

## SECTION 5013 – CLOSING COST ASSISTANCE PROGRAM (GOVERNMENT LOANS)

### **.01 INTRODUCTION**

The Closing Cost Assistance Program (CCAP) facilitates the making of mortgages for the purpose of the acquisition of housing. Funds are provided for transactional costs and may be used for closing costs, minimum cash investment, and/or principal reduction.

Eligible loan types include FHA, VA, or USDA-RHS. All processing procedures for FHA, VA and USDA-RHS reservations are the responsibility of the approved Lender. The Lender must use the applicable agency standards to qualify the borrower or evaluate the property as security for the mortgage, and; in addition, the Lender must meet the guidelines for both AHFC and the Servicer.

### **.02 CRITERIA**

The Lender must underwrite loans to comply with applicable governmental agency guidelines and secure appropriate insurance or guaranty with the following additional requirements.

A. AHFC criteria must be met:

1. Borrower is an Alaska resident;
2. Property is owner-occupied primary residence;
3. PUR 101 and PUR 102, if applicable, or;
4. Property meets guidelines for Non-Conforming II;
5. Contractor licensing for new construction;
6. No back child support (UND-22);
7. Waiver and Release of Liability of the Corporation (PUR-80);
8. Maximum qualifications, if any, for income and/or purchase price;
9. Minimum credit score 640;
10. Maximum total debt-to-income ratio of 45%, and;
11. Satisfactory home inspection.

The Lender's underwriter will certify ("underwriter certify") that all criteria listed in 5013.02 is met or will be met as a condition of the reservation. Underwriter certification must be made within 15 days of issuance of the reservation.

B. All criteria established by the Servicer, U.S. Bank Home Mortgage.

C. Down payment requirements:

1. Follow FHA, VA, or USDA-RHS guidelines.

D. Eligible Properties:

1. A one-unit single family dwelling, including condominiums and Type I Manufactured Housing.

E. Terms:

1. 30 years, fixed rate;
2. Purchase transaction (refinance is not eligible under the program).

### **.03 TRANSACTION ASSISTANCE**

AHFC will provide non-repayable assistance funds that can be used for the following purposes, and applied to the allowable transactional costs of the borrower, in the order that follows below, until expended. **(NOTE: Cash back is strictly prohibited)**

- A. Closing costs;
- B. Minimum cash investment including reserves, and/or;
- C. Principal reduction.

The full amount of the assistance must be clearly disclosed on the HUD-1 Settlement Statement as a line item in Section J on any of the lines 204 through 209 exactly as follows:

Funds from HFA - Alaska Housing Finance Corporation

AHFC is required to deliver the CCAP funds directly to the closing table for the benefit of the borrower. The lender is responsible to arrange with AHFC for the funds to be delivered in time for the loan closing. A full 48-hour notice is required to process the wire transfer. Use form UND-15.

### **.04 DELIVERY**

Once a loan is submitted to AHFC for reservation and the Lender is provided a reservation, the loan must be:

- A. Underwriter certified by the Lender's underwriter within 15 days of the reservation date;
- B. Closed and delivered to the Servicer within 45 days of the reservation date, and;
- C. Purchased by the Servicer within 70-days of the reservation date.

The reservation will automatically expire for any loan not delivered to the Servicer within the 70-day period referenced above and it becomes ineligible for purchase unless the Lender elects a one-time only 30-day extension prior to the expiration of the reservation.

For those loans delivered to the Servicer within the 70-day period, but not yet purchased, the one-time 30-day extension is automatically processed.

The fee for an extension is \$375, and it is due whether or not an extended loan is ultimately delivered or purchased. AHFC will bill the Lender for extension fees.

**.05 LENDER COMPENSATION**

Lender may charge loan origination fees up to 1.125% of the loan amount. Lender will be paid a service release premium (SRP) at the time of purchase as follows:

- A. .750% for FHA loans;
- B. .750% for USDA-RHS loans, and;
- C. .250% for VA loans.