify credit
- Garnishment, attachment for foreclosure, repossession or suit
- Excessive obligations
- Delinquent credit obligations
- Bankruptcy
- Number of Public Derogatories in credit bureau file

EMPLOYMENT STATUS

- Unable to verify employment
- Length of employment
- Temporary or irregular employment

INCOME

- Insufficient income
- Unable to verify income

RESIDENCY

- Temporary residence
- Too short a period of residence
- Unable to verify residence

DOWN PAYMENT

- Unable to verify source of down payment
- Insufficient down payment or funds for closing
- Gift from unacceptable donor
- Other _____

OTHER UNDERWRITING REASONS

- Credit application incomplete
- Insufficient collateral/structural issues
- Comparables do not support appraised value
- Appraisal contains inconsistencies
- Seller withdrew
- Loan file contains inconsistencies which have not been explained
- Other: _____

IRS COMPLIANCE REQUIREMENTS

- Does not meet first-time homebuyer requirement
- Exceeds income limit
- Exceeds purchase price limit
- Property type not eligible for financing
- Property not located in a target area
- Other _____

We hereby certify that the loan cancellation/rejection is final and that the above checked off reason(s) for cancellation/rejection is accurate.

Certified by: _____ (Lender Authorized Representative)

Instructions to Lender: **Please access Lender Online (LOL) 24 hours after submitting to verify that the loan has been cancelled by SONYMA.**