



APPENDIX III

Pre-Closing File Review Specifications Low Interest Rate Mortgage Program

This Appendix III is intended to assist Sellers in completing and packaging the pre-closing application file 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 Seller, 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 "Lender" and "Borrower", when used in this document, shall have the same definition as Seller and Mortgagor, respectively, in the Seller's Guide.

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. The documents should be acco-fastened to the folder in the order listed below.

Upon receipt of a Mortgage Loan file, SONYMA will review the file, and a decision will be faxed to the Seller within 3 business days. Hard copies of approvals and rejections will also be mailed to the Seller. If a file is suspended for additional documentation, notifications will also be attempted by telephone. *SONYMA WILL AUTOMATICALLY RETURN TO THE SELLER, AT SELLER'S EXPENSE, ANY LOAN FILE WHICH DOES NOT CONTAIN THE APPLICATION LOAN FILE CHECKLIST (FORM 225/1-03) OR ANY OTHER TWO FORMS OMITTED FROM THE FILE.* If Seller does not receive a response within 3 business days, Seller should contact SONYMA's status line to obtain the loan's current status.

B. DOCUMENT SUBMISSION

The below documents, unless hereinafter stated otherwise, must be accurately completed and submitted to SONYMA in every pre-closing loan file.

1. Application Loan File Checklist (Form 225/1-03)*

Seller 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 form is required.

Lender to complete following items:

- a. SONYMA Loan Number
- b. Lender Name
- c. Borrower Name(s)
- d. Place an "X" by each item that is applicable to the loan file being submitted.
- e. Sign certification on Page 4. Indicate signer's title and date the form.

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2. Mortgage Loan Eligibility Form (Form 212/4-99)

Seller completes this form and SONYMA uses it to notify Seller of its final decision to approve or reject an application file.

Original NCR form is required. Forms are supplied by SONYMA. Seller must submit the white and yellow copies to SONYMA, pink copy to Pool Insurer, and retain blue copy for its records

Lender to complete following items:

- a. Lender Name, Mailing Address, Contact Person, Phone Number and Fax Number.

NOTE: The Contact Person should be the individual that is most familiar with the loan file. Questions from SONYMA will be directed to this person. In addition, the SONYMA review decision will be faxed to this individual, at the designated fax number.

- b. Date.
- c. SONYMA Loan Number.
- d. Borrower Name(s).
- e. Address of Property Being Financed.
- f. Loan Amount.
- g. Loan Program: "X" the correct line to indicate the SONYMA Loan Program under which the loan is being submitted.
- h. Sign form and indicate signer's title.

3. Loan Verification Form (Form 213/10-98)

Seller completes this form in accordance with the instructions provided on the yellow cover sheet and SONYMA uses it for data entry purposes upon approval of the Mortgage Loan application.

Original NCR form is required. Forms are supplied by SONYMA. Seller must submit the green, pink, and white copies to SONYMA and retain blue copy for its records.

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

- a. Lender Name, Originator ID Number, SONYMA Loan Number, and Lender Loan Number
- b. Servicer ID Number and Name of Servicer
- c. Subsidy Information, including source, type, and amount (Item 16), as applicable
- d. Section, block, and lot information (Items 24 through 27e). Please see Section 2.703 of the Seller's Guide for more information.

NOTE: This information must be submitted to SONYMA in either the pre-closing loan file or the closed loan file. SONYMA uses this data to coordinate reporting with other New York State housing agencies.

- e. Acquisition Cost (Item 35) as calculated on the Recapture Notification and Mortgagor's Affidavit (see below) must not exceed the Acquisition Cost Limit (Item 36) as indicated on the most current Low Interest Rate Program Purchase Price Limits Chart (see Exhibit A of the Seller's Guide). If the purchase price exceeds the limit, the applicant is not eligible under this program.
- f. Total Gross Income (Item 48) must not exceed the Income Limits (Item 49) as indicated on the most current Low Interest Rate Program Income Limits Chart (see Exhibit A of the Seller's Guide). If the total household income exceeds the limits, the applicant is not eligible under this program.

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4. Property Seller's Affidavit (Form 210/4-99)*

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

Original form is required.

- a. Form is waived in the following cases:
 1. For New Construction, if the owner of the land and the builder are different individuals or entities.
 2. Foreclosed properties being sold by a foreclosing bank/investor.

- b. Property seller to complete the following sections on the form:
 1. Purchaser's (Applicant's) name(s).
 2. In Item 1, "X" the appropriate line, indicating 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 a 3 or 4 unit dwelling, the number of units must be circled.
 3. Acquisition Cost of Residence (Page 2, Item 5). This figure must agree with Part III, Line 7 of the Recapture Notification and Mortgagor's Affidavit (see below) and cannot exceed the Purchase Price Limits as indicated on the most current Low Interest Rate Program Purchase Price Limits Chart (see Exhibit A of the Seller's Guide).
 4. If the residence has been previously occupied, complete Item 7 on Page 2.
 5. If the residence is newly constructed, complete Items 8 and 9 on Page 2.
 6. For all properties, complete Item 10.
 7. All property sellers must execute this document. A power-of-attorney is not acceptable unless property seller is mentally or physically incapacitated and is unable to sign the document. In these cases, a doctor's letter is required explaining the incapacitation, along with a copy of the executed power-of-attorney.
 8. If the property seller is a partnership or corporation, under the signature line, print the full name of partnership or corporation and indicate title of person signing the document.
 9. If the property seller is the executor/executrix of an estate, indicate as such below the signature.
 10. Notarize document in the appropriate section.
 11. Obtain Notary Public signature and affix notary stamp and/or seal. Notary must complete the entire section.
 12. Ensure that the Notary Public commission has not expired prior to execution of this document.

5. Recapture Notification and Mortgagor's Affidavit (Form 211/4-99)*

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

Copy of form is required (original form is submitted with the post-closing loan file after it is reaffirmed at title closing).

Mortgagor(s) to complete the following sections on the form:

a. Top of Page 1

- SONYMA Loan Number
- Lender's Name
- Mortgagor Name(s)
- Property Seller Name(s)
- Number of total persons (including children) expecting to occupy the residence

b. PART II - GENERAL INFORMATION

- Purchaser Name(s) at top of page 2.

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- 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 a 3 or 4 family unit dwelling, the number of units must be circled.
- Item 5: if the property is a 2- to 4-family home, 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.*
- Item 9(C): complete:
Residences in which Mortgagor(s) has lived during the previous 3 year period, only if the Mortgagor(s) is purchasing the residence in a non-target area;

Address of residence, dates purchaser(s) lived there, and names and addresses of owners of residence; and

"X" the appropriate line or lines which indicate the type of Federal tax returns filed by the applicant(s) during the previous 3 years.

If the last line is "X'd", indicate the name(s) of the applicant(s) and the tax year in which returns were not required to be filed.

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 downpayment, if applicable.
- Line 1(a): For Coops, enter 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 downpayment, 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 Mortgage Loan.

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. IRS considers payoff of a loan with a term greater than 2 years as a refinance. SONYMA cannot lend for refinance loans. Applicants 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 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

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above.

- Line 5: Any amounts paid by Mortgagor on behalf of the property seller such as property taxes, settlement, and financing costs that are in excess of the Mortgagor'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.

Note: If the amount on line 7 exceeds the current Low Interest Rate Program Purchase Price/Acquisition Cost Limits, at either the time of application or loan closing, the applicant(s) are not eligible for this program. Also, this amount must equal the figure indicated in Item 5 on the Property Seller's Affidavit.

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 household members. *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 Mortgagor'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 Mortgagors 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 applicants.

1. **Basic Income Calculation:** Obtain year-to-date (YTD) gross income from current paystub or Verification of Employment (VOE). Deductions for pre-tax income (e.g., 401k, 457b contributions) are **not** allowed. Divide YTD income by number of months represented and multiply by 12 to obtain annual income.
2. **Overtime, Bonuses, and Commissions:** Should be projected over a 12 month period, and should be included unless the paystubs from application date to current date do not reflect this type of pay.
3. **Self-Employed Applicants:** Obtain YTD profit and loss statement prepared by a CPA on the CPA's letterhead and previous year's federal tax return with all schedules. Business expenses can be deducted. Divide YTD income by number of months represented and multiply by 12 to obtain annual income. Any major deviations in income from the previous year must be explained in writing.
4. **Pay Increases During Middle of the Year:** If Mortgagor receives a pay increase during the calendar year, determine new monthly salary from current paystub or VOE. New salary is treated as though it was received for the entire year.
5. **Applicant Gains Employment During Middle of Year:** If Mortgagor was previously unemployed, but secures employment during middle of year, determine monthly salary from current paystub or VOE. New salary is treated as though it was received for the entire year.
6. **Seasonal Income:** If Mortgagor is working at time of application but anticipates lay off, calculate income as described in Item # 1. If mortgagor provides letter from employer stating that lay off will occur, SONYMA may allow the previous year's unemployment income to be added to YTD income (current year). The total should be annualized and Seller should determine if the total income matches previous year's income and work history.

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7. **Non-taxable Income (Social Security or Disability):** Do not gross up income (net check is same as gross check). Income received for a child's benefit 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 2-4 unit property,
9. **Child Support/Alimony Paid by Applicant:** Cannot be deducted from income.
10. **Child Support/Alimony Received by Applicant:** Must be included in income.
11. **Relocation Allowance:** Must be included in 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. **Business Expenses for Salaried Employee (Union Dues, Safety Equipment, Business Equipment, etc):** Cannot be deducted. *However*, if an individual receives 1099 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 applicant's care are not considered income for this purpose and should not be included in the income calculation.

NOTE: If income exceeds the current Low Interest Rate Program Income Limits, at either the time of application or loan closing, the applicant(s) is not eligible for this program.

e. PART V - CERTIFICATION

All applicants must execute the document on Page 8.

1. Obtain Notary Public signature and affix notary stamp and/or seal; notary must complete the entire section.
2. Ensure that the Notary Public commission has not expired prior to execution of this document.
3. 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.

6. Property Usage Affidavit (Form 242/9-02)*

Mortgagor(s) completes this form as required under Section 2.402(f) of the Seller's Guide.

Original form is required.

Mortgagor to complete the form as follows:

- a. Fill in the top of the form.
- b. Enter Mortgagor(s) names(s) and the property address being financed where required.
- c. Must be signed by all Mortgagors and notarized.

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7. Manufactured HomeOwner Eligibility Affidavit (Form 217/12-00)*, if applicable

Mortgagor(s) and Seller completes this form which is required for IRS compliance purposes, only if the Mortgagor(s) owned a manufactured home in the three years immediately preceding the loan application date.

Original form is required.

Mortgagor to complete the form as follows:

- a. Respond to each of the four questions and the question in the middle of the form. If any of the questions are answered "Yes" or if Mortgagors made improvements to the house or the land in excess of \$10,000, Mortgagors do not qualify.
- b. Must be signed by all Mortgagors and notarized.

Seller must indicate as to whether the Mortgagor is eligible and complete bottom of form.

8. PMI Certificate, if applicable

Seller must submit this certificate if the loan-to-Value of the Property ratio exceeds 80 percent as evidence that the loan will have primary mortgage insurance coverage.

Copy of certificate is acceptable.

Seller 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. Value of the Property is defined as the lower of the appraised value or the sales price of the property.

9. Pool Insurance Certificate

Seller 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 Low Interest Rate Program credit underwriting guidelines and Section 2.706(b) states the documentary requirements to obtain Pool Insurer approval.

Copy of certificate is acceptable.

Seller must ensure that all loan information, including the SONYMA loan number listed on the certificate, is accurate.

10. Executed Contract of Sale

Photocopy is acceptable.

Must contain all terms and conditions and must be signed by all Mortgagors and property sellers. If new construction, any change orders must also be submitted.

11. Subsidy Documentation, if applicable

Seller must submit documentation if any mortgage subsidies are being utilized in the transaction. Seller 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.

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

12. Standard Fannie Mae/Freddie Mac Residential Loan Application (Fannie Mae Form 1003) and Uniform Underwriting & Transmittal Summary (Fannie Mae Form 1008)

Photocopy of the initial application (handwritten or computer produced) is required; the verified application is preferred. Photocopy of the Fannie Mae Form 1008 is required.

Both forms must be fully completed and the application must be signed and dated.

13. Good Faith Estimate

Photocopy of the initial document is acceptable.

The form must be fully executed and all points and fees must meet SONYMA's requirements.

14. Lender Lock-in Agreement

Photocopy is acceptable.

The form must be fully executed and the interest rate locked must agree with SONYMA's records.

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

Photocopies are acceptable.

Documentation must be submitted for each Household Member as defined in the Seller's Guide. Equivalent documentation can be substituted (see item 5(d) above).

17. Standard Fannie Mae/Freddie Mac Verification of Deposit or Equivalent

Photocopy is acceptable.

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

18. 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).

19. Standard Fannie Mae/Freddie Mac Appraisal Report

Photocopy is acceptable, however, SONYMA requires original or laser-produced photographs.

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Acceptable forms are listed in Section 3.104 or 3.110 of the Seller's Guide, as applicable. Three clear, descriptive original or laser-produced photographs must be incorporated within the report. One photograph should be a front view of the property showing the complete improvements, the second should be a rear view of the property, and the third should be a street scene showing neighboring improvements.

Seller should instruct appraisers to describe in detail the usage and the interior of any outbuildings, barns, sheds, etc. Photos of the interior of such buildings are preferred.

All conditions of the appraisal report must be satisfied prior to loan closing.

20. Federal Income Tax Returns for Previous Three Years

Mortgagor(s) must submit 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.

Photocopies of the signed federal returns and all schedules are required; state returns are unacceptable.

Submission of tax returns is waived for loan applications where the subject property is located in a Targeted Area; however, may be required by the Pool/PMI Insurer for credit underwriting purposes.

Seller must review the tax returns to determine if Mortgagor(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, applicant may or may not be eligible. See Section 2.301 of the Seller's Guide for more details.

Seller must also review the returns for potential use of the Eligible Property for a business or commercial purposes. If Mortgagor files Schedule C – Profit or Loss from Business on their most recent federal tax return and indicates their primary residence as their business address, Seller must check Line 30 of Schedule C to determine Mortgagor eligibility. If Line 30 is zero or Mortgagor did not use their primary residence as their business address, Mortgagor remains eligible. If Line 30 of Schedule C is greater than zero, IRS Form 8829 – Expenses for Business Use of House must be attached to the return. Mortgagor will be eligible for SONYMA financing as long as Line 3 of Form 8829 does not exceed 10%.

21. FEMA Standard Flood Hazard Determination (FEMA Form 81-93, Oct 98)

Photocopy is acceptable.

If property is determined to be located in a Special Flood Hazard Area, Seller 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.

22. Closing Cost Assistance Loan (“CCAL”) Recapture Notification (Form C41-03)*, if applicable

If utilizing a SONYMA Closing Cost Assistance Loan, Mortgagor (applicant) must complete this form. The form must be accurately completed in its entirety. *No revisions to the form are permitted.*

Original form is required.

Mortgagor to complete the form as follows:

- a. Enter Lender and Mortgagor(s) names(s) at the top of the form.
- b. Must be signed and dated by all Mortgagors.
- c. Attachments I and II must be attached.

23. Any other documents as SONYMA may reasonably request.

***Document must be completed from a camera-ready form supplied by SONYMA. Computer and/or third party generated forms are not permitted. Sellers may photocopy these forms for its use.**
