



NHSA First Mortgage Non-Recourse FHA Loan Program Description

Neighborhood Housing Services of America (NHSA), is launching a First Mortgage Non-Recourse FHA Loan Program. NHSA will facilitate approved loan correspondents to originate mortgages under the Non-Supervised Federal Housing Administration (FHA) guarantee program.

Each organization seeking approval under the NHSA FMNR-FHA loan program is required to complete NHSA's Correspondent Application and provide all essential documentation as listed in the application for review and approval, be properly licensed and insured in their state of operation.

The NeighborWorks® organizations that have been approved and sponsored by NHSA are required to be approved as a Non-Supervised Loan Correspondent directly with HUD-FHA to participate in the program. A copy of their approval letter must be submitted to NHSA as evidence that the organization has been approved by FHA, before NHSA includes the NeighborWorks® organization's name as one of NHSA's sponsored correspondent lenders.

Only approved loan correspondents sponsored by NHSA can sell FHA loans to NHSA, and will be listed in the FHA Connection. NHSA will offer sponsorship to the FHA Title-I/Home Improvement Program and Title II Single Family Home Program.

FUNDING SOURCE:

The approved loan correspondent must have the administrative and financial capacity to carry out their FHA lending activity and have their own source of funding. The loans will be closed under the correspondent's name and sold to NHSA under NHSA's non-recourse provision for first mortgages.

ELIGIBILITY:

The program eligibility criteria and maximum loan amounts for HUD-FHA loans are established and regulated by HUD-FHA. Additional information can be obtained at www.hud.gov. All loan applications are required to be submitted through FNMA-DO to access the FHA-Total Score Card for evaluation of eligibility.

SECONDARY FINANCING:

A NeighborWorks® organization offering secondary financing assistance must be approved by the Federal Housing Administration as a provider to be eligible to provide such financing.

NHSA PARTICIPATING CORRESPONDENT ELIGIBILITY CRITERIA:

Participating agencies are all approved eligible and approved correspondents with NHSA who are also members in good standing with NeighborWorks® network or the financial partners of such organizations, which have been approved by HUD Federal Housing Administration and are properly licensed and insured in the state of operation.

The following criteria are applicable to the organizations or financial partners of such organizations requesting sponsorship to originate mortgages under the Federal Housing Administration (FHA).

- Be approved and sponsored by NHSA as a Correspondent;
- Be properly licensed in their state of operation;
- Be approved by HUD-FHA as an FHA Correspondent;
- Be a member of the NeighborWorks® network in good standing or their financial partners;
- Be able to provide evidence of a Fidelity Bond and Errors and Omissions Insurance coverage for at least \$300,000 each;

- NHSA PAR 1024 (10/2007) PARTICIPATING AGENCIES SUBJECT TO THE TEST CASE
- Have a loan origination system for the collection of client-level information including, but not limited to, credit, financial and property information data and that interfaces with FNMA-DO and FHA Connection databases;
 - Have a net worth of at least \$63,000;
 - Be able to deliver an fnm 3.2 (electronic) file to NHSA before an interest rate is locked for a minimum of 60 days; and,
 - Be able to deliver all of the documentation to complete the credit and legal files (closed loan), before the rate lock expires. Represent and warrant that all of the federal, state, and local lending rules and regulations have been observed and are in compliance and that the first mortgage lien credit and legal instruments are conforming FNMA/FHLMC documentation.

PROCESSING AND UNDERWRITING REVIEW:

Loan Correspondents are required to:

- Request their own FHA case ID numbers;
- Obtain clearance from CAIVRS (HUD's Credit Alert Interactive Voice Response System);
- Obtain clearance from the LDP List (Lender's Denial of Participating List); and,
- Obtain clearance from GSA List (General Services Administration List of Parties Excluded from Federal Procurement Programs)

Loan Correspondents have the option of using First American Fulfillment Services (FAFS) for loan processing. All loans will be submitted for evaluation by FHA Total Score Card to determine eligibility of the application.

NHSA will conduct a complete due diligence review to validate that the loan is in compliance with the FHA program, and to determine if all other FHA loan requirements were met and no deficiencies were found prior to the final scoring submission. NHSA will submit the entire case file to FHA for insurance endorsement until the test case requirement (15 cases) is met for each FHA Home Ownership Center (HOC), then NHSA will issue insurance under its authority and monitor performance of the correspondent. All loans are subject to up-front (UFMIP) and annual Mortgage Insurance Premium (MIP). If FHA declines the endorsement of loan during the test case environment, or if NHSA declines the endorsement after the test cases, the loan will not be purchased but returned to the correspondent.

DISCLOSURE REQUIREMENT:

Sponsored Correspondents must provide all borrowers with the proper disclosures for compliance with local, state, and federal regulations.

RE-CERTIFICATION:

To continue participating in the FHA program, each loan correspondent is required to renew its approval annually with FHA and with NHSA.

The following documentation is required to renew the approved correspondent participation with NHSA:

- Evidence of (annual) re-certification letter from FHA;
- Licenses and Certifications if expired;
- Current Audited Financials; and,
- Current evidence of Fidelity Bond and Errors and Omissions Insurance coverage for at least \$300,000 each.

INACTIVE STATUS:

Should an approved correspondent temporarily be unable to comply with the requirements necessary to be an NHSA-FHA Correspondent, NHSA will temporarily remove such correspondent from the list of approved/active participating agencies until such time as the impediment to compliance is removed.