



State of New York Mortgage Agency

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

JOSEPH STRASBURG
Chairman

STEPHEN J. HUNT
President/CEO

February 20, 2001

**RE: Low Interest Rate Mortgage Program
Revised Seller's Guide**

Dear Participating Lender:

The State of New York Mortgage Agency ("SONYMA") is pleased to enclose its newly revised Low Interest Rate Mortgage Program Seller's Guide (the "Guide"). A copy of the revised Guide has also been sent to each branch office on SONYMA's mailing list as well as closing and shipping contacts. Additionally, the Guide, its Exhibits and Appendices will be available for download from SONYMA's website (www.nyhomes.org/sony/forlendersmain.html) by the end of this week. Unless otherwise stated herein, the Guide goes into effect as of the date of this letter. The Guide also applies to all SONYMA programs, as they may be announced from time to time, unless specifically modified by such announcement.

In addition to incorporating all program changes that we announced since the issuance of the previous Guide, SONYMA has made the following enhancements and modifications to the Seller's Guide:

- Addition of four appendices, two of which provide comprehensive details on the submission of pre-closing and post-closing loan files to SONYMA for review and approval (see Appendices III and IV, respectively);
- Reduction in borrower's points and the elimination of SONYMA's commitment fee as announced in our February 12, 2001 Availability of Funds and Notice of Terms Bulletin (see Section 2.202);
- Modifications to SONYMA's underwriting guidelines, including the following:
 - Revised policy on non-citizen borrowers which will permit more applicants to qualify for SONYMA financing [see Section 3.102(h)];
 - Expansion of the section on eligible sources of downpayment and closing costs (see Section 3.101);
 - Inclusion and/or modification of SONYMA's policy on: automobile lease payments and student loan deferrals [Section 3.102(b)]; unreimbursed business expenses, non-taxable income, trailing secondary wage earners income [Section 3.102(c)]; prior bankruptcy and history of

foreclosure or deed in lieu of foreclosure and verification of rental payments [Section 3.102(d)]; non-traditional credit reports [Section 3.103(d)];

- Revised policy on manufactured housing (see Section 3.107). *NOTE:* Single-wide manufactured homes are no longer eligible for SONYMA financing.
- Modification of SONYMA's loan reservation policy requiring that Sellers (Lenders) reserve loans only when it has in its possession a fully executed contract of sale. *Binders will not be acceptable.* If Seller had accepted a pre-approval application, SONYMA will require that a new application (dated on or after the contract date) be executed with the property address and mortgage terms provided therein. Interest rates will be locked with the interest rate effective on the new application date (see Sections 2.106 and 2.6);
- Simplification of SONYMA's policy with regard to maximum lot sizes and properties with multiple parcels [see Section 2.402(f)];
- Inclusion of legal mother/daughter type properties or properties with an accessory apartment as a property type eligible for financing [see Section 2.402(o)];
- Clarification of SONYMA's policy with relative to mortgage transactions where the borrower owns land and is constructing a home on the land (see Section 2.410);
- Requirement that Sellers maintain a specific coverage level of fidelity insurance and errors and omissions insurance [see Section 1.3(c)];
- Requirement that Sellers submit, within 90 days of each Seller's fiscal year end, a certification that it is complying with all terms and requirements of the Seller's Guide and Mortgage Purchase Agreement [see Section 1.3(d)(iii) and Exhibit F (Form 240/12-00; camera-ready copy attached)];

Required Implementation Date: This requirement goes into effect commencing with any Seller whose fiscal year ends March 31, 2001 and later.

- Requirement that Sellers implement and conduct an in-house quality control program for loans sold to SONYMA (see Section 2.713);
- Expanded hazard and flood insurance guidelines (see Section 2.219);
- Requirement that Seller's closing attorney not be affiliated with or representing any other interested party (other than the borrower) to the loan transaction (see Section 2.108);
- Inclusion of SONYMA's policy regarding MERS® (see Section 2.705 and Appendix IV) and implementation of Fannie Mae/Freddie Mac mortgage and note instruments dated 1/01 (see Sections 2.212 and 2.710, and Appendix IV). *NOTE:* If Seller has been using, or intends on using, computer-produced or third party printed Fannie Mae/Freddie Mac mortgages, notes, and riders (dated 1/01), Seller must execute the Computer Produced and/or Third Party Printed Documents Indemnification Letter (Exhibit O; Form 239/12-00, camera-ready copy attached) and immediately submit it to the undersigned;

- Implementation of several new or revised forms and the requirement that Seller submits to SONYMA copies of (i) its interest rate lock-in agreement executed with borrower and (ii) the executed good faith estimate with the pre-closing application file (see Section 2.706). The new or revised forms and their required implementation dates are as follows:

LOAN RESERVATION AND APPLICATION FORMS

- 1) Loan Reservation Worksheet and Rate Certification (Form 238/12-00)
- 2) Application Loan File Checklist (Form 225/12-00)
- 3) Property Usage Affidavit (Form 242/12-00)
- 4) Cooperative Recognition Agreement Disclosure Form (Form 241/12-00) (for cooperative properties only)
- 5) Manufactured Home Owner Eligibility Affidavit (Form 217/12-00), if applicable
- 6) Commitment Extension Request Form (Form 235/12-00)
- 7) Request for Lock-in Fee Waiver (Form 234/12-00)

MORTGAGE LOAN CLOSING FORMS

- 1) Closed Loan Document Checklist (Form 223/12-00)
- 2) Hazard and Flood Insurance Certificate (Form 216/12-00)
- 3) Satisfactory Completion Certificate (Form 208/12-00)
- 4) SONYMA Rider to Fannie Mae/Freddie Mac Mortgage (Form 230/12-00)
- 5) SONYMA Rider to Fannie Mae/Freddie Mac Note (Form 236/12-00) (for Construction Incentive Program loans only)

COOPERATIVE SHARE LOAN CLOSING FORMS

- 1) Closed Cooperative Share Loan Checklist (Form 224/12-00)
- 2) Rider to Aztech Form of Recognition Agreement (Exhibit 10/12-00)

With the exception of the Property Usage Affidavit (Form 242/12-00) and the Cooperative Recognition Agreement Disclosure Form (Form 241/12-00), both of which are new forms, all of the above forms replace prior versions. Attached are camera-ready copies of each of the forms. Any of these forms and those available for download from SONYMA's website may be photocopied for your further use.

Required Implementation Dates: Sellers may begin using the revised forms immediately. The above listed reservation and application forms must be used for all applications dated on or after March 15, 2001 and the above listed closing forms must be used for all closings on or after March 15, 2001.

We believe the new Guide will be of great benefit to Sellers and will be an efficient tool for originating SONYMA loans. We will continue to update the Guide as needed. Sellers will be notified of any future revisions by being sent the relevant changed pages for insertion into the Guide. Furthermore, all announcements and changes will be published on our website and available for download.

If you have any questions, please contact me at extension 392.

Sincerely,

A handwritten signature in black ink, appearing to read "George M. Leocata". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

George M. Leocata
Assistant Vice President

C: Lender Branches, Shipping and Final Document Contacts

Enclosures