HOUSE KEY OPPORTUNITY MANUAL

Washington State Housing Finance Commission

Updated 09/28/2026

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1 - INTRODUCTION

Edited 03/01/2018

Washington State Housing Finance Commission

The Washington State Housing Finance Commission (Commission), established in 1983, is a publicly accountable, self-supporting team dedicated to increasing housing access and affordability and to expanding the availability of quality community services for the people of Washington.

At the Commission, we feel good about what we do. We stabilize families; we ensure that the elderly maintain their dignity; we finance opportunities for people with disabilities; we provide affordable housing and facilities for community and we foster economic development – all at no cost to the citizens of Washington. As a self-supporting agency, everything we do at the Commission is without taxpayer money.

The Commission provides opportunities for homeownership utilizing proceeds from the sale of Mortgage Revenue Bonds to purchase eligible below market interest rate mortgage loans, through a statewide network of participating lenders.

The Commission performs program administration tasks, including tax requirement reviews and has contracted with Idaho Housing and Finance Association (IHFA) to serve in the capacity of Master Servicer.

Introduction to Mortgage Revenue Bonds

The Commission's first mortgage "state bond" product is called the House Key Opportunity Program (Program) and it is subject to regulation by the Internal Revenue Service Code ("the IRS Code"). Operating procedures for the House Key Opportunity program and all downpayment assistance programs can be found on our Website at https://heretohome.org/lender-central/.

When tax-exempt mortgage revenue bonds are used to finance below market interest rate mortgage loans, certain criteria is required to retain the bonds' tax-exempt status, including:

- Acquisition Cost Limits
- Income Limits
- First-time homebuyer requirements
- Owner occupancy requirements

Benefits of the House Key State Bond Program

The House Key State Bond program is designed for low and moderate-income households who are first time homebuyers unless purchasing in a Targeted area. Advantages to Borrowers include:

- Program *advantages for Borrower*:
  - Qualifies for a larger mortgage.
  - Flexible underwriting criteria.
  - Manufactured homes available.
  - Upfront Mortgage Insurance program available.

- Program *advantages for Loan Originator*:
  - Builds customer loyalty.
  - Stops the rate shoppers.
  - Promotes community awareness and involvement.

- Downpayment assistance programs for downpayment and closing costs:
  - Wraps closing costs into the loan.
  - Combines with other community downpayment assistance programs.
  - Allows higher Combined Loan-to-Value.
  - Serves special populations (i.e., people with disabilities & rural).

Purpose and Scope

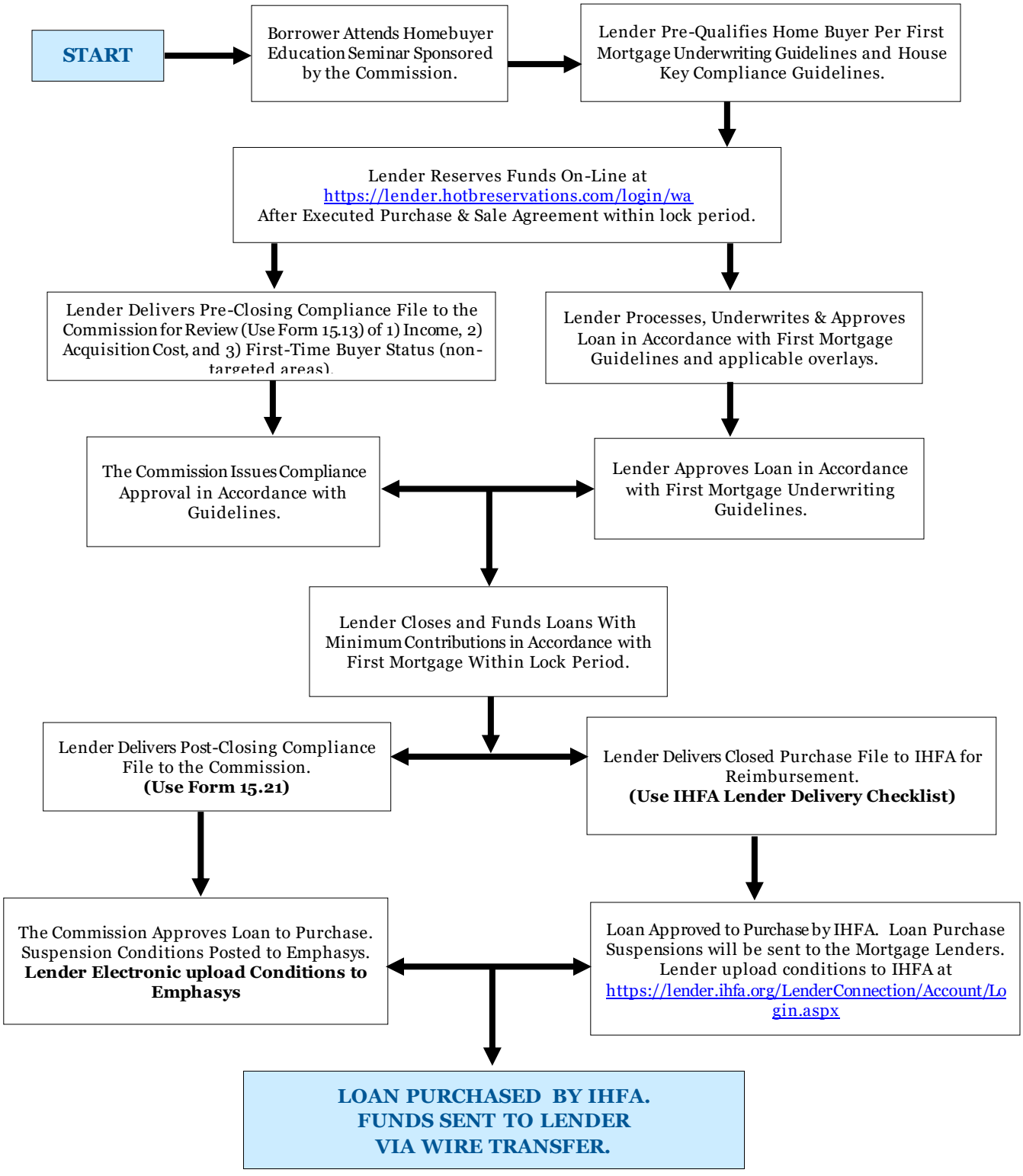
This Program Manual establishes the operating procedures for Mortgage Lenders and provides detailed instructions for the performance of the written agreements between the Commission and the Mortgage Lenders.

Process Overview

House Key Opportunity State Bond Loans are underwritten by Mortgage Lenders according to the first mortgage product guidelines. Neither the Commission nor our Master Servicer re-underwrites the loan for credit or property. The Mortgage Lender will also submit a Pre-Closing Compliance Package to the Commission for approval prior to Loan Closing.

After the loan closes, the Mortgage Lender sends the purchase file to IHFA and a Post-Closing File to the Commission for approval to purchase. Once all suspension conditions are cleared and files are complete, IHFA purchases the loans and funds are sent to the Lender via wire transfer.

House Key State Bond Loans:
From Origination to Closing to Purchasing by MASTER SERVICER



Revisions of, or supplements to, this Program Manual may be made from time to time. The Commission will provide Mortgage Lenders with revised or additional pages along with instructions for insertion into this Program Manual. Information contained in the House Key Manual is subject to change. All program updates will be posted on the Commission's Website. It is the Mortgage Lender's responsibility to monitor the Website on an ongoing basis for current information.

Contacts for Questions

Commission Homeownership Division

09/15/2025

Toll Free: 1-800-767-4663 www.heretohome.org
Fax: 206-587-5113 homedocs@wshfc.org

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Heidi McMahon	Program Compliance Administrator	206-287-4401	Heidi.mcmahon@wshfc.org
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Randy Mentele	Homeownership Division Admin Assistant	206-287-4412	Randy.Mentele@wshfc.org
Rich Zwicker	Grant Program Administrator	206-287-4480	Rich.Zwicker@wshfc.org
Emily Northrup	Grant Program Administrator	206-287-4486	Emily.northrup@wshfc.org
Kathleen Komin	Homeownership Marketing Manager	206-287-4449	Kathleen.komin@wshfc.org
Paula Benson	Loan Servicing Administrator	206-287-4453	Paula.benson@wshfc.org

Commission Address:

The Washington State Housing Finance Commission
1000 Second Avenue, Suite 2700
Seattle, WA 98104-1046

Commission EIN#: 91-1874730

Master Servicer:

Idaho Housing and Finance Association (IHFA)

Suspension Questions:
Bond Suspense Phone: 208-331-4870
Upload conditions to https://lender.ihfa.org/LenderConnection/Account/Login.aspx
Rod Zacharias, Loan Acquisition Supervisor, 855-505-4700 Ext 4771 rodz@ihfa.org
Rita Aafedt, Loan Acquisition Manager 208-424-7048 ritaa@ihfa.org

Idaho Housing and Finance Association
565 W Myrtle St.
Boise, ID 83702

Correspondence:
HomeLoanServ
PO Box 7899
Boise, ID 83707

Borrower Payments:
HomeLoanServ
P.O. Box 7541
Boise, ID 83707

Overnight Address:
Idaho Housing and Finance Association
Attn: Document Center
565 W Myrtle St.
Boise, ID 83702

Servicing Web site: www.homeloanserv.com
Customer Service Telephone Number: (800) 526-7145
Customer Service email: mortgageserv@ihfa.org

Eligible Lenders

Lending Institutions may become participating lenders by completing the required documentation and submitting it to the Commission.

Only lenders who close a minimum of five Program Loans during a calendar year will be eligible to appear on our Website, brochures and other marketing materials from the Commission.

Eligible Loan Originators

Lending staff employed by a participating Mortgage Lender who have completed training are eligible to originate Program Loans. To remain eligible to instruct homebuyer education seminars sponsored by the Commission, loan originators must close and have purchased by the Commission one Program Loan during a one-year period.

2 - TERMS AND CONDITIONS

Edited 12/06/2023

Relevant Search Terms: first time homebuyer, FICO, overlay, underwriting guidelines, DTI

All House Key loans must be delivered to Idaho Housing and Finance Association. All loans must be eligible for a Fannie Mae, Freddie Mac or Ginnie Mae pool.

Each House Key Program Mortgage Loan must satisfy the following terms and conditions:

Loan Types

Edited 02/12/2020

Fixed rate FHA 203(b), Limited 203(k), 234 (c), HUD 184, VA, USDA Rural Development, and Conventional loans listed below may be originated under the Program.

Fannie Mae Products	**Special Feature Code(SFC)**
HFA Preferred	782
DU Loan	127
Community Land Trust	054
Community Seconds	118
Manufactured Home	235
MH Advantage (Manufactured Home)	859

Freddie Mac Products	**Offering Identifier**
HFA Advantage Mortgage	HFA Advantage or Home Possible Advantage for HFA's

For Fannie Mae HFA Preferred or Freddie Mac HFA Advantage:

Borrowers with incomes at or below 80% AMI:

Fannie Mae's conventional HFA Preferred loans and MH Advantage manufactured homes are eligible up to 97% LTV/105% CLTV with 18% MI coverage, if conventional manufactured home other than MH Advantage max 95% LTV/105% CLTV with 16% MI coverage, and no loan level pricing adjustments. See Appendix III for more information.

Freddie Mac's conventional HFA Advantage conforming loans are eligible up to 97% LTV/105% CLTV with 18% MI coverage, with credit fee in yield specific to the HFA community and elimination of credit fees in price. Manufactured homes are eligible under the program up to 95% LTV/95% CLTV. See Appendix III for more information on Freddie Mac's HFA Advantage loans.

Borrowers with incomes greater than 80% AMI, up to House Key program income limits by county:

Higher interest rates apply, see current rate sheet. Standard MI coverage of 35% will apply to 97% LTV/105%CLTV.

Please see Appendix III for more information on Fannie Mae HFA Preferred and Freddie Mac's HFA Advantage loans.

Loan Amounts

Edited 12/19/2025

Current loan limits of $832,750, and up to $1,063,750 in high cost areas (King, Pierce and Snohomish counties) permitted with no higher balance add-on fee. Maximum loan limit for Freddie Mac HFA Advantage is $832,750.

Loan Underwriting

Edited 11/12/2024

For Fannie Mae HFA Preferred Desktop Underwriter (DU) showing Approve/Eligible findings. DU must be used with Fannie Mae loans, LPA findings will not be accepted. Freddie Mac Loan Prospector (LPA) with Accept recommendations are required. LPA must be used with Freddie Mac's HFA Advantage loans with Accept findings, DU findings not allowed. GUS with Accept/Eligible findings are required.

Manual underwriting is permitted for FHA, VA, USDA and Fannie Mae HFA Preferred Conventional loans in the following cases:

- The loan received an Approve/Eligible findings but requires a downgrade OR Refer/Eligible or Refer w/Caution findings,
- Subject to the following requirements:
    - Using Desktop Underwriter (DU) only for FHA, VA or Fannie Mae HFA Preferred conventional loans. GUS must be used if USDA loan. In all cases lender must follow agency guidelines.

Manual underwriting is not permitted for Freddie Mac HFA Advantage loan.

If none of the borrowers have a usable credit score, borrowers are not eligible for Freddie Mac's HFA Advantage program.

Manufactured homes are permitted for FHA, VA, Fannie Mae HFA Preferred and Freddie Mac HFA Advantage Conventional loans, follow investor guidelines for LTV/CLTV. Manual underwrite is allowed for FHA and VA manufactured homes, follow agency guidelines.

USDA Manufactured Homes are permitted in the following cases:

- Loans must meet USDA manufactured home guidelines.
- Purchase only.
- Minimum FICO, per agency guidelines for all borrowers.
- Age and size of manufactured home must meet USDA guidelines
- Unit must not have had ANY alterations or additions since construction in the factory.
- Leaseholds and Community Land Trusts are not eligible.

  - If New manufactured unit, follow USDA 7 CFR 3555.208 for full program guidelines. Must have AUS Approve/Eligible findings.
  - If Existing manufactured home pilot and in order to qualify as a "pilot" manufactured home the following guidelines apply:
    - Manufactured home must have been constructed on or after January 1, 2006 in conformance with the Federal Manufactured Home Construction and Safety Standards.
    - Manual underwrite required for this program only. Must utilize USDA stacking order checklist for Manual Underwrite and follow all USDA Manual Underwriting guidelines.
    - No Credit exceptions permitted.
    - Debt ratio waivers permitted per USDA guidelines.
    - Unit must have an additional inspection per pilot guidelines.
    - Refer to USDA Existing Manufactured Homes Pilot program at https://www.rd.usda.gov/sites/default/files/RDUL-Sec502-Pilot_0.pdf for more details.

Fannie Mae HFA Preferred conventional manufactured home loans must be underwritten by DU as required in Fannie Mae's selling guide. Per Fannie Mae, an MH Advantage sticker will be affixed to homes that are designed to meet MH Advantage eligibility criteria.

Manual underwriting is not permitted for Fannie Mae HFA Preferred or Freddie Mac HFA Advantage conventional manufactured homes.

Leasehold manufactured homes are not permitted under the program.

Homes in Community Land Trusts (CLTs) are not eligible under Freddie Mac's HFA Advantage conventional program.

FHA Limited 203K loans will be purchased by Idaho Housing and Finance Association prior to the completion of repairs with the following parameters:

- May only be used for minor remodeling and non-structural repairs.
- The total rehabilitation cost must not exceed $75,000. There is no minimum rehabilitation cost.
- All improvements to existing structures must comply with HUD's Minimum Property Requirements and meet or exceed local building codes.
- Time frame for completion of repairs not to exceed nine months.
- Work completed must be on the 203K Limited Eligible Improvement/Repairs list.
- Follow FHA Handbook 4000.1, 203K Limited guidelines regarding reason, type of improvements, time to complete, quality, and post-closing documentation.

- IHFA must handle all disbursements still owing post-purchase.
- Manufactured homes are not eligible under the program.

Loan Term

30 years/360 months, with amortizing payments.

New Financing

House Key Loans must be new loans. Payment or refinancing of other than the initial acquisition cost of the property and related closing costs as part of the Mortgage Loan or within the Mortgage Loan transaction is prohibited. Payoffs required by the underwriter must take place either outside of escrow or be clearly identified in the closing statement as coming from funds provided by the Borrower for that specific purpose.

Total Debt to Income (DTI) Ratio

Edited 04/03/2023

The total debt to income (DTI) ratio acceptable per AUS approve findings and underwriter loan approval, unless further restrictions apply. (No exception).

Credit Score

Edited 06/30/2023

All borrowers with a credit score must meet the minimum representative credit score per agency guidelines, unless further restrictions apply.

For Fannie Mae, A borrower with no credit score may be eligible, follow agency guidelines subject to AUS findings and Mortgage Insurance approval.

For Freddie Mac HFA Advantage conventional program, if all borrowers lack credit scores, loan can be submitted to Loan Product Advisor (LPA) for a decision provided LTV is not greater than 95% with Accept/Eligible findings. Manual underwriting is not permitted.

Use of non-traditional credit is permitted for FHA, VA, USDA and Fannie Mae Conventional loans, if borrower(s) meets agency guidelines.

Verifications of Income

Edited 07/18/2019

Refer to Section 3 for documentation of income requirements under the program. Additionally, follow applicable agency guidelines.

IRS Form 4506-C

Edited 02/04/2021

Completed, signed and dated IRS Form 4506-C is required. Follow agency guidelines.

Tax Returns

Federal tax returns for the last three years are required under the program.

Credit Report

Credit Reports for all borrowers, including non-borrowing spouse are required under the program.

Tax Transcripts

Edited 01/28/2026

Follow agency guidelines for Fannie Mae, FHA, VA and USDA. Tax transcripts are required for Freddie Mac loans.

Payoff of Interim Financing

Program loans may be used to refinance new construction interim financing with a term not exceeding two (2) years. Refinancing an existing loan utilizing Program funds is permitted only under the following conditions:

- The construction loan (interim financing) cannot exceed 24 months.
- The construction financing cannot be contingent upon the Borrower's qualification for a Mortgage Loan, therefore, the Mortgage Lender's construction financing rate is independent. The permanent (take-out) financing will be at the Program rate.
- The Pre-Closing Compliance Review file requires a typed 1003 (unsigned) that reflects the Program rate.

Interest Rate

The Commission announces the Mortgage Interest Rate via Program Announcements and the Commission's Web site at https://heretohome.org/rates/. The Interest Rates may vary for each issue and are subject to change.

Buydowns (Temporary)

Edited 09/28/2026

All temporary buydown requests will incur a 0.50% fee. Temporary buydowns are permitted under the Program for loans serviced by Idaho Housing and Finance Association. Lender is required to calculate and collect required funds, document the file as required and notify the Commission at time of reservation via email to lockdesk@wshfc.org, include the borrower(s) full name, reservation number and the applicable temporary buydown type (3-2-1, 2-1, 1-1 or 1-0).

The 3-2-1, 2-1, 1-1 or 1-0 temporary buydown type is only allowed on conventional and FHA loans.

The 2-1 or 1-0 temporary buydown type is allowed on USDA loans.

Temporary buydowns are not permitted on VA loans.

Buydown funds and buydown fee are netted out by the loan servicer at time of loan purchase. Source of buydown funds as allowed per agency guidelines. The buydown fee will be netted out at time of loan purchase. Commission downpayment assistance funds cannot be used for the buydown funds or buydown fee.

Interest Rate Float Down

Edited 10/29/2025

Interest rate float down is not permitted under the program.

Buydowns (Permanent)

Permanent rate buydowns are **not** permitted under the program.

Property Flipping

Follow specific investor guidelines (Fannie Mae, Freddie Mac, FHA, VA or USDA).

Homebuyer Education

All Borrowers to be listed on the Note and Deed of Trust must attend a Homebuyer Education seminar that has been registered through the Commission and meets standards as set in the Homebuyer Education Section of this Program Manual.

Allowable Fees

Origination and Discount Fees:

The Borrower may pay the total origination and discount fee permitted by the Program as listed on the Website. The loan fee and discount points together cannot exceed the amount shown on our Website except when using conventional mortgages with loan level pricing adjustments or single premium MI programs. The seller is not obligated by Program guidelines to pay any fees typically charged to the Borrower on any other loan program.

Other Allowable Fees:

The fees charged by the lender for loan processing, underwriting, document preparation, etc. may not exceed **$1,800**. Any fees charged exceeding this amount will need to be refunded to the appropriate party prior to purchase of the loan. Financing costs and other fees allowable by FHA, VA, USDA Rural Development, Freddie Mac or Fannie Mae may be charged if such fees are usual and customary settlement costs.

Fees

Idaho Housing and Finance Association will collect the following fees upon loan purchase:

Tax Service Fee $85.00
Flood Certification Transfer Fee $10.00
Electronic Upload Fee $40.00
Program Application fee for downpayment assistance (if applicable) $40.00

Applicable extension fees.

Applicable temporary buydown fee.

These fees will be netted out upon loan purchase.

Non Allowable Fees

The following fee is not allowable:

Amortization Schedule –available for free. If charged, the Mortgage Lender will be required to provide evidence of a refund for the amount prior to loan purchase. Furthermore, Mortgage Lenders cannot charge additional lender fees on any down payment assistance program offered through the Commission.

Mortgage Insurance

All conventional Mortgage Loans with a loan-to-value exceeding 80% must have private mortgage insurance coverage provided by a Fannie Mae or Freddie Mac approved mortgage insurer.

Eligible plans include Monthly MI, Financed MI, Split Premium MI or Single Premium MI.

No Lender Paid MI.

The required percentage of MI coverage is determined by the type, term, and LTV of the loan. All loans require standard MI Coverage according to loan type.

Single premium MI programs are acceptable under the House Key Program using the Fannie Mae or Freddie Mac products listed in Section 2. The Lender must also verify that the loan meets all of the mortgage insurance companies' underwriting requirements prior to closing. All single premiums must be disclosed on the Closing Disclosure statement and not reflected as an increase to the rate. When using this option, the lender will pay the loan level pricing adjustment to the mortgage insurance company at closing and obtain the Mortgage Insurance Certificate for inclusion in the loan purchase file to be submitted to the Master Loan Servicer.

Title Insurance

The title policy must follow all guidelines for the underlying FHA, VA, Fannie Mae, Freddie Mac, HUD, or USDA Rural Development mortgage. The title policy should reference the property address.

Flood Insurance Policy

Edited 9/23/2019

A flood determination must be completed prior to each loan closing. Flood insurance is required on all properties in a designated flood zone. If flood insurance is required on a loan, the Mortgagor shall obtain the flood insurance. The Mortgagor's property or portion of the property may be located in a designated flood zone; however, the improvements (physical dwelling/home) may be on an elevated site making flooding unlikely. In such cases, the Mortgagor may request a Letter of Map Amendment (LOMA). If Federal Emergency Management Agency (FEMA) issues the requested LOMA, the Mortgagor may terminate its flood insurance. All Hazard and Flood Insurance policies must follow guidelines in accordance with the underlying first mortgage underwriting guidelines.

A $10 transfer fee will be required.

Hazard Insurance Policy

Edited 1/28/2026

Hazard insurance coverage must equal the lesser of 100% of the insurable value of the improvements as established by the property insurer or the unpaid principal balance of the first and second (if applicable) mortgage loan amount, as long as it equals the minimum amount—80% of the insurable value of the improvements—required to compensate for damage or loss on a replacement cost basis.

The mortgagee clause on all mortgage policies, binders, and certificates of insurance must show:

HomeLoanServ, ISAOA/ATIMA

PO Box 818009
Cleveland, OH 44181
Fax: 888-218-9257
Email: insdocs8263@oscis.com

Deductibles

The maximum hazard insurance deductible allowed is 5% of the face amount of the policy. For Flood insurance the maximum allowable deductible is the maximum deductible available from the NFIP (currently $10,000).

Power of Attorney

A Specific Power of Attorney is acceptable for the Borrower and Seller if the Specific Power of Attorney references the property, and authorizes the attorney-in-fact to enter into a real estate transaction and to mortgage the property.

The Power of Attorney must:

- indicate clearly that the mortgagor is appointing an attorney-in-fact;
- precisely identify who is being appointed;
- be signed and dated by the borrower;
- be notarized; and
- be recorded prior to, or concurrent with, the security instrument.

A complete legible copy of the Specific Power of Attorney must accompany the Post Closing Compliance Review Mortgage Loan file.

Escrow Holdbacks/Repair Escrow

Edited 08/02/2019

Escrow repairs are permitted in accordance with all Commission loan program guidelines.

With the exception of VA loans, escrow will be allowed for outstanding minor repairs for incomplete construction or for alterations and repairs that cannot be completed prior to loan closing provided the subject property is habitable and safe for occupancy at the time of closing.

IHFA has no overlays with respect to the timeframe for completion of repairs for weather related non-critical repairs.

“Approve/Eligible” or “Accept” findings required for a repair escrow.

Follow investor guidelines regarding reason, type of improvements, time to complete, quality, disbursements, and post-closing documentation. IHFA will purchase the loans prior to completion of repairs. Loans with outstanding escrow repairs must not impact IHFA’s ability to deliver/sell the loan to Ginnie Mae, Fannie Mae or Freddie Mac.

The lender or designated escrow company will be responsible for managing and disbursing the escrow funds. The lender shall deliver loans that were originated in accordance with the first mortgage investor guidelines. The lender or designated escrow company will retain the escrow funds until all improvements have been completed.

Lender to provide IHFA confirmation of all work completed and that escrow funds have been released.

Interest Credits

Edited 9/15/2025

Interest credit allowed up to first 7 days.

Reserve/Escrow Accounts

All Mortgage Loans must have a reserve/escrow account for the collection of hazard insurance, taxes, mortgage insurance premiums and/or risk-based premium, regardless of LTV.

Prepayment Penalty

Mortgage Loans may be prepaid at any time without a penalty.

Assumptions

All first Mortgage Loans originated under the Program may be assumed by a qualified Borrower meeting First-Time Homebuyer requirements and income and Acquisition Cost restrictions in place at the time of the assumption. Such Mortgage Loans must continue to fully comply with Section 143 of the Internal Revenue Code of 1986, as amended and continue to be insured or guaranteed by FHA, VA, or RHS. Please note that conventional fixed rate mortgages are not assumable per Fannie Mae and Freddie Mac guidelines.

Subordinate Financing

All subordinate financing closed in conjunction with a House Key Program Mortgage Loan must meet the underwriting guidelines of the first mortgage type. It is the Mortgage Lender's responsibility to review the Program Description, Note and Deed of Trust for community seconds compliance. The underwriter must show the name of the community second program and verify the program is an approved community second program on the 1008 or HUD 92900-LT.

Maximum CLTV is determined by the first mortgage loan type's underwriting guidelines and is subject to mortgage insurance availability as applicable.

Servicing

All Mortgage Loans must be sold servicing released to the Master Loan Servicer.

Quality Control

The Commission and IHFA from time to time at their sole discretion may request additional documentation from Mortgage Lenders. The Commission will monitor Mortgage Lenders for timely cancellation of reservations, total production levels, length of time to close and deliver eligible Mortgage Loans, participation in Homebuyer Education, level of Borrower complaints, compliance with Program Guidelines and other factors the Commission, at its sole discretion, considers necessary to evaluate effective Program participation.

Qualified Mortgage (QM) and Ability to Repay

Edited 9/15/2025

HFAs are exempt from QM and the Ability to Repay. However, there could be a limit to the allowable points and fee spread. Please refer to your company's internal compliance for further guidance.

Repeat Program Users

Borrowers who have previously benefitted from Commission programs:

If the Borrower wishes to use Commission programs (Home Advantage, MCC, or House Key Opportunity) and has an outstanding Home Advantage or House Key Opportunity loan, the Borrower must pay off the first and second mortgage in full prior to using another Commission program loan.

If the Borrower has an outstanding MCC and wishes to use Home Advantage or House Key Opportunity, the Borrower is no longer eligible for the MCC credit and must sign a notarized affidavit stating the Borrower understands that the Borrower is no longer eligible for the MCC credit and agrees to no longer claim the MCC credit.

If a Borrower's current or prior home was financed through a Commission program loan and is/was subject to a short sale, foreclosure, bankruptcy or deed in lieu, and the Commission suffered or expects to suffer a loss, the Borrower is not eligible to obtain another Home Advantage, House Key Opportunity or MCC Commission program loan until the down payment assistance obligation and any unpaid amount, regardless of whether such amount was discharged, is repaid to the Commission, and all other program requirements have been met.

3 - ELIGIBLE BORROWERS

Edited 10/31/2023

Non Discrimination

All applicants must be considered irrespective of age, race, color, religion, national origin, sex, marital status or physical handicap.

Eligible Applicants

To be eligible for a House Key Opportunity loan, the applicant must be using one of the following downpayment assistance programs: Opportunity, HomeChoice, ARCH East King County, Bellingham, Veterans, or purchasers using community second programs previously used with the House Key Opportunity first mortgage program.

Or

Households purchasing never occupied new construction or in a community land trust (with or without downpayment assistance).

IRS Tax Code Compliance

To be eligible for a Mortgage Loan, the applicant must satisfy the requirements of the IRS Code described in this section. The Commission requires documentation that the loan applicant meets these requirements and is eligible to receive a Mortgage Loan.

Residency Type Requirements

Edited 05/25/2025

In order to be named on the Note and/or Deed of Trust, a person must meet the guidelines established by the loan type originated under the Program.

Documentation Required. The Commission requires the same documentation used to meet the guidelines established by the loan type originated under the Program.

Eligible borrowers are either U.S Citizens or Permanent Resident as follows:

• **U.S. Citizen:**
The borrower must have a valid social security number and be a citizen of the United States or of a U.S. Possession or Territory. Borrower(s) photo identification documents must also be provided to review and ensure identity and compliance with the US Patriot Act.

• **Permanent Resident:**
A borrower with lawful permanent resident status provided the borrower satisfies the same requirements, terms and conditions as those for U.S. citizens.

• **Non-Permanent Resident:**
Follow applicable agency guidelines.

Lender is responsible to document lawful residence status with the required documentation in post package file to the loan servicer, per investor guidelines. If documentation is not acceptable loan may be subject to repurchase by the lender.

Occupancy Requirement

All Borrowers must occupy the Single-Family Residence as their personal principal residence within 60 days from the date the Mortgage Loan is closed. At no time can the Single-Family Residence be used as an investment property, vacation or recreational home.

Documentation Required. At loan application, the Borrower(s) signs the Addendum to Residential Loan Application whereby the Borrower(s) attests that the Single-Family Residence intended to be purchased will be used as a personal principal residence.

First-Time Homebuyer Requirement

Edited 05/25/2025

The Borrower(s) must be a First-Time Homebuyer unless the Single-Family Residence is located within a Targeted Area or the Borrower is a Veteran. A First-Time Homebuyer is defined as someone who has not owned and occupied a primary residence at any time in the three years preceding the closing of the Mortgage Loan. Please see Appendix IV for further information on the Veterans Exception.

A Borrower may qualify if they owned other property such as vacation property, a recreational vehicle, a mobile home (not affixed to real property and for which they paid no property tax or claimed a mortgage interest deduction), or if they inherited property in which they did not reside.

Documentation Required. The primary form of documentation is the federal income tax returns for the last three years submitted by the Borrower(s) at loan application. The Mortgage

Lender must examine the returns to determine that no mortgage interest or real estate tax deductions were taken. Credit reports for borrower(s) and spouse are also required to document first-time homebuyer status. The Mortgage Lender must examine credit reports for no outstanding or prior mortgages.

Definition of Household Size

Household size includes all persons who will permanently reside in the Single-Family Residence.

Household size does not include:

- dependents that are claimed on tax returns, but will not permanently reside in the home.

Household size does include:

- non-borrowing co-habitants that will reside in the Single-Family Residence (income must also be included in Annualized Gross Household Income for persons 18 years of age or older);
- persons who are full-time household occupants regardless of age;
- children expected to be born to a pregnant woman;
- children in joint custody arrangements who are present in the household 50% or more of the time;
- children who are away at school and who live at home during recesses.

Calculation of Income

The income calculation described below for the purpose of determining Program loan eligibility for federal tax purposes is an entirely different process than the one used for credit underwriting.

The income used for Program purposes is the anticipated (future) income for the 12 months following Mortgage Loan closing. The income used to qualify the Borrower(s) for credit underwriting may not exceed the income used to qualify for Program compliance. (Exception: foster care payments may be used for credit underwriting even though they are excluded for Program loan eligibility. See also "Examples of Income to Include or Not to Include" in this Section.).

The household income of a Borrower is referred to as the Borrower's "annualized gross (before any taxes or deductions) household income." Annualized Gross Household Income is defined as the Borrower's gross monthly household income multiplied by 12. Gross monthly household income is the sum of: monthly gross pay; any additional income from overtime, part-time employment, bonuses, dividend, interest, royalties, pensions, IRAs. 401(k) plans, Veterans Administration (VA) compensation, net rental income, etc.; and other income (such as alimony,

child support, public assistance, sick pay, social security benefits, unemployment compensation, income received from trusts, and income received from business activities or investments.)

Income from all sources must be verified and included when calculating an applicant's gross monthly household income. The income of all residents 18 years or older (related and unrelated) must be included in the calculation of Annualized Gross Household Income and may not exceed the Program limits established by the Commission at the time of loan closing. These limits are located under the heading "Maximum Total Annual Income" in this section of the Program Manual.

To determine Annual Gross Household Income for full-time employment, multiply

- hourly wages by 2080
- weekly wages by 52
- bi-weekly wages by 26
- semi-monthly wages by 24
- monthly wages by 12

To determine Annual Gross Household Income for less than full-time employment, multiply:

- hourly wages by the number of hours the person is expected to work per week x 52.

If a range of hours is given, you must use the highest number of hours. If this puts the household over income, you may need to contact the employer and clarify.

If the hours are irregular, average the number of regular hours at current regular pay rate and average the overtime hours times current overtime rate.

Current Period

Lenders must determine the household earnings for the "current period." The "current period" begins with the pay period prior to the date of loan application and ends at loan approval.

Documentation of Income

Edited 07/18/2019

In order to accurately determine "current period" income, all income earners in the household 18 years of age or over must provide paycheck stubs or other earnings statement for each source of income for each household resident 18 years of age or over preferably within the 30 day period prior loan closing.

The purpose of these earnings statements is to accurately delineate the current household earnings for a minimum of one pay period.

A full written Verification of Employment for the Borrower(s) and all income earners (regardless if on Note and Deed of Trust) in the household 18 years of age or over from current employer(s)

is also required to verify pay raises, bonuses, overtime, and hours worked per week. Paycheck stubs do not always provide this breakdown of information.

Mortgage Lenders must include a copy of the calculation if income is from a source other than a monthly salary.

Maximum Total Annual Income

Edited 09/15/2025

To be eligible for a Program loan, an applicant's Annualized Gross Household Income must not exceed the following Program income limits at the time of loan closing:

COUNTY	NON-TARGETED		TARGETED	
	1-2 persons	*3 or more persons*	*1-2 persons*	*3 or more persons*
Clark / Skamania	$118,000	$135,000	$130,000	$150,000
Pierce	$130,000	$155,000	$130,000	$155,000
Kitsap	$118,000	$135,000	$130,000	$150,000
King/Snohomish	$175,000	$200,000	$175,000	$200,000
All Other Counties	$118,000	$135,000	$130,000	$150,000

Examples of Income to Include or Not to Include

The following guidelines are provided as a general computational aid and may not apply to all situations. Please call the Commission for assistance whenever in doubt as to the correct way to calculate income.

1. **Overtime:** Income earned from overtime will be included if the Borrower has a history of such income or if the income was earned during the "current period." The Mortgage Lender must not include more overtime income in qualifying the Borrower for the Mortgage Loan than is used in determining income for Program compliance.

   To calculate overtime for compliance purposes, first consider the amount earned during the "current period" and annualize it. If the Borrower claims that the overtime earned in the "current period" is excessive or unusual, the Mortgage Lender may average the number of hours of overtime worked during the previous two years. Multiply the

average monthly hours by the current rate of overtime pay and use that figure for overtime earnings.

2. **Bonus:** The gross amount of a recurring bonus before any payroll deductions is to be included in the income calculation when the following applies:

   a) The bonus is part of a collective bargaining agreement and must be paid; or
   b) The bonus is included in the computation of income by the employer; or
   c) There is a history of bonuses.

   If the information is available, the amount of the bonus income to be included for compliance is the bonus paid or payable for the calendar year in which the loan is closed.

   If there is a history of bonuses but the applicant does not know if a bonus is planned, nor does the employer divulge its plans for a bonus nor the projected bonus amount, the Mortgage Lender is to use an average of past years' bonuses to calculate income. A bonus history for tax compliance purposes is to be considered one year or more.

3. **Commissions:** Income derived from commissions should be based on the "current period" unless evidence is provided which justifies averaging the commissions. Under normal conditions, an individual who earns income based on commissions expects that his income will increase over time.

4. **Military Pay:** Include all regular pay, special pay, and allowances of a member of the military (whether or not living in the Single-Family Residence). Do not include special pay to a family member serving in the Armed Forces who is exposed to hostile fire.

5. **Self-employment:** The procedure for calculating Annual Gross Household Income for self-employed applicants is the same as under FHA, VA or Fannie Mae underwriting guidelines. As in standard underwriting, depreciation and depletion are to be added back to determine annual income. Tax returns, a current financial statement, and a self-employed cash flow analysis are required for all self-employment applicants. Two years signed corporate or partnership tax returns are required in addition to personal returns. In the case of negative income, self employment income is reflected as $0.00.

   Many applicants who are employed by others are also self-employed. These applicants derive their primary income from wages but also generate additional income from side jobs or consulting. Mortgage Lenders should watch for all types of self-employment (i.e., 1099 income received from an employer run through Schedule C, Form 2106, etc.)

6. **Child Support:** If a divorce decree states that child support is due to the applicant, then child support must be added to the Annual Gross Household Income for compliance purposes. Child support documentation is required. The only exception to this rule is if the child support is scheduled to come to the applicant through the courts or Department of Social and Health Services, and that agency provides written verification that the funds have not been received for six months or more.

7. **Alimony:** Alimony or separate maintenance payments received by the applicant must be taken into account in calculating income.

8. **Periodic Payments** – Payments received from social security, annuities, insurance policies, retirement funds, pensions, disabilities, or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for delayed start of a periodic amount are included as income, except for deferred periodic amounts from supplemental security income and social security benefits that are received in lump-sum amounts or in prospective monthly amounts. These amounts are not grossed up for compliance purposes.

9. **Adoption Assistance Payments**: Adoption assistance payments in excess of $480 annually per adopted child are excluded from gross monthly household income.

10. **Foster Care Payments:** Payments received for the care of foster children are excluded from gross monthly household income. (See also "Foster Care in Home" in Section 4, Property Requirements.)

11. **Full-Time Student, 18 Years or Older:** Exclude earnings in excess of $480 annually for each full-time student 18 years or older from gross monthly household income unless that person is the head of household, spouse or co-head.

12. **Rental Property or Contract Income:** Net rental income is to be included. The use of standard underwriting criteria and procedures to document this income is acceptable. Depreciation should be added back to the net rental income where applicable. The standard vacancy factor for FHA, VA or Conventional loans is acceptable when calculating net rental income.

    Contract income must be included. If there is an underlying mortgage, the Mortgage Lender may use the net amount in calculating Annualized Gross Household Income.

13. **Gambling Winnings:** Money from gambling is considered to be income. One time gambling winnings should not be included as income and should be included when determining income from assets (See Income from Assets)

14. **Education Grants:** All forms of student financial assistance (grants, scholarships, educational entitlements, work study programs, and financial aid packages) are excluded from annual income. This is true whether the assistance is paid to the student or directly to the educational institution.

15. **Car Allowance:** Income received from employers for car allowance must be included in Annualized Gross Household Income if the applicant has no accounting responsibility to the company.

16. **Moving Expenses:** Moving expenses paid by the employer will not be considered as income if documented by the employer as reimbursement only. Do not deduct from income, any moving or relocation expenses not paid by the employer.

17. **Capital Gains/Losses:** Both the taxable and non-taxable portions of capital gains are to be included as income if a history of this income exists. If the two year average results in a gain, then it must be added to gross monthly household income, and losses are to be disregarded. Losses cannot be used to reduce gross monthly household income.

18. **401(k):** The funds that the applicant contributes to a 401(k) savings plan are not taxable earnings and as such are not usually reflected in year-to-date earnings on pay stubs.

    These savings plans are voluntary and are actually a part of the applicant's earnings. When the Mortgage Lender calculates earnings the savings contribution must be added to the year-to-date figures.

19. **Lump Sum Payments:** Lump sum payments, including but not limited to, inheritances, re-enlistment bonuses, lottery winnings paid in one payment, and disbursements from insurance policies do not have to be included in Annualized Gross Household Income. Lump Sum payments should be included when determining income from assets (See Income from Assets). If the income is received in any other form other than lump sum (i.e., monthly, quarterly, or annually) it must be treated as permanent income and added to the Annualized Gross Household Income.

20. **Inheritance and Trust Income:** Income received from inheritances and trust funds will be regarded in the same way as all other income. If the distribution is made from an inheritance or trust fund in a lump sum, it will not be considered as part of Annualized Gross Household Income. If the distribution is other than a lump sum (annual, quarterly, or monthly), it will be added as part of Annualized Gross Household Income.

21. **Income from Assets:** Interest, dividend and royalty earnings are considered income. The cash value of all assets (including 401(k)'s, pension, retirement, CD's, annuities, stock, etc.) must be verified and listed on the Loan Application. The cash value is the total value less any penalties and fees for early withdrawal. Retirement accounts are included as assets only if the money is accessible, even though a penalty may be assessed. Do not include a retirement account if the funds are accessible only upon retirement.

    If it is estimated that the applicant will have $5,000 or more in the cash value of their assets at closing, after downpayment and closing costs, calculate the earnings at an interest rate based on HUD's passbook rate at the time the application is taken. Use the higher of this calculation or the actual income earned.

22. **Withdrawal of Cash or Assets:** Withdrawal of cash or assets from an investment (i.e. pensions and stocks) received as periodic payments should be counted as income unless the applicant can document that the amounts withdrawn are reimbursement of

amounts originally invested. However, annuity or interest payments from an investment are considered income (See Income from Assets.)

23. **VA Disability Benefits:** All Veterans Administration service-connected disability benefits are excluded from income determination.

Borrower/Co-Borrower

For purposes of this Program, any person who signs the Mortgage Note, Deed of Trust and/or takes title to the Single-Family Residence is considered a "Borrower/Co-Borrower".

Co-Signer/Guarantor

The Commission defines a co-signer as a person who signs the Note, may or may not take title to the property, and is only responsible for payments if the primary Borrower does not make the payments. The Commission will not accept non-occupant co-signer(s) or non-occupant co-borrower(s).

Married Individual Taking Title in Separate Estate

The spouse of a Borrower does not have to take title to the property. However, the spouse's income must be included on all Program documents and the spouse's tax returns for the past three years, paystubs, credit report and full written VOE must be included with the pre-closing compliance package regardless of occupancy.

If the Borrower is legally separated, the Mortgage Lender does not include the spouse's income and does not need their tax returns.

4 - PROPERTY REQUIREMENTS

Edited 12/13/2022

In General

Only one-unit Single-Family Residences located in the state of Washington may be financed under the Program.

Qualifying Single-Family Residences

Edited 6/9/2020

One-unit single-family detached, attached, condos, PUD's and manufactured homes that do not violate the conditions in the Non-Qualifying Residences guidelines below and are acceptable to FHA, VA, Rural Development requirements, Freddie Mac and Fannie Mae and the approved Fannie Mae or Freddie Mac PMI provider, as applicable, are acceptable under the Program. Accessory Dwelling Units (ADU) are accepted if not used for rental purposes with documentation in the file and if they are appraised as a 1-unit property.

For FHA: Single-unit condominium project approval is acceptable under the program, follow agency guidelines.

Homes in Community Land Trusts (CLTs) are not eligible under the Freddie Mac HFA Advantage program.

Non-Qualifying Residences

Properties are <u>not</u> considered Single-Family Residences if they:

- Have an Accessory Dwelling Unit which is going to be used as a rental.
- Have excess land value. Qualifying land is the lesser of that necessary for basic livability or two acres.

Non-qualifying properties include duplexes, triplexes, recreational, seasonal or other types of vacation or non-permanent homes.

Manufactured Homes

The home must meet all underwriting guidelines established by FHA, VA, USDA, or Fannie Mae HFA Preferred Conventional. No borrower contribution required. Manufactured homes are eligible with Freddie Mac HFA Advantage conventional program up to 95% LTV/95% CLTV.

Eligible Land

The land on which the Single-Family Residence is located must be the lesser of the size required to maintain basic livability or two (2) acres. Local zoning requiring more than two acres supercedes the federal two-acre requirement. Homeowner Association requirements do not supercede the federal two-acre requirement.

Acquisition Costs

Edited 10/10/2022

Sales price and Acquisition Costs may be different. Acquisition Cost includes the sales purchase price of the home, plus any leasehold value, and any additional expenses assumed by the Borrower or others (i.e. Mortgage Lender, Realtor, etc.) which are not typical borrower costs or fees. Fees, or repairs paid for by the seller are not included in the Acquisition Cost. If any repairs are to be paid for by the Borrower or others (i.e. Mortgage Lender, Realtor, etc.) prior to closing or included in the settlement cost, those costs must be included in the Acquisition Cost. Items of personal property sold by the seller to the Borrower at a cost which is higher than the market value are included in the Acquisition Cost.

> **Example:** The buyer and seller agree to a purchase price on the contract. They also agree that the buyer will pay other fees normally charged to the seller (i.e., Realtor commission or property excise tax) or that the buyer will pay for a new roof or other repairs (whether required by the Mortgage Lender or not). In this example, the Acquisition Cost is the sum of the purchase price plus the additional costs assumed by the buyer basically for the benefit of the seller. The total cost of the commission or excise tax, and/or the roof is added to the purchase price to equal the Acquisition Cost.

The total Acquisition Cost of the Single-Family Residence will be verified using the Purchase & Sale Agreement, including all addendums and agreements, Appraisal and the Final Closing Disclosure.

The total Acquisition Cost may not exceed the Program maximums for the county in which the property is located. (See the end of this Section for the maximum income limits by county.)

New Construction

The total cost of construction must be included in the Acquisition Cost as documented by the Purchase & Sale Agreement, including all addendum, construction contracts/breakdown, appraisal and Final Closing Disclosure. The total Acquisition Cost must not exceed the Acquisition Cost limit in effect at loan closing.

If the site has been owned by the Borrower(s) for at least two (2) years before the date on which construction of the Single-Family Residence begins, the site cost may be excluded from the Acquisition Cost. If the Borrower(s) own the land, the land may be used as down payment for construction, but should remain in the name of the Borrower(s).

Business Use of Home Restrictions

No more than 15% of the square footage of the home being purchased may be used in connection with a trade or business. With regard to all types of child care services, the Commission's guidelines dictate that the Borrower does not qualify if any one of the following criteria apply:

1. Income from child care is greater than 10% of the Borrower's Annualized Gross Household Income;
2. Child care is provided for more than one additional child outside of the provider's own children; or
3. The Borrower(s) is a licensed child care provider.

Foster Care in Home

House Key Mortgage Loan applicants who provide foster care to children in their home and neither include foster care payments in their income nor take deductions for foster care costs under current tax laws are eligible for a House Key Mortgage Loan. Applicants who meet this definition must sign an Affidavit Regarding Foster Care Payments (15.6.3) as an acknowledgment of these requirements. Eligibility is determined by the signing of this affidavit.

Applicants who provide foster care services and receive payments that must be included in their income and/or take deductions for foster care costs under current tax laws may not be eligible for a House Key Mortgage Loan. Please call the Commission to discuss potential eligibility for the program on a case by case basis (See also Section 18, Appendix I).

Appraisals

Appraisals must be in compliance with FHA, VA, Fannie Mae, Freddie Mac or USDA Rural Development guidelines. Appraisals must have interior and exterior inspections.

If the appraised value is less than the purchase price of the property, the Borrower(s) must provide written acknowledgment they have received a copy of the appraisal and are aware they are paying more than the current established value of the home. If the purchase price exceeds the appraised value by more than $1,000, the Commission may require additional information (i.e., narrative from the underwriter noting the differential, that the negative impact to the Borrower has been appropriately addressed and that the transaction makes sense for the Borrower(s).

Property/Home Inspections

Edited 12/16/2024

All properties must have a home inspection unless a 1 year home warranty is provided by the builder. The property must have a property inspection within the most recent 6 months of the date on the fully executed purchase and sale agreement.

The purpose of the inspection is to inform the Borrower of the existing condition of the property so they may properly budget for future possible upgrades and/or replacement of noted deficiencies.

The inspection must be completed by a licensed Washington State Home Inspector. Pest and appraiser inspections cannot be used in lieu of property inspections.

Inspections must cover the entire home and any attached or detached structures on the property which are given value by the appraiser. The full written inspection must itemize all areas inspected and the results of the review.

A paid receipt of the inspection or similar documentation referencing the property address, borrower(s) name and date of the inspection must be in the loan Pre-Closing Compliance file. A copy of the inspection for the file is not necessary. In addition, any inspection required by the appraiser must be included in the loan file.

Verbal inspections are not acceptable under the program.

Maximum Acquisition Cost

Edited 09/15/2025

The maximum Acquisition Cost for a Single-Family Residence must not exceed the following amounts:

COUNTY	NON-TARGETED	TARGETED
Clark / Skamania Counties	$550,000	$625,000

Island/Kitsap/Skagit/Thurston Counties	$550,000	$625,000
King /Pierce / Snohomish Counties	$725,000	$775,000
Whatcom County	$600,000	$675,000
All other Counties	$500,000	$550,000

PAGES THAT FOLLOW PROVIDE MAPS OF TARGETED AREAS

"New"construction for purposes of applying the Acquisition Cost limit means residences completed no more than 24 months prior to closing which have never been previously occupied.

Target Areas

Edited 3/22/2024

Target Area means the areas within the State which are set forth in the Program Manual as Qualified Census Tracts. A Qualified Census Tract is an area which at least 70% of the population of Washington makes 80% of the areas' median or an area of "chronic economic distress" as designated and approved in accordance with the Internal Revenue Code of 1986. The Code requires that the Commission make a portion of the funds available to finance Single-Family Residences in the Target Areas for a period of at least one year. Those counties which contain Target Areas are shown below:

COUNTY	CENSUS TRACTS
Adams	9503.01
Asotin	9603.00, 9604.00
Benton	0102.04, 0112.01, 0112.02, 0114.01
Chelan	9602.03, 9603.01, 9611.01
Clallam	0010.00, 0021.00, 9400.00
Clark	0410.05, 0411.11, 0411.13, 0412.07, 0413.13, 0417.00, 0418.00, 0427.00
Cowlitz	0005.02, 0006.01, 0007.05, 0011.00, 0013.00, 9800.00
Douglas	9501.02
Franklin	0201.01, 0202.01, 0203.00, 0204.02, 0204.04
Grant	0109.03, 0111.02, 0114.05
Grays Harbor	0002.01, 0010.00, 0012.00
Island	9707.00, 9709.00

Jefferson	9506.03
King	0091.00, 0112.00, 0260.03, 0265.00, 0290.04, 0295.06, 0303.13, 0308.01
Kitsap	0801.02, 0802.00, 0808.00
Kittitas	9751.02, 9751.03
Klickitat	9501.03
Lewis	9707.00, 9720.00
Mason	9602.01
Okanogan	9402.00, 9703.01, 9703.02, 9705.00, 9708.00
Pacific	9506.00, 9507.02
Pierce	0614.00, 0633.02, 0716.04, 0717.03, 0717.04, 0717.06, 0718.06, 0718.07, 0718.08, 0720.00, 0729.07, 0729.08, 9400.06
Snohomish	0402.00, 0419.04, 0419.06, 0514.01
Spokane	0002.01, 0002.02, 0003.01, 0003.02, 0004.00, 0012.00, 0014.00, 0015.00, 0016.00, 0020.00, 0024.00, 0025.02, 0026.00, 0032.00, 0040.01, 0040.02, 0111.04, 0112.03, 0117.02, 0130.02, 0138.00, 0145.00
Stevens	9410.00, 9509.00, 9511.00, 9514.01
Thurston	0105.10
Walla Walla	9205.00
Whatcom	0002.01, 0002.03, 0101.02
Whitman	0001.00, 0005.00, 0006.01
Yakima	0001.00, 0002.00, 0003.01, 0003.02, 0006.00, 0007.00, 0009.02, 0012.01, 0012.02, 0013.00, 0015.02, 0015.03, 0015.04, 0018.02, 0019.01, 0019.02, 0020.03, 0027.01, 9400.05, 9400.06, 9400.07, 9400.08

To access census tract information for a particular property go to the FFIEC.gov Geocoding system website, at the top click the current year from the dropdown menu then input the property address, city and state, then hit Enter. Compare the Tract Code to the Target Area list on our website or the chart above to determine if the property is in a target area or not.

5 - RECAPTURE TAX

Edited 03/01/2018

Background

The Internal Revenue Code of 1986 established the recapture tax requirement for all loans closed after January 1991. The recapture tax requires certain borrowers to repay the government a portion of their gain upon the sale of the home if they financed their home with a mortgage loan from the proceeds of a tax-exempt bond.

Application of Tax

The recapture tax is assessed only under the following circumstances:

- The home is sold or otherwise disposed of during the first nine years of ownership;
- The Borrower's income increases each year by 5 percent above the maximum federal income limit at the time of purchase; and
- The Borrower realizes a gain upon the sale of the home.

Because all of these events must occur for any tax to be paid, it is unlikely that most Borrowers will pay a recapture tax.

In the event that a recapture tax is due, it will be only a portion of the Borrower's gain on the sale of the home. The law states that the maximum recapture tax is either 50% of the gain on the sale or 6.25% of the original loan amount, whichever is less.

Refinancing

If the Borrower refinances their loan which is subject to recapture tax, the refinancing does not trigger the calculation of recapture tax because the property has not been disposed of or sold.

Borrower's Responsibility

All Borrowers will need to complete IRS Form 8828, Recapture of Federal Mortgage Subsidy, when they file their federal income taxes for the year in which the home is sold or disposed of. This form calculates any recapture tax that may be due. Borrowers having specific questions regarding the correct completion of this form should contact the IRS for assistance.

Lender's Responsibility

At loan application, it is the Mortgage Lender's responsibility to make the applicant aware of the federally-imposed recapture tax by presenting to the applicant for signature the Notice to Buyers (Form 15.7). This form is included in the Forms section of this Program Manual. A copy of this form is provided to the applicant and the original form is submitted with the Pre-Closing Compliance Review file.

A sample worksheet entitled Notice to Mortgagor of Information Regarding Potential Federal Subsidy Recapture Tax (Form 15.10) should be attached to the applicant's copy of the Notice to Buyers form. This worksheet shows an example of how to calculate the recapture tax based on the total amount of federal subsidy the Borrower receives.

At loan closing, the Mortgage Lender must have the Borrower(s) sign the Notice of Potential Recapture Tax on Sale of Your Home (Form 15.14). This form, included in the Forms section of this Program Manual, once duly executed is submitted with the Post Closing Compliance Review loan file and a copy is provided to the Borrower.

If the Mortgage Lender does not sell the Mortgage Loan to the Commission, the Borrower must be notified that the recapture tax provisions no longer apply. A Notice of Cancellation of Recapture Tax form (Form 15.29) is provided in the Forms section of this Program Manual. This form must be provided to the Borrower on the Mortgage Lender's letterhead if the Mortgage Loan is not purchased by the Commission.

Commission's Responsibility

Within 90 days after loan closing the Commission will provide a notice to the Borrower detailing the recapture tax calculation.

6 - HOMEBUYER EDUCATION

Edited 01/3/2023

Policy

All Borrowers listed on the Note and Deed of Trust need to complete a Homebuyer Education Seminar registered through the Commission that meets the standards stated in this section. Potential homebuyers must each have their own individual Completion Certificate before reservation of funds for Commission Programs. If a reservation of funds is made before the borrower(s) take a Commission sponsored homebuyer education course, the current reservation will be considered invalid and will be subject to worse case pricing. No Exceptions.

Completion Certificates remain valid for two years and if lost can be re-issued so long as the Commission's database of seminar participants confirms attendance. Instructors will be limited to teaching no more than 2 classes per week and no more than 1 class per day. All instructors are required to stay for the entire class time.

Seminar Instructors

All seminar instructors must complete the Commission's Program and Homebuyer Education Instructor training. Additionally, it is recommended that seminar instructors have a minimum of two years residential mortgage lending experience. All seminars must be co-instructed by a lending professional and a real estate professional who have attended the Commission's Program and Homebuyer Education Instructor training. Two exceptions exist:

- In outlying areas where there are no real estate professionals, real estate professionals who have not attended Commission's Program training may be invited as guest speakers only. Advanced approval by the Commission is required.
- Nonprofit 501(c) 3 organizations conducting seminars are highly encouraged to include Commission trained real estate professionals, but are not required to include them.

To remain eligible to teach our seminars, real estate professionals and nonprofit 501(c) 3 organizations need to annually co-instruct with a Commission trained lender at least one Commission sponsored seminar. Mortgage loan originators need to annually close and have purchased by the Commission a minimum of one Commission Program loan.

Seminar instructors have the option of teaching an in-person or virtual class. Hybrid classes are not permitted.

Prior to registering your first virtual homebuyer education class, **each** instructor will need to do the following:

- **Virtual Class:** Before you use Zoom (or another virtual classroom platform) the first time for your classes, **each** instructor will need to email Corinna Obar and explain in writing:

    1. How you will gather contact and demographic information for each attendee to be forwarded to us after the class;
    2. How you will ensure that each attendee is present for the full 5 hours;
    3. How you will ensure that each attendee receives their certificate.

Instructors Who No Longer Work for a Participating Lender

Previously Commission trained lending instructors who move to Non-Participating Commission Programs lending institutions may temporarily continue to teach homebuyer education until their new company is approved as a participating lender. If new lending institution is not eligible to participate, you cannot teach our seminars. The instructor must receive permission from the Commission in advance and must teach with a Commission trained real estate professional or nonprofit. The Commission will not be able to publicize these seminars on our Website.

Seminar Format

The Commission requires all seminars offered contain the following elements:

- free of charge
- open to the public.
- a total minimum seminar time of five hours of actual class time, plus breaks
- unbiased format
- effective coverage of **ALL** subjects listed under "Seminar Curriculum" located in this section of the Program Manual.

Seminar instructors may coordinate guest speakers to present specific topics such as credit, property inspections, etc. The purpose of the seminars is to present information in an unbiased learning environment.

Instructors may place business cards at a central location. **Sales presentations are prohibited**.

Seminar Curriculum

The Commission developed and utilizes homebuyer education minimum benchmark standards as outlined in the National Industry Standards for Homeownership Education to ensure all participants receive the necessary information to become informed homeowners. The below standards apply to all Commission-sponsored Homebuyer Education seminars.

1. Advantages/Disadvantages of Owning a Home
2. Steps to Homeownership
3. The Players in the Homebuying Process
4. The Benefits of Getting Loan Pre-Qualified & Pre-Approved Before Searching for a Home
5. Shopping for a Lender
6. How Much Can You Afford? Risk Layering and Compensating Factors
7. Identifying Credit Issues and How to Address Them
8. How Much Money Will You Need?
9. Selecting a Loan Program and How Downpayment and Past Credit Affect Loan Choices
10. Secondary Market Explanation
11. Budgeting/Saving for the Downpayment and Closing Costs
12. How to Shop for a Real Estate Professional – Understanding Agency Representation
13. Selecting a Home and Negotiating a Purchase Price
14. The Importance of a Home Inspection
15. Commission program overview including Home Advantage, downpayment assistance options, House Key program – Recapture Tax, Occupancy and Property Restrictions
16. The Loan Closing – What to Expect, Review Sample Loan Documents
17. Foreclosure Prevention and Early Delinquency Intervention
18. Home Maintenance
19. Consumer Protection Resources
20. Community Resources for Further Counseling or Other Assistance.
21. Fair Housing
22. Predatory Lending
23. How Going Green Saves Money

Interpreters

The Commission pays for the use of ASL interpreters if sufficient notice is given (6-8 weeks), subject to cost and availability of funds.

Seminar Workbooks

The Department of Financial Institutions (DFI) provides free participant workbooks. DFI no longer provides physical workbooks. Instructors may download the Guide to Home Loans workbook at: https://dfi.wa.gov/publications

Commission Provided Materials

The Commission's Participant Registration Forms, brochures, evaluation forms, and Completion Certificates are required for use in all registered seminars. These documents are provided by the Commission. When the instructors registered seminar is approved, the Certificate, participant registration and evaluation forms will be emailed to the instructors shortly after receiving class approval. The instructors are responsible for providing the required participant registration and evaluation forms and certificate to each attendee. The certificate must be signed by all instructors.

The instructors are responsible for having all required forms from the Commission in advance of the seminar.

Additional handouts on a variety of homebuying topics as well as the Commission's programs are available upon request or on the Web site.

Seminar Arrangements

Edited 11/5/2020

Please see our instructor information page with links to registration form. Please register each seminar online at the Commission website at least **six** weeks in advance. It is the instructor's responsibility to register and have their seminar approved by the Commission in advance. The Commission cannot retroactively sponsor a class, no exceptions. It is the instructor's responsibility to check the Commission's Website approximately one week after registration to make sure all information is correct.

When a seminar's date or location change, please cancel the first seminar and submit a new online registration with the new information using the links under "Homebuyer Education Seminar Set-Up for Instructors." A new class number will be assigned to the new registration. If the class has a time change or an instructor change, please submit a registration using the **UPDATE** button.

At the seminar, please make sure all participants **complete** all questions on the Participant Registration Form. If the seminar is an in-person seminar, please make sure all participants write legibly with a ballpoint pen prior to issuing a completion certificate. Blue or black ballpoint ink is recommended. Be sure the class control number and seminar date are correct.

At the end of the seminar, ask participants to complete the evaluation form. Return the routing slip, completed evaluation forms and Participant Registration Forms to the Commission via regular mail or via email to semsetup@wshfc.org.

Seminar participants are **not** to be contacted after the seminar unless you have written permission from the participant to do so. Instructors should not be interfering with any existing working relationships.

Issue a separate, signed and completed Completion Certificate to each individual participant who completes the Participant Registration Form and finishes the 5 hours of classroom instruction. Discard leftover Completion Certificates and evaluations. Seminar instructors should inform participants of their need to provide a copy of their Completion Certificate to their loan officer for Commission's first mortgage programs or other Community Homebuyer type loans.

For additional help, please see the Seminar checklist at the end of this section when setting up a homebuyer education seminar.

Publicity

The Commission maintains a Homebuyer Education Seminar Schedule and makes it available to the general public. All seminars are posted to the seminar schedule on our Web site within 60 days of the seminar unless special circumstances exist and are pre-approved by the Commission.

Instructors are encouraged to also publicize seminars on their own. **Usage of the Commission's logo is prohibited.** A homebuyer education icon and mandatory disclaimer have been developed for use by instructors. Please contact the Homeownership Manager for further information on name and icon usage. Any advertising using our name and showing the language "seminar sponsored by the Washington State Housing Finance Commission," must be approved by the Homeownership Manager prior to use.

Online Course Homebuyer Education Policy

Edited 09/01/2021

The homebuyer is highly encouraged to take a free virtual or in-person seminar as listed on our Website. If the homebuyer is unable to take a virtual or in-person class, they can also take the online self-study course offered on the Commission's website. The loan officer will direct their homebuyer to our website at www.ehomeamerica.org/wshfc. Each homebuyer will log into the course individually by creating their own username and password. Upon successful completion of the course, each homebuyer can print out a Certificate of Completion. The cost is $50.00 per person and the course will take approximately 6-8 hours to complete. The loan officer will enter the certificate number (s) into the reservation system. This course linked to our website is an online course accepted by the Commission.

On-line eHomeAmerica Certificate of Completion issued by HomeSight, Community Frameworks, NeighborWorks of Grays Harbor County or Homestead Community Land Trust are acceptable by the Commission, provided each borrower has their own separate certificate with a separate certificate number. These on-line courses may be at a higher cost and additional requirements may be needed. The Commission does not accept any other certificates including

those from mortgage insurance companies, Framework and CreditSmart. There are no exceptions to this policy.

Disciplinary Action

All Instructors have signed and agreed to the Commission's "Standards of Performance" at training. Instructors not following our "Standards of Performance," ethical standards, policies, and format will not be eligible to teach Commission sponsored homebuyer education seminars. At the Commission's sole discretion, we reserve the right at any time to permanently discontinue sponsorship of a particular instructor's seminar or to deny an instructor access to Commission training programs based on their lack of adherence to our guidelines.

Seminar Checklist

6-8 WEEKS MIMINUM BEFORE SEMINAR

- ☐ Determine Seminar Location
- ☐ Schedule Seminar Date & Time
- ☐ Initiate Marketing Plan to Advertise Seminars.
- ☐ Forward marketing materials to Commission prior to distribution for approval when using our name in advertising
- ☐ Select & Review Curriculum
- ☐ Determine Guest Speakers
- ☐ **Register Seminar with the Commission on-line at https://hbed-reg.wshfc.org/**
- ☐ **Check for Seminar Approval Email**
- ☐ Check Commission Website within one week of registration for accuracy and notify Commission of any changes to seminar
- ☐ **Arrange for ASL Interpreters with Commission (if needed)**

4-5 WEEKS BEFORE SEMINAR

- ☐ Start Your Agenda
- ☐ Practice Your Presentation
- ☐ Set up Internal Procedure to Register Participants
- ☐ Send Guest Speaker Confirmation Letter

1-3 WEEKS BEFORE SEMINAR

- ☐ Finish Seminar Agenda
- ☐ Follow up with Commission if you have not received your Commission provided materials or download materials
- ☐ Prepare Additional Seminar Materials
- ☐ Download Your Guide to Home Loans Workbook from DFI https://dfi.wa.gov/publications

- ☐ Arrange For Refreshments
- ☐ Confirm Guest Speaker
- ☐ Confirm Room Arrangements

THE DAY OF THE SEMINAR

- ☐ Set up virtual equipment or the room, if applicable
- ☐ Check Your Audio Visual Aids
- ☐ Set Up Refreshments
- ☐ Set Out or email Participant Registration Forms
- ☐ Set Out or email Seminar Materials
- ☐ Bring "Care Package", if applicable
- ☐ Set Out Business Cards, if applicable

AT THE SEMINAR

- ☐ Make Sure All Participants **complete** the Participant Registration Form
- ☐ Leave Time for Questions
- ☐ Make Participants Complete Evaluations
- ☐ Issue Completion Certificates when you receive a complete Participant Registration Form
- ☐ Have Fun!

AFTER THE SEMINAR

- ☐ Follow Through with Any Questions or Requests for Information
- ☐ Send Thank You Notes to Guest Speakers
- ☐ Review Evaluation Forms and Make Modifications to future classes as Needed
- ☐ **Return completed Evaluation Forms and Participant Registration Forms with Routing Slip to the Commission via email to semsetup@wshfc.org or by mail.**
- ☐ **Discard Leftover Completion Certificates and Evaluations**
- ☐ **Originate House Key loans**
- ☐ Plan Next Seminar

7 - RESERVATION PROCESS

Edited 09/12/2018

In General

House Key Opportunity Program funds may be reserved pursuant to a first-come, first-served reservation system funded from a statewide pool of funds. Funds may be reserved once an individual has a fully executed (signed by both buyer and seller) Purchase and Sale Agreement, has demonstrated completion of a Commission sponsored Homebuyer Education seminar, has completed a loan application with a Commission trained Mortgage Lender, and appears to meet Program compliance.

Making a Reservation

Edited 04/20/2026

The Mortgage Lender can reserve funds using the Lender Portal Reservation System described in the following pages of this section. Rate locks on a reservation may be made from 9:00 am – 4:00 pm Prevailing Pacific Time Monday through Friday excluding holidays.

The loan originator reserving funds must match the name of the loan originator on the borrower(s) loan application.

Length of a Reservation

The length of the reservation will be announced with each program announcement. If the complete Post Compliance Review Package is not received and approved by the Commission on or before the expiration date, the reservation is automatically cancelled.

Extensions to Reservations

Edited 2/19/2021

An extension (either 7, 15, 22, 30, 45 or 60 days) to a reservation must be made electronically in writing by 4:00 pm, prevailing Pacific Time, **prior** to the expiration of the lock and sent to

lockdesk@wshfc.org for approval using the Rate Lock Extension Form provided on our Website. Extension fees are netted out at loan purchase.

Extensions will **not** be accepted via telephone, fax, or through an email to an individual employee of the Commission. An extension will require approval by the Commission and will be subject to market conditions. A fee of .09375% of the loan amount will be applied to 7 day extensions. A fee of .18750% of the loan amount will be applied to 15 day extensions. A fee of .28125% of the loan amount will be applied to 22 day extensions. A fee of .37500% of the loan amount will be applied to 30 day extensions. A fee of .56250% of the loan amount will be applied to 45 day extensions. A fee of .7500% of the loan amount will be applied to 60 day extensions. Fees may be higher depending on market conditions. An acknowledgement of the received email and approval will be sent back to the Lender on the same business day for all extensions made prior to 4:00 pm PT and a condition with the appropriate fees will be posted to the reservation system.

If the Lender fails to extend the lock prior to expiration of the reservation, the Commission will automatically extend the lock and fees netted out at time of loan purchase. The Commission is not obligated to purchase the loan if the lender fails to extend the lock prior to expiration of the reservation.

Changes to a Reservation

Edited 11/16/2020

Changes to a loan reservation can be made by completing and submitting the "Reservation Change Request" form found on our website to lockdesk@wshfc.org.

Changes can be made for the following reasons:

1. Increasing or decreasing the loan amount (subject to the availability of funds)
2. Increasing or decreasing the purchase price
3. Adding or deleting Borrower; however, one of the original Borrowers must remain with the reservation.
4. Changing from one loan type to another (i.e., conventional to FHA).
5. Adding or changing Downpayment Assistance.
6. Request to change the rate and fee option corresponding to the date of original reservation, if applicable

If there is a change in the property being purchased (or the lot number for new construction), the Mortgage Lender must cancel the original reservation at the old address and re-register a new reservation at the new address.

If a Pre-Closing Compliance file has already been submitted for the old address, please submit new purchase and sale contract, loan application, and new Pre-Closing Compliance Review Checklist with new WSHFC reservation number.

Expired Reservations

The Commission's loan reservation policy authorizes the Lender to make a reservation for funds on behalf of the borrower(s) for a set period of time (lock period). After completing the reservation, the Lender may not cancel and re-reserve funds to obtain a lower interest rate. This policy applies to both existing and expired loan reservations. Extensions to existing or expired reservations are at the sole discretion of the Commission.

Extensions to an expired reservation will be based on original rate lock price plus appropriate extension to bring the reservation current. Extension fees will apply.

In the event the purchase and sale contract is terminated, the Lender must cancel the loan reservation immediately. If the borrower subsequently enters into contract for a different property, the Lender may complete a new reservation for funds subject to current interest rates.

Duplicate reservations are not allowed.

Cancelled Reservations

Lenders can cancel their reservation on-line until a file is submitted for pre-closing compliance approval and then afterwards by emailing lockdesk@wshfc.org. Once a loan reservation is canceled, the funds previously reserved through the Mortgage Lender for that Borrower must be returned to the pool for use by the next applicant. If a lender needs to reserve funds for the same property, the lender must wait at least 60 days from the date of cancellation in order to re-reserve or the original lock will be reinstated and loan must be delivered within the original lock period or extension fees will apply. The funds cannot be transferred to another of the Mortgage Lender's files.

Reservation Transfer

At the Borrower's option, a Mortgage Lender may request that a reservation be transferred to the requesting Mortgage Lender from the Mortgage Lender who made the original reservation. This can be done by submitting a letter from the Borrower to the Commission. The requesting Mortgage lender must include a cover letter that outlines the situation and includes their certification number, bank number, and branch number and a letter from the Borrower requesting the transfer. This must be done prior to the original Mortgage Lender canceling the reservation. Only one transfer per Borrower is allowed. A Borrower may not have more than one reservation at any one time. A reservation may not be transferred to another borrower or to another property.

Waiting List

Reservations received by the Commission after all Program funds have been allocated will be placed on a waiting list. Mortgage Lenders are encouraged to use the waiting list to insure applicants will be first in line for the next available funds and/or be moved up on the waiting list as reservations are canceled or rejected. A wait list confirmation letter can be printed from the system to show Borrower is on wait list.

Status of Loans

Mortgage Lenders can review status of loans on-line on a regular basis. See the **Loan Tracking Status** section of this chapter for further information and instructions.

On-Line Reservation System

Edited 4/20/2026

To access the On-line Lender Portal Reservation System, type in the following Internet address:

https://lender.hotbreservations.com/login/wa

Following are step-by-step instructions for entering data onto each screen of the Lender Portal Reservation system:

Lender Portal Overview

1. **System Access**

   Upon completion of the required loan originator training, WSHFC will send loan originators an invitation to the Lender Portal. This emailed invite will include a link to setup your account, which includes choosing your own password. Once the account is setup, you will be emailed a 2nd email with a verification code to activate your account and chosen password.

2. **Login**
   If all of the information you have entered on the System Login Screen is correct, click the Login button. If you forgot your password click on the Forgot password button, and follow the instructions.

3. **Start New Application**

On the Dashboard screen displayed, select the **Start New Application.** Start a new application by uploading a Fannie Mae 3.4 file. You can search your machine or Drag and Drop your Fannie Mae 3.4 file to being the application. You may also manually input the information.

1. The system will ask you to validate the property address.

2. There will be a prompt to complete any missing data that is required in order to proceed with a lock.
   This may include:
   Household size
   DTI
   Credit Score
   Once all information is entered, **Save** the application.

Navigate to the **Rate Locks** tab to view available programs based on the data provided in the Fannie Mae 3.4 file.

Available 1st Mortgage and Downpayment Assistance Options

1) Select a 1st Mortgage by clicking on the radio button of the applicable selection available. There is an option to view details of the program by clicking on "Details" to the right of the program. Programs that do not fit the borrower(s) details will be grayed out as Not Eligible.
2) Once a first mortgage has been selected, select the appropriate Downpayment Assistance program by clicking on the radio button located to the left of the program. Downpayment Assistance programs that do not fit the borrower(s) details will be grayed out as Not Eligible.
3) Once both first and second mortgage programs are selected, the loan is ready to be locked by clicking on **Select Programs and Lock Rates**.

Confirmation of On-Line Reservation

After the loans have been locked, you can locate the Reservation Lock Confirmation in the Documents tab under the Lock Desk header.

Tracking Loan Status

Loan Originators will have access to their own pipeline. Production or Back office staff will have access to the entire company pipeline.

From the Dashboard, you can check status of your loan by selecting Applications. You can search for your borrower by name or WSHFC loan number.

To enter the loan file, select the borrower's name from the Application column.

-Current Loan Status can be viewed on the Overview tab.
-Printing Loan Documents can be done on the Documents tab.
-Uploading pre and post closing files can be done on the Documents tab under the Pre Closing or Post Closing headers.

8 - LOAN ORIGINATION & PROCESSING

Edited 05/25/2025

The documents discussed below must be provided or received from the applicant at loan origination in addition to any documents, forms and disclosures required by state or federal law.

Documents Borrower Submits for a House Key Opportunity Loan

- ☑ Copy of the **Homebuyer Education Certificate** for each borrower that will be on the note and deed of trust.
- ☑ Copy of 3 years signed & dated **Tax Returns** (most current) and/or **Statement of Income Tax Filing** (Form 15.12).
- ☑ Copy of recent **paycheck stubs** (minimum of 2 for each employed borrower) and any other documents necessary to verify the borrowers' current income.
- ☑ **Addendum to Residential Loan Application** (Form 15.6.1-3), signed and dated by borrowers.
- ☑ **Notice to Buyers** (Form 15.7), signed and dated by borrowers.
- ☑ Provide **Notice to Mortgagor Regarding Potential Recapture Tax** (Form 15.10.1-5) to borrowers at application.
- ☑ **Income and Household Members Disclosure** (Form 15.8), completed, signed and dated by borrowers.

Processing a House Key Loan

A House Key Opportunity loan is processed and underwritten in accordance with standard first mortgage guidelines by the Mortgage Lender. The following sections address **compliance** items reviewed by the Mortgage Lender during Origination and Processing prior to submitting a pre-closing compliance file. Please review House Key Opportunity Manual. The following sections are meant as a general guide to processing a House Key Opportunity loan and may not be all-inclusive. The Commission's EIN#: 91-1874730

RESIDENTIAL LOAN APPLICATION (FORM 1003)

- ❑ Verify that all income sources disclosed on the Loan application have been documented.
- ❑ Verify borrower's marital status (if purchasing as Married, Separate Estate, the income of the spouse must be documented and included in the Compliance Income).
- ❑ Verify that family size is consistent with reservation.
- ❑ Verify that child support and alimony income has been addressed or documented.
- ❑ Verify that borrower has not owned a primary residence in the last 3 years.
- ❑ Verify that you have the income issue addressed or documented for all occupants who will turn 18 years old within the 12 months following loan closing.

CREDIT REPORT

- ❑ Verify no past mortgage(s) within the last 3 years if property is located in non-targeted area. If mortgage appears, document Borrower has not occupied mortgaged property.
- ❑ Copy of credit report for spouse required, verify no past mortgage(s) within the last 3 years if property is located in non-target area. If mortgage appears, document spouse has not occupied mortgaged property.
- ❑ Verify borrower(s) has a minimum credit score allowed per agency guidelines, unless further restrictions apply.

VERIFICATION OF EMPLOYMENT AND PAYCHECK STUBS

- ❑ Verify that you have a VOE and current paycheck stubs for all jobs currently held by the borrowers or by additional occupants. Please see the Eligible Borrowers section for calculation of household compliance income.
- ❑ The Verification of Employment (VOE) should provide start date, number of hours worked, projected date and amount of next pay increase, bonus and overtime information, hourly/monthly/yearly rate of pay and all year-to-date earnings information.
- ❑ Verbal VOE's are acceptable in lieu of written VOE's **if** the employer is willing to verbally verify all above-mentioned information.
- ❑ A minimum of two paycheck stubs must be provided for each employed borrower or additional occupant and must be no older than 45 days.
- ❑ Verify that VOE and paycheck stub provide consistent information or explain discrepancies.

TAX RETURNS

- ❑ Verify that you have signed and dated copies of complete federal income tax returns (US or any other country) filed for the three tax years (photocopies of signatures and dates are acceptable).
- ❑ Verify that you have complete returns, with all schedules included.
- ❑ Verify that all income sources disclosed on tax returns have been documented.
- ❑ Verify that all dependents on tax returns match loan application and reservation or explain discrepancies and provide income documentation as necessary.
- ❑ Verify that you have 3 years of tax returns for spouse regardless of occupancy.

If the applicant has not yet filed a federal income tax return for the proceeding year, the applicant(s) must sign the Statement of Income Tax Filing (Form 15.12) agreeing to provide a signed copy of the return to the Mortgage Lender at such time it is filed. This form is located in the Forms section of this Program Manual. The Statement of Income Tax Filing form may also be used if the applicant(s) is not required by law to file a federal income tax return for any year during the preceding three years.

If copies of the previously filed returns are not available at the time of loan application, the applicant may request the required copies from the Internal Revenue Service on IRS Form 4506, Request for Copy of Tax Form.

In lieu of actual copies of the 1040 forms, the IRS Letter 1722 or Printout, issued by the Internal Revenue Service will be accepted. However, for all years when a regular 1040 was filed, the IRS Letter 1722 or Printout must indicate whether a Schedule "A" was filed and if so, if mortgage interest was claimed by the taxpayer.

The only forms acceptable are 1040 Regular (both sides) including all schedules, 1040-A, 1040-EZ, or completed telephonically filed returns with IRS confirmation number.

E-file Tax Declaration Form 8453 is not acceptable.

Printouts from the tax preparer's computer are not acceptable.

Printouts from Credit Bureau links to the Internal Revenue Service are not acceptable.

APPRAISAL

- ❑ Verify that subject property is a single family a residence containing only 1 self-sufficient unit. If manufactured, verify subject meets agency guidelines.
- ❑ Verify that the subject property does not have excess land value (the Program is generally restricted to two acres or less).
- ❑ Verify that there is only 1 tax parcel number for the entire parcel.

REAL ESTATE PURCHASE AND SALE AGREEMENT

- ❑ Verify that the Purchase Price and Acquisition Cost is within the allowable County limits.
- ❑ Verify that the Agreement was signed and dated by Borrower(s) and Seller(s) prior to the reservation of funds.
- ❑ Verify that there is only 1 tax parcel number for the entire parcel.

HOMEBUYER EDUCATION CERTIFICATE

- ❑ Required for all borrowers who will be listed on the Note and Deed of Trust.
- ❑ Verify that the certificate is a WSHFC issued certificate, signed by all instructors.
- ❑ Verify certificate issued within the last two years.
- ❑ Verify seminar completed **prior** to the reservation of funds.

(**Note**: If an applicant indicates they have lost their Certificate, the Commission can re-issue one if attendance can be confirmed.).

Documents Prepared During Origination/Processing

☑ **Down Payment Assistance Needs Assessment**

If the borrower is using any of the Downpayment Assistance programs, the completed Needs Assessment Worksheet must be completed and signed by the Lender's Underwriter prior to approval of the Pre-Closing file. All downpayment assistance programs are based on need. See the Downpayment Program section of this manual for further information.

9 - PRE-CLOSING COMPLIANCE REVIEW & APPROVAL

Edited 03/01/2018

Purpose of Pre-Closing Compliance Review

One of the principal reasons for the pre-closing compliance review process is to provide Mortgage Lenders a level of assurance that, given no changes in the basic conditions of the transaction, the Mortgage Loan is qualified for purchase by the Master Servicer.

This pre-closing review process is in place only as a service to Mortgage Lenders and does not automatically guarantee that loans will be purchased. Additionally, if a loan is purchased and is subsequently found not to meet Program requirements, the Commission has the authority to request that the Mortgage Lender repurchase the Mortgage Loan.

Following is the procedure for Mortgage Lenders to use when submitting a Mortgage Loan for approval to close:

Submission of Loan File

Once the Mortgage Lender obtains all items as listed on page 15.13.1 of the Pre-Closing Compliance Review Checklist Mortgage, the Mortgage Lender is strongly encouraged to submit the file early in the process to the Commission for review. If using downpayment assistance, all items on form 15.13.2 are needed prior to final compliance approval. However, the file can initially be submitted with the items on page 2 to follow. The Commission does not require full loan approval by the Mortgage Lender prior to submitting the file for compliance review.

Files must be submitted in the order specified on the Pre-Closing Compliance Review Checklist (Form 15.13). This Checklist is located in the Forms section of this Program Manual.

Where to Submit Files

Edited 4/20/2026

Please upload Mortgage Loan file prior to closing electronically to the Lender Portal.

1) Select the appropriate loan file.
2) Navigate to the **Documents** Tab
3) Under the Pre-Closing Compliance File, you will find the Pre-Closing File Review Checklist of all documents required to be uploaded to perform a pre-closing file review.
4) Navigate to the **Condition List** tab. This tab will generate all items required to be submitted for the Pre-Closing file review, based on the program selected at lock.

5) Push the **Respond** button to upload the corresponding document. Drop and drag the applicable documents. Once all documents are uploaded click the **Save** button. **Please note:** The Commission does not accept electronic "secured" files requiring passwords.

Review Procedure

Edited 4/20/2026

Each Mortgage Loan file will be reviewed approximately within two business days of receipt by Commission staff for compliance with Program requirements. The results of the review will be posted on the Internet Web site at https://lender.hotbreservations.com/login/wa

If a file is suspended, the loan stage will be updated to show as "Pre-Review/Incomplete" and the suspense conditions will be posted on our on-line system. When the file is approved to close the loan stage is updated to "Committed" and the Mortgage Lender can review and print our loan approval and conditions from on-line system. The Commission's on-line system interfaces with the Master Servicer's system eliminating the need for Mortgage Lenders to provide them a copy of the approval.

Following acknowledgment of loan "Committed" authorized on the Pre-Closing Compliance Review File Checklist, Mortgage Lenders may close the Mortgage Loan.

The Commission reserves the right to return any file submitted for approval to close that lacks adequate documentation or does not meet Program requirements.

Checking Mortgage Loan Status

Edited 04/20/2026

Mortgage Lenders can access Mortgage Loan information using the On-line Lender Portal system site 24-hours a day at https://lender.hotbreservations.com/login/wa

The Commission may assign log ins for back office staff to use for viewing and printing file status and conditions.

From the Dashboard, you can check status of your loan by selecting Applications. You can search for your borrower by name or WSHFC loan number.

To enter the loan file, select the borrower's name from the Application column.

Navigate to the Overview tab to check current loan status.

All conditions pertaining to both the first and second mortgage loans will be posted on the first mortgage loan approval.

10 - LOAN CLOSING

Edited 06/17/2019

Compliance Approval

Once the Commission approves the Mortgage Loan for compliance, the Mortgage Lender may close the loan.

All House Key loans must be delivered to Idaho Housing and Finance Association (IHFA). Each loan must satisfy the following terms and conditions:

Closing Documents

In general, the Mortgage Lender must insure that **all** documents are properly executed and notarized where necessary. To make a correction to a recordable document, the Mortgage Lender must upload a letter to the Master Servicer stating the correction that is to be made, to which document(s), and the Mortgage Lender's intent to re-record. Lenders will upload to the Lender Connection portal at https://lender.ihfa.org/LenderConnection/Account/Login.aspx.

Additional information is provided below to assist the Mortgage Lender in the proper manner in which to complete documents and forms.

- **NOTES AND SECURITY INSTRUMENTS**

  In General:

  All mortgage loans must be closed using the most recent 1-4 family FHA, VA, Freddie Mac or Fannie Mae instruments at the time of closing. Please review Deed of Trust for completeness and accuracy. If not executed properly, this document will be returned to the Mortgage Lender for re-recording.

  USDA Rural Development Loans:

  USDA Rural Development loans are to be closed using the most current FHA documents with a 4% late charge or the most current conventional documents with a 5% late charge.

Document Endorsement:

Edited 08/01/2026

The original First Mortgage Note for **Freddie Mac and Fannie Mae Conventional** must be endorsed on the back side as shown below allowing space for additional endorsements:

*Pay to the Order of **Washington State Housing Finance Commission***
without recourse
Lender Name (as it appears on the Note)
(Signature of Authorized Person)
Signatory's Typed Name and Title

The original First and Second Mortgage Notes must be delivered to:
Idaho Housing and Finance Association
Attn: Document Center-WSHFC Freddie/Fannie
565 W. Myrtle St
Boise, ID 83702

Signature and Name Affidavit required.

The original First Mortgage Note for **FHA/VA/USDA** must be endorsed on the back side as shown below allowing space for additional endorsements:

*Pay to the Order of **Idaho Housing and Finance Association** without recourse*
Lender Name (as it appears on the Note)
(Signature of Authorized Person)
Signatory's Typed Name and Title

The original First and Second Mortgage Notes must be delivered to:
Idaho Housing and Finance Association
Attn: Document Center
565 W. Myrtle St
Boise, ID 83702

Signature and Name Affidavit required.

Return of Original Note:

If the original Note needs to be returned for any reason, it will be sent by overnight mail at the Mortgage Lender's expense. After being corrected, it is to be returned by overnight mail to IHFA.

❑ NOTES AND SECURITY INSTRUMENTS

The loan file must include a copy of the Deed of Trust/Mortgage. The copy must be certified as a true and correct copy of the original, and must include a copy of any appropriate, completely executed riders. Copies with live signatures or conformed copies are not acceptable. Loans with secondary financing must also include a copy of the Deed of Trust/Mortgage from the subordinate lien.

All corrections, additions, and deletions pertaining to loan items must be initialed by the borrowers. If the Deed of Trust/Mortgage has already been sent for recording, the Mortgage Lender may provide a good faith letter for correction.

❑ ASSIGNMENT OF DEED OF TRUST

Edited 08/01/2026

Freddie Mac and Fannie Mae 1st Mortgage loans must be registered via the Mortgage Electronic Registration System (MERS) in lieu of a standard Assignment of Mortgage.

Transfer to MERS using the following MERS org IDs:

MERS TOS/TOB MERS ID: #1018022 Washington State Housing Finance Commission
Include as subservicer MERS ID: #1009670 Idaho Housing and Finance Association

All Gov't 1st Mortgage loans must be registered via the Mortgage Electronic Registration System (MERS) in lieu of a standard Assignment of Mortgage.

Transfer to MERS using the following:

MERS ID: 1009670 Idaho Housing and Finance Association
HUD ID: 10101-09998 Idaho Housing and Finance Association
VA ID: 9270030000 Idaho Housing and Finance Association
RD ID: 82-0302333 Branch 001 Idaho Housing and Finance Association

❑ TAX-EXEMPT FINANCING FIRST MORTGAGE RIDERS

- Single-Family Deed of Trust Rider – FHA, VA & USDA
- Conventional Rider to Security Instrument

First Mortgage Riders must be included in purchase files sent to IHFA, as applicable.

❑ POWER OF ATTORNEY

IHFA will accept a Specific Power of Attorney that references the property, and authorizes the attorney-in-fact to enter into a real estate transaction and to mortgage the property. The Power of Attorney must:

- indicate clearly that the mortgagor is appointing an attorney-in-fact;
- precisely identify who is being appointed;
- be signed and dated by the borrower;
- be notarized; and
- be recorded prior to, or concurrent with, the security instrument.

❑ CLOSING DISCLOSURE

A copy of all Closing Disclosures with executed addendums and copy of the final stamped Closing Disclosure for both the first and second mortgages must be included with every loan file submitted to Lakeview Loan Servicing, LLC for purchase to confirm that the loan has closed. The Closing Disclosure must contain the following:

- The box corresponding to the appropriate loan type should be checked.
- Names of borrowers that match the names on all legal documents.
- Name of property sellers and borrowers, as identified on the Title Policy.
- Property location that matches the Note, Deed of Trust, appraisal, and application.
- Settlement date. This date may or may not be the same as on the Deed of Trust.
- Valid COC's along with proof of receipt of all CD's.

❑ AGGREGATE ESCROW DISCLOSURE STATEMENT

All Mortgage Loans must be closed following the Real Estate Settlement Procedures Act (RESPA) guidelines. RESPA regulates the amounts which Mortgage Lenders may hold in impound/escrow accounts established for the payment of real estate taxes and insurance. RESPA requires impound/escrow accounts to be established using the aggregate analysis method.

With the aggregate analysis method, the total disbursements of all items impounded (such as property insurance, mortgage insurance, and property taxes) is calculated, and then divided into 12 equal installments. The Mortgage Lender must also include an additional 2 month reserve for all escrow items with the exception of MI.

When an escrow account is established at the time of loan closing, the Mortgage Lender must provide the borrowers a disclosure, detailing the anticipated disbursements from the impound/escrow account for the 12 months following the loan closing. The disclosure also states the amount of the monthly impound/escrow payment that will be made by the borrowers. If the exact amounts of the disbursements are not known at the time of loan closing, the statement is to be prepared using the Mortgage Lender's best

estimates. Although Mortgage Lenders have the option of analyzing the impound/escrow account at closing or within 45 days of settlement Lakeview Loan Servicing requires a copy of the initial escrow account statement.

- **LOAN APPLICATION (1003)**

  The Master Servicer require a typed, signed Final 1003 in all purchase files.

- **LOAN DISCLOSURE NOTICES**

  Loan disclosure notices must be provided, as applicable. A Notice of Assignment, Sale or Transfer of Servicing (good-bye letter), and a First Payment Notification are required for all Mortgage Loans. An interest rate disclosure is required for all VA Mortgage Loans.

Closing Documents (Commission Second Mortgages)

- **DOCUMENTS REQUIRED ON OF ALL COMMISSION DOWN PAYMENT ASSISTANCE AND SUBSIDY MORTGAGES**

  The Mortgage Lender must submit the following closed loan documents to the Master Servicer:

  - Original second mortgage Note closed in the name of the Washington State Housing Finance Commission
  - 2nd Loan Deed of Trust, must be in the name of the Washington State Housing Finance Commission
  - Loan Estimate and Closing Disclosure for 2nd loan

  MERS is not permitted for Commission second mortgages.

Rate Lock Extension Fees

Rate lock extension fees are netted out at time of loan purchase.

11 - POST CLOSING COMPLIANCE REVIEW & APPROVAL

Edited 08/29/2024

Submission of Mortgage Loan File

After closing, and within the reservation period, Mortgage Lenders must submit through the Lender Portal the complete Post Closing Compliance Review Mortgage Loan file to the Commission for final review and approval for purchase by the Master Servicer.

Items Needed at Post Closing Compliance

1. **A Copy of the House Key Opportunity Post-Closing Compliance Review File Checklist (15.20.01)**
2. **A Copy of the Final Closing Disclosure for First and Second (as applicable)**
   - ❑ Verify Closing Disclosure(s) is marked as "Final."
   - ❑ Verify borrower did not receive cash back beyond what they have put into the transaction and beyond allowed reserves requirement (if applicable).
   - ❑ Verify loan amounts for first and second match loan reservation system.
   - ❑ Verify appropriate master loan servicer fees have been collected.
   - ❑ Verify Program Application Downpayment Assistance fee is collected on Closing Disclosure for second mortgage (as applicable)
3. **A Copy of the Final 1003 signed and dated by Borrower(s).**
4. **A Copy of the Executed Note and Deed of Trust for the 1st Mortgage.**
5. **A Copy of the Executed Note for Commission Downpayment Assistance Program, as applicable.**
   - ❑ Verify Correct Commission Downpayment Assistance Program Note used.
6. **A Copy of the Executed Commission 2nd Mortgage Deed of Trust for the following (as applicable):**
   - ❑ Opportunity, HomeChoice, Veterans, ARCH, and Bellingham.
   - ❑ Verify Correct Commission Downpayment Assistance Deed of Trust used.
7. **Copies of applicable House Key Opportunity forms on checklist.**
8. **Copies of Pre-Closing Compliance Approval Conditions, as applicable.**
9. **Original Signature for HOME Recapture Agreement on ARCH, and Bellingham, mailed to the Commission.**
10. **If a condo or townhome, copy of Real Estate Excise Tax Affidavit form.**

Where to Submit Files

Edited 4/20/2026

After closing, electronically upload the Post-Closing Compliance Review Checklist (Form 15.21) and required post-closing documents of the file to Lender Portal.

The Mortgage Lender may simultaneously deliver the Mortgage Loan package for purchase to the Loan Servicer when the Post Closing Compliance Mortgage Loan file is delivered to the Commission.

Review Procedure

Edited 4/20/2026

Each Mortgage Loan file will be reviewed within two business days of receipt by Commission staff for compliance with Program requirements. The results of the review will be posted on the Lender Portal at https://lender.hotbreservations.com/login/wa . The Commission's On-line Loan Tracking System interfaces with the Master Servicer eliminating the need for Mortgage Lenders to provide them a copy of the approval to purchase.

Checking Mortgage Loan Status

Edited 4/20/2026

Mortgage Lenders may log on to the Lender Portal Web site at https://lender.hotbreservations.co/login/wa . The Web site location is available 24 hours a day. Lenders may check the status of a loan. Choose the "Applications" tab from the Dashboard. You may search for the loan by using the WSHFC loan number, Lender Loan number or Borrower name.

To enter the loan file, select the borrower's name from the Application column.

Navigate to the Overview tab to check current loan status.

All conditions pertaining to both the first and second mortgage loans will be posted on the first mortgage loan.

12 - LOAN PURCHASE & DELIVERY

Edited 12/05/2022

Relevant Search Terms: SRP, service release premium, DPA

In General

The entire closed Mortgage Loan package should be reviewed for completeness and accuracy before shipping to Idaho Housing and Finance Association (IHFA) for purchase. The loan must be purchased by IHFA within 60 days of reservation.

Amortized Loan Balance

When Mortgage Loans are purchased, the loan servicer will determine the principal balance and current escrow reserves, based on an amortized balance. IHFA will purchase loans on a non-delinquent, normal payment, normal escrow disbursement status.

Timing and Delivery of Closed Loans

The closed mortgage loan package is to be received by IHFA within 10 days of loan closing.

1. Lenders must check the closed loan package to confirm all items listed on the Funding Checklist are included in the package. Loans will not be funded if any of the items on the checklist are missing or incorrect.
2. All First Mortgage loans purchased by IHFA will require mandatory registration with MERS. No assignments will be accepted for first or second mortgages. Lenders must transfer all applicable rights in MERS to IHFA immediately after purchase.
3. Utilize the provided IHFA Delivery Checklist as found on the Commission's Website at https://heretohome.org/lender-central/#238-244-house-key-loan-delivery-checklist

Upon completion of the closed loan file compliance review, the mortgage loan(s) will be funded if the file is complete and is in compliance with all requirements. Closed loan packages will not be funded until all required fundable documentation has been received and all compliance issues cleared.

Penalties Withheld From Funding

Lenders must deliver the complete closed loan package to IHFA as soon as possible after loan closing. A loan is considered to be in a fundable condition when a complete closed loan package is delivered without errors or missing documents. Also, loans with delinquent payments will not be purchased.

All loans must be purchased by IHFA within 60 days of the note date. Original notes will be returned to the lender's warehouse bank as requested by the lender for loans that will not be purchased.

In the event a loan is not purchased or must be repurchased, the lender must prepare an Assignment of Mortgage for the 2nd mortgage (DPA loan) and provide to the loan servicer to execute on behalf of the Commission. The executed AOM will be sent to the lender to record.

Loan Package Delivery

Edited 08/01/2026

Original Notes for the first and second (if applicable) mortgages for **Freddie Mac and Fannie Mae** must be delivered to the following address by the expiration date:

Idaho Housing and Finance Association
Attn: Document Center-WSHFC Freddie/Fannie
565 W Myrtle St.
Boise, ID 83702

Signature/Name Affidavit Required

Idaho Housing and Finance Association:

FHA/VA/USDA Original Notes for the first and second (if applicable) mortgages must be delivered to the following address by the expiration date:

Idaho Housing and Finance Association
Attn: Document Center
565 W Myrtle St.
Boise, ID 83702

Signature/Name Affidavit Required.

Loan packages must be delivered electronically at https://lender.ihfa.org/LenderConnection/Account/Login.aspx.

Please DO NOT mail loan packages.

Wire/ACH Transfer Instructions

IHFA will wire all funds to the lender's warehouse bank according to the wire instructions provided by the lender.

Please use one warehouse bank per lender. If a second warehouse bank is needed, please contact IHFA prior to loan purchase. Accommodations will be considered on a case by case basis.

Loan Purchase Schedule/Funding

IHFA will purchase loans every day except on federal holidays. A purchase advice is generated for each loan. Lenders can view the Purchase Advice at https://lender.ihfa.org/LenderConnection/Account/Login.aspx on the day of funding. The Purchase Advice will itemize the payments in the funding wire. Any fees due to IHFA will be netted from the wired funds.

Purchase Prices (Lender SRP)

Borrower Points	Loan Sale by Lender to Servicer	Net Compensation to Lender
1.00	101.25%	2.25%
0.00	102.25%	2.25%

Amounts to be deducted from funding will consist of:

1. $85.00 Tax Service Fee
2. $10.00 Flood Certification Transfer Fee
3. $40.00 Electronic Upload Fee
4. $40.00 Program Application Fee for second mortgage (as applicable)
5. Extension fees assessed (as applicable).
6. Temporary buydown fee (as applicable)

Loan Suspensions (Curatives)

After a closed file review is done, suspense conditions are posted via Lender Connection. The suspense conditions will list any documents needed to complete the file or any corrections that need to be made to documents before the loan may be purchased.

Conditions required prior to loan purchase or separate follow up documentation must be uploaded in Lender Connection.

The most common curatives occur for: a missing note; incorrect endorsement to the note; incomplete copy of the Mortgage/Deed of Trust, missing Riders to the Mortgage/Deed of Trust; missing final Closing Disclosures; missing or incomplete hazard policy/declaration page, tax, mortgage insurance, or flood information.

In the event a loan is not purchasable the lender is required to prepare an Assignment of Deed of Trust for the second mortgage for the master loan servicer to execute on the Commission's behalf.

First Payment/Notice of Assignment

Edited 2/2/2026

Lenders are responsible for servicing the loan until purchased by the master loan servicer to include the payment of all required escrow disbursements for each loan during the period from closing to purchase.

The originating lender retains the loan servicing rights and benefits until the master loan servicer purchases the loan. The originating lender will perform all servicing duties until that time.

Servicing and benefits rights transfers to the master loan servicer at the time of loan purchase.

The Master Servicer assumes Seller will collect scheduled payments that have already become due.

For loans purchased from the 1st through the 12th of the month, the loan servicer will receive the next payment due,

For loans purchased on and after the 13th of the month, the lender will retain next payment.

IHFA will send the borrowers a welcome letter with payment instructions at the time of loan purchase.

Hazard Insurance Premium

A copy of the Declaration Page showing the first annual premium is paid in full should be included with the Loan Closing Package. IHFA will also accept a copy of the binder with the policy number and paid receipt.

Flood Insurance

Please see Section 2 for additional information.

FHA Monthly Insurance Premiums

IHFA requires the lender to be responsible for all monthly MIP payments for the months the lender is collecting the payment. IHFA will be responsible for making the monthly insurance payment for loans purchased when the first payment due date on the Note is also the first payment due to IHFA.

Conventional Mortgage Insurance Premiums

The first monthly mortgage insurance premium on a conventional loan is due at the time the loan closes. Mortgage Lenders are responsible for the initial monthly premium.

Post-Closing Details of Origination Charges: Items Payable in Connection with Loan

The Mortgage Lender must provide a breakout of all items payable by the buyer and seller as shown on the Post Closing Review Checklist (15.20.1-2).

Final Documents

Edited 08/01/2026

Freddie Mac and Fannie Mae HFA Preferred Loan deliver to IHFA:

The lender is to submit the final mortgage loan documentation consisting of the original recorded first and second mortgage DOT, title policy, MIC, etc., to IHFA within 90 days of loan purchase. The Final Title policy and MIC to be uploaded to https://lender.ihfa.org/LenderConnection/Account/Login.aspx. The original recorded Deeds of

Trust for the first mortgage and Down Payment Assistance Program is to be delivered to IHFA also within 90 days of loan purchase. WSHFC Freddie Mac ID #214920. WSHFC Fannie Mae ID # 1000130.

Send Final Documents to:
Idaho Housing and Finance Association
Attn: Document Center-WSHFC Freddie/Fannie
565 W. Myrtle Street
Boise, ID 83702

FHA/VA/USDA Loan deliver to IHFA:

The lender is to submit the final mortgage loan documentation consisting of the original recorded first and second mortgage DOT, title policy, MIC, etc., to IHFA within 90 days of loan purchase. The Final Title policy and MIC to be uploaded to https://lender.ihfa.org/LenderConnection/Account/Login.aspx. The original recorded Deeds of Trust for the first mortgage and Down Payment Assistance Program is to be delivered to IHFA also within 90 days of loan purchase.

Send Final Documents to:
Idaho Housing and Finance Association
Attn: Document Center
565 W. Myrtle Street
Boise, ID 83702

Common Exceptions that Delay Purchase

Edited 08/18/2021

1. The Borrower's name must be typed under their signatures on the Note and Deed of Trust. This includes 2nd mortgages.
2. Incomplete packages are not acceptable. IHFA cannot purchase Mortgage Loans that are incomplete. Please review the applicable checklist and upload a complete file. Incomplete files slow up the purchase process.
3. When recorded documents require a correction, fax a letter of intent to re-record to IHFA that includes the correction being made and to which documents. Do not wait for the original document to be returned.
4. 1st Mortgage lien Notes must be endorsed and assigned to IHFA.
5. 2nd Mortgages must be closed in the name of the Washington State Housing Finance Commission. Do not endorse the 2nd lien Notes to IHFA. Do not transfer the 2nd mortgage Deed of Trust to MERS.
6. Marital status needs to be indicated on the Deed of Trust for both the 1st and 2nd mortgages.
7. Separate Closing Disclosures are required for the 1st and 2nd mortgages. Include payee names and correct dates.
8. HUD Letter , FHA Award letter and WSHFC legal opinion letter are required in the file.

9. WA Right to Choose Insurance Provider and Borrower Consent to the use of Tax Information must be in the file. Engineer Foundation Report/Structural Certification, as applicable, must be in the file.
10. FHA Appraisal Logging Screen; Case Query, Informed Consumer Choice Disclosure; Notice of Homebuyer; For Your Protection Get a Home Inspection and HUD 92900-LT must in the file.
11. Appropriate "federal tax classification" box on W-9 checked.
12. AUS Red flag, UCDP SSR report, spouse's credit report; include documentation verifying balances.
13. FHA Clear CAIVRS
14. DPA documentation; 2nd lien notes and award letters. Verify maturity dates, property address are correct including zip codes, all match on the 1st and 2nd Notes and DOTs.
15. Document evidence of down payment.
16. Provide copies of 2nd lien Note and DOT.
17. 2nd Lien Note and Deed of Trust not sent to the loan servicer.

13 - DOWNPAYMENT PROGRAMS

Edited 09/11/2024

Relevant Search Terms: down payment assistance, downpayment assistance, DPA

Downpayment Assistance Programs

These guidelines apply to all downpayment assistance loans offered at the Commission

Details for Opportunity Downpayment Assistance Program can be found in here.

Program Description

All downpayment assistance programs offered at the Washington State Housing Finance Commission are community second mortgages and must be used in conjunction with a House Key or Home Advantage first mortgage. Each Downpayment Assistance program offered at the Commission receives funding from different sources including, but not limited to federal funds (HOME, CDBG), state funds, city funds (housing levy) and the Commission's Program Investment Funds.

Additional guidelines per the individual program manuals also apply and are required as per the source of funds for the downpayment assistance program.

Maximum Income Limit, Loan Amount & Mortgage Details

Please refer to the individual downpayment assistance manual for terms.

Downpayment assistance program loans are not assumable.

Minimum Loan amount of assistance is $1,000.

When the borrower is required to make payments, the late charge is 4%.

Program Eligibility

1. First Mortgage must be a House Key or Home Advantage FHA, Fannie Mae HFA Preferred, Freddie Mac HFA Advantage, USDA Rural Development, VA, or HUD 184 Loan.
2. Income levels must meet the downpayment assistance programs' requirements (see limits in each manual); Please note: Income limits for the 1st mortgage will be different. The Borrowers must meet both 1st and 2nd and income limit guidelines.
3. The Borrowers must be a first time homebuyer (have not owned and occupied in the past 3 years) or purchase in a Targeted area of the state. Lender to provide 3 years tax returns and current credit report for all borrowers.
4. The Borrowers must demonstrate a need for assistance with the exception of the Home Advantage dpa program at 0% interest.

Combined Loan to Value (CLTV) and Total Loan to Value (TLTV)

FHA, HUD 184 – Cannot exceed 100% of FHA's acquisition cost. FHA's acquisition cost does not include 2nd mortgage fees.

Fannie Mae HFA Preferred or Freddie Mac HFA Advantage – CLTV up to 105%.

VA – Cannot exceed 100% of the lesser of sales price or Notice of Value, plus eligible closing cost.

USDA Rural Development – Maximum LTV as per current USDA guidelines.

Reserves

The Borrower(s) may keep, but are not required to have up to 12 months PITI (including the projected payment on the downpayment assistance loan if applicable) or $20,000 (whichever is greater) in liquid checking and savings account after loan closing.

Buydowns

Lenders may not offer rates lower than the ones published on our Website and reserved on the Lender Portal system. Further buydowns are <u>not</u> allowed.

Reservations

Edited 04/20/2026

Reservations for downpayment assistance loans are usually made on the Lender Portal system at the same time as the first mortgage loan reservation. Funds are reserved on a first-come, first-served basis. Loan originators may reserve the maximum allowable amount per the program guidelines for their borrower since cash to close cannot be exactly determined at loan reservation. A reservation for downpayment assistance can be made on-line at any time prior to submission of a pre-closing compliance package. Increases in the reservation amount are subject to the availability of funds. If funds are not available, our Website will indicate if we are taking a wait list.

Income Calculation

Edited 09/15/2025

The source of funding determines how income is calculated for the program. Please refer to the correct downpayment assistance manual for the type of income used for the program.

Compliance Income

Please refer to the individual downpayment assistance manual to see if the downpayment assistance program uses compliance income.

Current downpayment assistance programs using compliance income include ARCH DPA and Bellingham DPA.

The calculation used to determine compliance income is the same as the calculation used to determine compliance income for the House Key first mortgage as shown in Section 3 of this manual which uses future anticipated income for all household members age 18 or over. Please contact the Commission if you need assistance calculating compliance income.

After the applicant's income for the Second Mortgage has been calculated, refer to the Maximum Income Limits chart in the individual downpayment assistance manual to determine if the applicant is at or below the income limit.

Credit Underwriting Income

Please refer to the individual downpayment assistance manual to see if the downpayment assistance program uses credit underwriting income.

Current downpayment assistance programs using credit underwriting income include Opportunity DPA, Veterans DPA, HomeChoice DPA, and Covenant DPA.

When using Credit Underwriting Income, the income for the downpayment assistance program is different than the income used to determine income for the House Key first mortgage which uses household "Compliance" income as shown in Section 3 of the House Key Manual. For downpayment assistance mortgages using Credit Underwriting Income only, income is calculated according to the investor's (FNMA, Freddie Mac, FHA, VA, or USDA) underwriting guidelines. The lender should then refer to the Maximum Income Limit in the manual to determine if the borrower is at or below the income limit.

A copy of the underwriter's signed income worksheet or loan approval reflecting final income figures must be included in the Pre-Closing Compliance Review File.

Calculating Downpayment Assistance Loan Amount

The downpayment assistance loan amount is the lesser of:

1. Amount of need as established by the Needs Assessment Form (based on maximum financing or based on gap financing) calculated by the underwriter; or
2. Maximum loan amount per program

Needs Assessment Form

The underwriter will calculate the Needs Assessment Form. Form located in the Forms section of the House Key Manual at underwriting approval to determine the exact amount of funds needed. The Needs Assessment Form should be completed using a **current** VOD or bank statements and should be adjusted as the borrower's situation changes.

The underwriter will determine the down payment, closings costs, additional costs, and pre-paids as shown on Needs Assessment Form. These figures should match 1003 and underwriter's loan approval. The underwriter determines the amount of cash required by the Borrower to close the transaction. Stocks, bonds, IRA's, 401(k)s, mutual funds, life insurance policies, annuities liquid assets, and any other type of account causing a penalty in order to access are not included in the calculation.

The Mortgage Lender will then subtract out seller and Mortgage Lender contributions. The Mortgage Lender then determines liquid assets available to borrower in checking/savings accounts. The Mortgage Lender will list out separately gift letters if gift has not already been verified in checking account. The earnest money, lender deposits and paid out of closings should be listed separately if the money has cleared the bank based on VOD or bank statement. These figures should match the 1003 and underwriter's loan approval.

Subtract the allowed liquid reserves from the total amount of verified assets available at underwriting approval. If the amount is less than or equal to 0 enter "0" on Needs Assessment Form.

The underwriter calculates the shortage of cash to close based on the total cash required to close (on Needs Assessment Form) from Total Assets Available to Close minus up to 12 months PITI or $20,000 whichever is greater (on Needs Assessment Form).

- Downpayment Assistance funds are used for downpayment, closing costs, and pre-paids. Per GSE guidelines, borrower paid real estate commissions are allowed to be paid only for Fannie Mae and Feddie Mac loans. Real estate commissions are not allowed to be paid for government loans including FHA, VA and USDA.
- Downpayment Assistance funds cannot be used to pay any portion of the real estate commissions when the loan originator is also a licensed real estate agent and serves in both roles of the same transaction – regardless of whether they act as the listing or selling agent.
- Downpayment Assistance funds cannot be used to buy either the first or second loan down.
- Downpayment Assistance funds cannot be used to pay off bills or liens of the borrower. If the borrower is required by underwriting to pay off bills in order to qualify, these items must be paid by the borrower. Please provide a copy of the loan approval with the total of the bills to be paid by the borrower as required by underwriting. This amount must match the amount on the Closing Disclosure (as applicable).
- Downpayment Assistance funds cannot be used to replenish the Borrower's bank account if they do not have reserves in the bank after closing.
- Downpayment Assistance funds cannot be used to pay for repairs to property. Furthermore, if Borrower chooses to pay for repairs from their own funds, escrow holdbacks must be for an exact bid from contractor. In order to avoid cash back, escrow cannot over collect borrower funds (i.e. 1/ ½ times). Please refer to Page 2.5 (Escrow Holdbacks) and Page 4.2 (Acquisition Cost).
- Downpayment Assistance funds cannot be used to pay the difference between the sales price and the appraised value.
- Downpayment Assistance funds cannot be used to pay for short sale negotiation fees, attorney fees or any other similar fees.

For the **Covenant DPA,** the loan amount is up to 20%, not to exceed $150,000, of the purchase price or appraised value, whichever is less, plus applicable allowable closing costs (per Community Second guidelines) paid by the borrower(s). The underwriter will calculate Need using the Covenant Needs Assessment form. The borrower(s) assets will not be considered on the Covenant Needs Assessment form.

In order to avoid cash back issues at closing, the Mortgage Lender should re-calculate the Needs Assessment Form after receiving an estimated closing statement from the Escrow Company. Adjustments should be made to the loan amount if necessary **prior** to releasing loan documents. If in doubt, it is always a good idea to reduce the loan amount slightly than risk the chance of the borrower receiving cash back.

On the **Needs Assessment Form and the Covenant Needs Assessment Form**, if the borrower's front-end ratio (PITI/Income) is less than 25% based on the appropriate income for the downpayment assistance program, the underwriter will decrease amount of subsidy to bring

up the front-end ratio to acceptable assistance base levels for gap financing. The Borrower must qualify with the 25% ratio test in order to be eligible for gap financing. If the borrower fails to meet the ratio test, then the underwriter must proceed using the appropriate maximum loan-to-value (LTV) allowed for the first mortgage type. In other words, on an FHA loan, the minimum downpayment is 3.5%.

Cash Back

The intent of the Downpayment Assistance Loan is to provide the funds necessary to close the transaction and not to provide cash back to the borrower.

In no event will downpayment assistance funds result in cash back to the Borrower. Mortgage Lender should advise Borrower upfront that if a check is presented to them at closing when using a downpayment assistance mortgage funds, and the check exceeds the amount(s) that they originally paid in to the transaction via required earnest money and lender deposits, that they should refuse the check. The Borrower should also refuse the check if the amount of the total refund plus their current liquid assets in the bank will result in more than 12 months PITI or $20,000 whichever is greater in reserves.

In the event that there is a refund to the borrower at closing and the refund plus the Borrower's remaining liquid assets exceed 12 months PITI or $20,000 whichever is greater, the Lender may apply the refund amount towards the principal balance of the 2nd mortgage or lower the amount of assistance and redraw the loan documents. If it is then determined that cash back was given to the Borrower, the refund will need to come from the borrower, the Master Loan Servicer will not purchase the Mortgage Loan unless the second mortgage note is lowered accordingly and within the allotted time frames.

If using the Covenant Homeownership downpayment assistance, if the borrower(s) closing costs are decreased at closing, the Covenant DPA loan amount may also need to be reduced or the DPA loan may be subject to principal reduction after closing.

If using ARCH or Bellingham downpayment assistance, the borrower may not receive ANY cash back at closing, including earnest money or funds paid in, as per HOME fund rules, excess funds must be used to pay down the DPA loan.

Closing and Delivering the Loan

Program Application Fee

There is a $40.00 program application fee for all downpayment assistance loans. This amount will be subtracted from the wire sent to loan closing. This fee must be disclosed on the second mortgage Closing Disclosure.

Funding and Delivery

Edited 05/18/2020

Participating lenders fund the second mortgage at loan closing. The funding and delivery procedures are as follows:

1. Second mortgage Notes and Deeds of Trust are originated under the Commission's name;
2. IHFA will purchase loans with a copy of the Deed of Trust with the original recorded copies to follow.
3. Interim Interest is not collected at closing on downpayment assistance loans with deferred payments.

HUD Commitment Letter for FHA Loans

Edited 04/24/2019

Per HUD ML #2013-14 dated May 9, 2013, the Washington State Housing Finance Commission has, at or before closing, incurred a legally enforceable obligation to provide the funds for the Borrower's required Minimum Cash Investment. A Commitment Letter can be downloaded from Emphasys by the originating Lender in compliance with FHA's insurance requirements applicable to secondary financing transactions. This letter can be downloaded electronically from Emphasys by the Contact Name who reserved the funds in the Emphasys system after the loan is "Committed".

Per HUD ML # 19-06 dated April 18, 2019, required language has been added to the HUD Commitment Letter for an FHA loan. You will find the Commission authorizing legislation here and find the required opinion from the Commission's legal counsel signed and dated within two years of closing the transaction stating they reviewed our downpayment assistance programs and concluded they are consistent with the Mortgagee Letter 19-06.

FHA Insurance Award Letter

The Commission has agreed to loan to the Borrower a Second Mortgage Loan on the terms as shown on the Emphasys system. An Award Letter to satisfy the requirements of HUD Handbook 4000.1 will be issued to the Borrower(s) by the Commission when the loan is "Committed."

Insurance Requirements

Hazard Insurance

Hazard insurance is required sufficient to cover both the first and second mortgages, or the maximum insurable value of the property whichever is less. The policy must contain a guaranteed replacement cost endorsement. Binder must indicate the first loan be payable to the loan servicer using the standard Mortgagee clause as written in Section 2. Please refer to this section for more information.

Title Insurance

Title insurance coverage is required for the first mortgage only. The second mortgage appears as a lien of record in second position when the policy is issued. As title insurance is not required for the second mortgage, the lender is not allowed to charge a title fee on the second mortgage.

Payment Statement

On the second mortgage, the Borrower receives a separate monthly statement from IHFA.

Payoff of Second Mortgage

All second mortgages are due and payable upon sale, refinance, early payoff of the 1st mortgage, no longer occupy as primary residence or transfer of the property as shown in the note and deed of trust for the downpayment assistance program, whichever comes first.

If the Borrower(s) refinances, the second mortgage must be paid off in full. The Commission will not subordinate our second mortgages.

The Borrower(s) should contact IHFA on their first mortgage for payoff information and the second mortgage as applicable.

TRID Guidance

Please follow your own company's compliance guidelines for TRID and RESPA. The loan is subject to repurchase if the loan is not eligible for pooling or is audited and found to not be in compliance. As a courtesy to our lenders, we have Loan Estimates and Closing Disclosures if your system is unable to generate them. You are also welcome to use your own forms as applicable.

These forms are made available as a courtesy to our lenders to use at lender's own discretion. Please feel free to use these disclosures or those provided by your Lending Institution. The Commission makes no representation regarding the accuracy or compliance of these forms with regulatory requirements. Please check with your own company's compliance department regarding whether these forms satisfy your compliance requirements.

By using these forms, you are agreeing that the Commission and its employees assume no responsibility for, and that you will hold the Commission and its employees harmless from, any claims or expenses that may be related to or arise from any violation of law arising from your use of these forms.

In most cases, a Loan Estimate and Closing Disclosure will be required on amortizing loans, loans with deferred interest with an interest rate, and loans with deferred payments at 0%, but that is up to your own company's interpretation of TRID. If the Commission is uncertain regarding the documentation presented we may request a letter from your corporate to verify your loan closing documents meets TRID compliance guideline.

OPPORTUNITY DOWNPAYMENT ASSISTANCE

Edited 05/05/2021

Relevant Search Terms: downpayment assistance, down payment assistance, DPA

Please see Section 13: Downpayment Programs for all other terms and conditions.

Program Eligibility

Eligible Borrowers who purchase within the state of Washington and meet the guidelines below

Mortgage Details

- **Interest Rate –** 1% simple interest, payment deferred
- **Loan Term –** 30 years
- **Maximum Loan Amount –** up to $15,000
- **Repayment –** Due at the time of sale, transfer, refinance, early payoff of first mortgage, no longer occupy as primary residence or 30 years, whichever comes first.

Lenders to determine need using ***Needs Assessment Form*** **unless Borrower is a Veteran**. There is no assessment of need if Borrower is a Veteran.

On the **Needs Assessment Form**, the loan amount is based upon **maximum** financing for first mortgage type. In other words, on an FHA loan, the minimum downpayment is 3.5%. The Commission will not cover additional amounts toward downpayment. The Borrower must qualify with the 25% ratio test in order to be eligible for gap financing. Please see this section.

Maximum Income Limit

Edited 6/08/2026

To be eligible, an applicant's income must not exceed the following limits:

COUNTY	1-2 PERSONS	3 OR MORE PERSONS
King/Snohomish	$93,350	$116,650
Clark/Kitsap/Pierce/Skamania	$83,000	$103,700

Thurston/Whatcom	$78,600	$98,250
All Other Counties	$67,450	$84,300

Income Calculation

This downpayment assistance program uses Credit Underwriting Income for the Opportunity DPA 2nd mortgage. ***Please see this section of the manual.***

A copy of the underwriter's signed income worksheet or loan approval reflecting final income figures must be included in the Pre-Closing Compliance Review File.

14 - SPECIAL PROGRAMS

Edited 06/30/2023

HomeChoice DPA

Veterans DPA

ARCH East King County DPA

Bellingham DPA

Covenant Homeownership DPA

15 - FORMS

Edited 04/20/2026

House Key Opportunity Program Forms

ORIGINATION

Name of Form	Date of Form	Page Number
DPA Legal Counsel Letter	04/18/19	
Addendum to Residential Loan Application	11/02/23	15.6.1-4
Notice to Buyers	04/25/08	15.7
Income and Household Members Disclosure	03/06/17	15.8
Notice to Mortgagor of Information Regarding Potential Federal Subsidy Recapture Tax	04/27/01	15.10.1-5
Adjusted Qualifying Income Table	05/17/24	15.10.5
Statement of Income Tax Filing	03/06/17	15.12

PRE-CLOSING COMPLIANCE

Name of Form	Date of Form	Page Number
Pre-Closing Compliance Review Checklist	04/20/2026	15.13.1-3

LOAN CLOSING

Name of Form	Date of Form	Page Number
Notice of Potential Recapture Tax on Sale of Your Home	06/01/99	15.14
Conventional Rider to Security Instrument	04/25/08	15.16
Single-Family Deed of Trust Rider FHA, VA or USDA	07/25/18	15.17.1-2

POST CLOSING COMPLIANCE

Name of Form	Date of Form	Page Number
Post-Closing Compliance Review Checklist	04/20/26	15.20.1-2

PURCHASE & DELIVERY

Idaho Housing and Finance Association

Name of Form	Date of Form
Washington Housing Delivery Checklist	12/14/22

CANCELLATION

Name of Form	Date of Form	Page Number
Notice of Cancellation of Recapture Tax	02/16/05	15.29

18 - APPENDICES

Edited 06/30/2023

APPENDIX III

Fannie Mae HFA Preferred Product-9/5/2019

Under **HFA Preferred**, the following requirements will apply to **all FNMA loans delivered to Fannie Mae**:

- 100% of Fannie Mae's Adverse Market Fee applies as applicable.
- No additional Loan-level price adjustment (LLPA).
- Maximum Loan to Value (LTV) of 97% in all markets (subject to mortgage insurance availability).
- MH Advantage manufactured home, Maximum Loan to value (LTV) 97% in all markets (subject to mortgage insurance availability).
- If manufactured home other than MH Advantage, Maximum Loan to Value (LTV) 95% in all markets (subject to mortgage insurance availability).
- Maximum Combined Loan to Value (CLTV) up to 105% with Community Seconds (subject to mortgage insurance availability).
- Maximum allowable total expense (DTI) ratio per AUS approval.
- Minimum credit score per agency guidelines for DU underwritten loans, unless other restrictions apply.
- Per Fannie Mae guidelines, Borrowers may own no more than two financed properties, including the subject property. Follow agency guidelines.
- Borrower Paid Monthly MI, Upfront, or Split MI allowed. Seller Paid MI allowed. Financed Single Premium (97% max LTV).

Borrowers with incomes at or below Fannie Mae's 80% AMI:
Charter Minimum coverage are as follows:

- 18% - 95.01 – 97% LTV
- 16% - 90.01 – 95% LTV
- 12% - 85.01 – 90% LTV
- 6% - 80.01 – 85% LTV

Borrowers with incomes greater than Fannie Mae's 80% AMI up to House Key income limits by county:
Minimum coverage are as follows:

- 35% - 95.01 – 97% LTV
- 30% - 90.01 – 95% LTV
- 25% - 85.01 – 90% LTV
- 12% - 80.01 – 85% LTV

- Please update DU to include HFA Preferred as an option within the Community Lending screen.
- Click **Additional Data** in the navigation bar.
- Locate the **Community Lending Information** section.
- Select **HFA Preferred (**Special Feature Code (SFC) 782) in the Community Lending Product field.
- If you are using a Community Seconds mortgage, select **Yes** in the Community Seconds field (Special Feature Code (SFC) 118). Otherwise, select **No**.
- Special Feature Code (SFC) for manufactured home is 235, it it's a MH Advantage manufactured home Special Feature Code (SFC) 859 must also be used.
- If you are using a Community Seconds mortgage, you must select the appropriate options from the **Community Seconds Repayment Structure** drop-down list.
- When you are finished entering the necessary data for HFA Preferred (782) and other required fields on the Additional Data page, click **Submit**.

All loans subject to approval as per Mortgage Insurance guidelines as applicable. Please see Fannie Mae Special Feature Codes (SFC) in Section 2.

Freddie Mac HFA Advantage Product-12/05/2022

Under **HFA Advantage**, the following requirements will apply to **all Freddie Mac loans delivered to Freddie Mac**:

- Credit fee in yield specific to the HFA community and elimination of credit fees in price for HFAs.
- Maximum Loan to Value (LTV) of 97% in all markets (subject to mortgage insurance availability).
- Maximum Combined Loan to Value (CLTV) up to 105% with Affordable Seconds (subject to mortgage insurance availability).
- Manufactured homes are eligible with Freddie Mac HFA Advantage up to 95% LTV/95% CLTV.
- Homes in Community Land Trusts (CLTS) are not eligible under the Freddie Mac HFA Advantage program.
- Maximum allowable total expense (DTI) ratio per AUS approval
- Minimum credit score per agency guidelines for LPA underwritten loans, unless other restrictions apply.
- Per Freddie Mac guidelines, the occupant Borrowers may not own more than two financed residential real estate properties, including subject property as of the Note date.
- Borrower Paid Monthly MI, Upfront, or Split MI allowed. Seller Paid MI allowed. Financed Single Premium (97% max LTV).

  Borrowers with incomes at or below Freddie Mac's 80% AMI
  Charter Minimum coverage are as follows:
  - 18% - 95.01 – 97% LTV
  - 16% - 90.01 – 95% LTV
  - 12% - 85.01 – 90% LTV
  - 6% - 80.01 – 85% LTV

Borrowers with incomes greater than Freddie Mac's 80% AMI up to House Key income limit by County:
Minimum coverage are as follows:

- 35% - 95.01 – 97% LTV
- 30% - 90.01 – 95% LTV
- 25% - 85.01 – 90% LTV
- 12% - 80.01 – 85% LTV

- The "Offering Identifier" field in Loan Product Advisor (LPA) must show HFA Advantage or Home Possible Advantage for HFA's.
- If you are using an Affordable Second mortgage, you must select the appropriate option for the Affordable Second that does not require a payment within 60 months can be entered in the "Total Gift Fund" field.
- When you are finished entering the necessary date for HFA Advantage LPA findings must show "Accept".

All loans subject to approval as per Mortgage Insurance guidelines as applicable. Please see Section 2.

APPENDIX IV

Veterans Exception

Section 103 of the Heroes Act of 2008 contains a permanent exception to the first-time homebuyer requirement for borrowers who are veterans. To be eligible for the exception, the veteran borrower must meet the following requirements:

1. The borrower must be a veteran as defined in 38 U.S.C. section 101, which generally includes anyone who has served in the military and has been discharged or released under conditions other than dishonorable (or who has re-enlisted but could have been discharged or released under conditions other than dishonorable). (Please see the definition of a veteran for purposes of this exception beginning with paragraph #7 below.)

2. The veteran borrower can only use this exception one time.

3. The exception also applies to the spouse of a veteran borrower.

4. The IRS requires that the Commission makes a good faith effort to insure that the House Key mortgage loan meets all of the federal tax law requirements. Obtaining a copy of the veteran borrower's honorable discharge papers meets this requirement. If the veteran borrower is still in the armed forces, having re-enlisted, other documentation to prove compliance may be provided. The veteran borrower must also certify in a separate signed and notarized affidavit that he/she meets the exception requirements and has not previously used the exception.

5. The term "veteran" means a person who served in the active military, naval, or air service, and who was discharged or released therefrom under conditions other than dishonorable.

6. The term "discharge or release" includes:

    a) retirement from the active military, naval, or air service, and

    b) the satisfactory completion of the period of active military, naval, or air service for which a person was obligated at the time of entry into such service in the case of a person who, due to enlistment or reenlistment, was not awarded a discharge or release from such period of service at the time of such completion thereof and who, at such time, would otherwise have been eligible for the award of a discharge or release under conditions other than dishonorable

7. The term "active duty" means:

   a) full-time duty in the Armed Forces, other than active duty for training;

   b) full-time duty (other than for training purposes) as a commissioned officer of the Regular or Reserve Corps of the Public Health Service
      - on or after July 29, 1945, or
      - before that date under circumstances affording entitlement to "full military benefits".

   c) full-time duty as a commissioned officer of the National Oceanic and Atmospheric Administration or its predecessor organization the Coast and Geodetic Survey
      - on or after July 29, 1945, or
      - before that date
        - while on transfer to one of the Armed Forces, or
        - while, in time of war or national emergency declared by the President, assigned to duty on a project for one of the Armed Forces in an area determined by the Secretary of Defense to be of immediate military hazard, or
        - in the Philippine Islands on December 7, 1941, and continuously in such islands thereafter.

   d) service as a cadet at the United States Military, Air Force, or Coast Guard Academy, or as a midshipman at the United States Naval Academy; and

   e) authorized travel to or from such duty or service.

8. The term "active duty for training" means:

   a) full-time duty in the Armed Forces performed by Reserves for training purposes;

   b) full-time duty for training purposes performed as a commissioned officer of the Reserve Corps of the Public Health Service
      - on or after July 29, 1945, or
      - before that date under circumstances affording entitlement to "full military benefits";

   c) in the case of members of the Army National Guard or Air National Guard of any State, full-time duty under section 316, 502, 503, 504, or 505 of US Code Title 32, or the prior corresponding provisions of law;

d) duty performed by a member of a Senior Reserve Officers' Training Corps program when ordered to such duty for the purpose of training or a practice cruise under chapter 103 for a period of not less than four weeks and which must be completed by the member before the member is commissioned; and

e) authorized travel to or from such duty.

The term does not include duty performed as a temporary member of the Coast Guard Reserve.

9. The term "active military, naval, or air service" includes:

a) active duty;

b) any period of active duty for training during which the individual concerned was disabled from a disease or injury incurred or aggravated in line of duty; and

c) any period of inactive duty training during which the individual concerned was disabled:
- from an injury incurred or aggravated in line of duty; or
- from an acute myocardial infarction, a cardiac arrest, or a cerebrovascular accident occurring during such training.

10. The term “inactive duty training” means:

a) duty (other than full-time duty) prescribed for Reserves (including commissioned officers of the Reserve Corps of the Public Health Service) by the Secretary concerned under section 206 of US Code Title 37 or any other provision of law;

b) special additional duties authorized for Reserves (including commissioned officers of the Reserve Corps of the Public Health Service) by an authority designated by the Secretary concerned and performed by them on a voluntary basis in connection with the prescribed training or maintenance activities of the units to which they are assigned; and

c) training (other than active duty for training) by a member of, or applicant for membership (as defined in section 8140 (g) of US Code Title 5) in, the Senior Reserve Officers’ Training Corps prescribed under chapter 103 of US Code Title 10.

In the case of a member of the Army National Guard or Air National Guard of any State, such term means duty (other than full-time duty) under sections

316, 502, 503, 504, or 505 of U.S. Code Title 32, or the prior corresponding provisions of law. Such term does not include

- work or study performed in connection with correspondence courses,
- attendance at an educational institution in an inactive status, or
- duty performed as a temporary member of the Coast Guard Reserve.