

Oregon Bond and Flex Lending FirstHome

Guideline Manual

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SECTION 1 – INTRODUCTION

1.1 Forward

The Oregon Bond and First Home (the “Program”), developed by Oregon Housing and Community Services (the “Department” or “OHCS”), provides mortgage financing to help moderate- and lower-income Oregonians purchase homes from the proceeds of bonds (tax-exempt and taxable) sold by the Department. The Department uses the bond proceeds to purchase and hold Mortgage Loans that are either individual Mortgage Loans (“Whole Loans”) or Mortgage Loans within a mortgage-backed security (“MBS”) as an investment from Approved Mortgage Lenders.

Approved Mortgage Lenders who deliver “Whole Loans” must be approved with a Department-approved servicer (the “Servicer”) to participate in the Program. Approved Mortgage Lenders who deliver Mortgage Loans for delivery into MBS must be approved with the Department’s Servicer (the “Master Servicer”), this new product will become part of the Flex Lending Program under the name First Home.

It is our expectation that Mortgage Loans originated by approved lenders under the Program (the “Mortgage Loans”) are underwritten and approved using prudent and sound rationalization. The Department does not wish to purchase Mortgage Loans that may cause a financial hardship to borrowers or that may result in default.

1.2 Mortgage Loan Requirements

As a prerequisite for delivering Mortgage Loans to the Department, the credit and underwriting requirements of the Servicer or Department’s Servicer must be met as applicable. Additionally, all Mortgage Loans must meet the requirements of Section 143 of the Internal Revenue Code (the “IRC” or “Code”) of 1986, as amended, OAR Chapter 813 Division 20, and the guidelines established by the Department as set forth in this manual. This includes IRS Recapture please refer to OHCS form SFMP 25.

Local Offices: As noted in the MORTGAGE LENDING PROGRAM ORIGINATION AGREEMENT under Section 4.01 Lender General Requirements item “J” “Lender shall maintain one or more offices within 50 miles of Oregon, open to the public, fully staffed with experienced personnel who make Purchase Money Mortgages for owner-occupied homes located in Oregon. The staff originating and processing Mortgages under the Program must be located in Oregon or within 50 miles of Oregon’s border.”

SECTION 2 – BORROWER ELIGIBILITY

2.1 Eligible Borrower(s)

A borrower is eligible to receive a Mortgage Loan under the Program if, on the dates of application and closing the following requirements are met:

1. **Income Limitation:** The annual gross income of all household members over age 18 who are not full-time students must not exceed the income limits established by the Department pursuant to Section 143 of the Code of 1986, as amended, and published annually by the U.S. Department of Housing and Urban Development (“HUD”). See Section 2.5 Income Limits.

2. The person:

- a. Is a resident or intends to be a resident of Oregon;
- b. The residence financed by a Mortgage Loan must be occupied within 60 days from loan closing as a qualifying principal residence by the borrower;
- c. Is not acquiring or replacing any existing Mortgage Loan on the property, subject to certain exceptions (e.g., construction loan, bridge loan or similar temporary initial financing, and a qualified rehabilitation loan);
- d. Possesses the legal capacity to incur the obligations of the Mortgage Loan;
- e. Has a credit standing acceptable to the Department; and
- f. Has not had a present ownership interest in any principal residence in the past three (3) years, with certain exceptions (see Section 2.2 First-Time Homebuyer Requirement).

2.2 First-Time Homebuyer Requirement

Borrower must be a first-time homebuyer (see Section 2.1 (2)(f) above), purchase the residence in a targeted area of Oregon (see below), or be a veteran (see below). Approved lenders are to provide the Department income tax returns for the immediately preceding three (3) years and a current credit report for each borrower.

Veteran's Exemption: Borrowers who have served in active duty and were honorably discharged and have not previously used a mortgage revenue bond program are exempt from the first-time homebuyer requirement. All other requirements remain. Completed Veteran Exemption form SFMP 7-VA must be included with the application.

Targeted Area Exemption: If subject property that is being purchased is located in a targeted area the homebuyer is not required to be a first-time homebuyer. Approved lenders are to provide the Department income tax returns for the immediately preceding one (1)-year period.

2.3 Homebuyer Education

Whole Loan Bond Mortgage Loans – not applicable

Flex Lending FirstHome Mortgage Loans – Homebuyer education is required for all first-time homebuyers. Homebuyers must complete homebuyer education through an OHCS homeownership center. See below link for list of participating homeownership centers.

<https://www.oregon.gov/ohcs/homeownership/homebuyers/Pages/housing-counseling.aspx>.

Approved lender must retain a copy of the certificate of course or counseling completion in the loan file. In the event homebuyer education cannot be completed with an OHCS homeownership center, homebuyer education may be completed using Finally Home, which is available at <https://www.finallyhome.org/>.

2.4 Occupancy

Principal Residence Requirement – The borrower must occupy the residence as their principal residence within sixty (60) days from Mortgage Loan closing. The residence must be used by the borrower as a single-family residence. At no time can borrower use the residence as an investment property or as a vacation or recreational home, and the borrower cannot conduct trade or business activities from the residence.

Year-Round Occupancy – Any Mortgage Loan secured by a property that is not suitable for year-round occupancy regardless of where it is located is not eligible for purchase by the Department.

Ineligible Occupancy Types – The following types of residences are NOT eligible for any Mortgage Loan products offered in the Program:

- Homes used as investment properties
- Recreational, vacation or “second” homes

Usage of Residence in a Trade or Business – Borrower must follow the guidelines of the Department's Servicer for the loan Program used in connection with the Mortgage Loan.

2.5 Income Limits

The borrower's household income must not exceed annual income limits, which are published on the Department's website. For the purpose of meeting the eligibility criteria associated with the income limits, the household income of the borrowers will be considered. Approved lenders must ensure that the income meets the guidelines and requirements. Refer to U.S. Code of Federal Regulations 24 CFR Section 5.609 – Annual income and Section 143(f) of the Code, as amended.

2.6 Penalties for Misstatement

If any person makes a material misstatement in any affidavit or certification made in connection with the Mortgage Loan application and such misstatement is due to negligence of that person or to fraud, that person may be liable under applicable civil or criminal law.

2.7 Ownership Interest and Title

Previous Ownership – Borrowers may not have had a present ownership interest in a principal residence at any time during the 3-year period immediately preceding the closing date of obtaining the Mortgage Loan.

Certain exceptions are available:

1. If the borrower is purchasing a home in a targeted area
2. If the borrower is a veteran using a one-time veteran exemption
3. Borrowers who own:
 - a. Bare land
 - b. Inherited property (if a residence, must be sold prior to closing date)
 - c. A manufactured home in a park on leased land (must be sold prior to closing date)

Vesting – Ownership vesting must be held by the eligible borrower, not in trust or in an LLC.

2.8 Co-Signers and Non-Occupying Co-Borrowers

Borrower must satisfy all requirements for obtaining the Mortgage Loan. Co-signers and non-occupant co-borrowers are not permitted.

SECTION 3 – PROPERTY ELIGIBILITY

3.1 Eligible Loan Area

Only property located in the State of Oregon is eligible for the Program.

3.2 Property Requirements – All Programs

All loans must comply with the requirements of the Servicer or Department's Servicer as applicable.

- Eligible properties include single family dwellings used as primary residence property:
 - i) 1-Unit
 - ii) Condominiums
 - iii) Townhomes
 - iv) Planned Unit Developments ("PUDs")
 - v) Manufactured homes
- Multiplexes (duplex, etc.) are unacceptable.

3.3 Purchase Price or Appraised Value Limitation

- Purchase price limits are established annually using guidance set forth by the Internal Revenue Service. Purchase price limits are published on the Department's website.
 - If applicable, DPA may not be used to pay the difference between the sales price and appraised value if the sales price is higher (gap financing).

- HOUSING STABILITY COUNCIL – Mortgage loans equal to or greater than 95% of the local area purchase price limit, must be approved by the Housing Stability Council prior to the Department purchasing the Mortgage Loan.

3.4 Targeted Area Census Tract

Properties located in targeted areas do not require borrower to be a first-time homebuyer. In non-targeted areas the borrower must be a first-time homebuyer.

“Targeted area” means the areas within the state designated as Qualified Census Tracts. A “Qualified Census Tract” is defined under 26 USCA Section 143(j)(2)(A) as a Census tract in which 70% or more of the families have income that is at or below 80% of the statewide median family income or an area of “chronic economic distress” as designated and approved in accordance with 26 USCA Section 143(j).

Census tracts can be located for any address at <https://geomap.ffiec.gov/ffiecgeomap/>.

A list of targeted and non-targeted areas by county in Oregon is published on the Department’s website.

3.5 Hazard Insurance

Hazard insurance must comply with the requirements of the Servicer or Department’s Servicers as applicable. Maximum deductible for hazard insurance is \$1,000.00.

3.6 Flood Insurance

Flood insurance must comply with the requirements of the Servicer or Department’s Servicers as applicable. Maximum deductible for flood insurance is \$5,000.00.

3.7 Escrow payments

A reserve/escrow account for the collection of hazard insurance premiums, flood insurance premiums, taxes, and mortgage insurance premiums (if applicable) are required for all Mortgage Loans.

SECTION 4 – MORTGAGE LOAN UNDERWRITING

Approved lenders are responsible for all underwriting decisions for all mortgages originated under the Program. Mortgage Loans must be underwritten to the standards of the applicable loan type.

4.1 Loan Types

The following first mortgage loan types are eligible for purchase by the Department provided they meet the requirements of the Servicer or Department’s Servicers as applicable.

- Federal Housing Administration (“FHA”) Loans – 96.5% LTV/Follow HUD guidance for CLTV
 - FHA Section 203(b), Single Family Residences
 - FHA Section 234(c), Condominiums
 - FHA Section 184, Indian Home Loan Guarantee Program
- Veterans Administration (“VA”) Loans – 100% LTV/Follow VA guidance for CLTV
- U.S. Department of Agriculture Rural Housing Service (“USDA-RHS”) Loans 100% LTV/Follow USDA guidance for CLTV
- Conventional Loans – Maximum combined loan-to-value (“CLTV”) 105%
 - Whole Loan Bond Mortgage Loans – Maximum financing is 80% loan-to-value (“LTV”)
 - First Home Mortgage Loans – Max 97% LTV

4.2 Seller Contributions

First Mortgage Loan Seller Contribution Limitations. Follow Department guidelines.

- FHA, VA & USDA-RHS loans have a maximum seller contribution of 6%.
- Fannie HFA (Housing Finance Agencies) Preferred and FHLMC (Federal Home Loan Mortgage Corp.) HFA Advantage loans have a maximum seller contribution of:
 - 3% with CLTVs greater than 90%.
 - 6% with CLTVs less than or equal to 90%.
 - May be used for closing costs and/or single or split mortgage insurance (“MI”) premiums.
- Lender-paid MI may not be paid with seller contributions.

4.3 Mortgage Insurance

Government Loans (FHA, VA, USDA-RHS) follow standard FHA, VA, and USDA-RHS mortgage guidelines.

- Whole Loan Bond Mortgage Loans – MI not allowed on conventional loans.
- Flex Lending FirstHome Mortgage Loans – Conventional loans that require MI must acquire the policy from one of the following mortgage insurance providers:

Arch	MGIC
Enact	National MI
Essent	Radian

Coverage Requirements for Fannie Mae HFA Preferred and Freddie Mac HFA Advantage:

LTV Range	Coverage Amount	
	Under 80% AMI	Over 80% AMI
>95% and < = 97%	18%	35%
>90% and < = 95%	16%	30%
>85% and < = 90%	12%	25%
>80% and < = 85%	6%	12%

Payment Options:

- Borrower Paid – monthly with annual renewal
- Split Premium
- Single Premium

Approved lender is responsible for activating any MI policy and remitting any MI payments due to the mortgage insurer prior to the sale of the Mortgage Loan to the Department’s Servicer. The approved lender is also responsible for transferring the MI policy to the Department’s Servicer after the sale of the Mortgage Loan.

4.4 Credit

Whole Loan Bond Mortgage Loans – Follow Fannie Mae, Freddie Mac, FHA, VA, USDA, Section 184 guidelines as applicable.

Flex Lending FirstHome Mortgage Loans – Follow Department requirements and guidelines. All borrowers are required to have a minimum credit score of 620 for Mortgage Loans underwritten using AUS (Automated Underwriting Systems). Manually underwritten Mortgage Loans require a minimum credit score of 640. See Section 4.5 Manual Underwriting for available loan types.

4.5 Manual Underwriting

Whole Loan Bond Mortgage Loans – Follow Fannie Mae, Freddie Mac, FHA, VA, USDA, Section 184 guidelines as applicable.

Flex Lending FirstHome Mortgage Loans – Manual underwriting is permitted for FHA, VA, USDA-RHS and Section 184 Mortgage Loan types. Borrowers must have a credit score of at least 640 and two (2) months reserves after closing.

4.6 Debt to Income Ratio (DTI)

Whole Loan Bond Mortgage Loans – Follow Fannie Mae, Freddie Mac, FHA, VA, USDA, Section 184 guidelines as applicable.

First Home Mortgage Loans – Borrowers' maximum qualifying DTI may not exceed 50%.

SECTION 5 – FOCUSED DEMOGRAPHICS

5.1 Focused Demographics

"Focused Demographics" means transactions that meet specific demographic criteria established below.

To be eligible for focused demographics, borrowers must apply using the Focused Demographics Product Eligibility Worksheet published on the Department's website and meet the Program Guidelines and two of four demographic criteria below:

- Household of four or more people.
- A household member with a disability
 - Disability is defined under ORS 456.515 (10). "Person with a disability" means a person who has a physical or mental impairment that substantially limits one or more major life activities. "Major life activity" is defined under ORS 456.515 (8).
- Front-End Debt Ratio of 28% or higher
- Sole Head of Household (household includes only one adult that is not an eligible dependent) with one (1) or more eligible dependents residing in the household who are:
 - Under 18
 - A household member with a disability
 - Age 62 or older

5.2 Focused Demographics DPA

Focused Demographics DPA means down payment assistance for borrowers who meet the Focused Demographics criteria. Focused Demographics DPA is 5%.

- Whole Loan Bond Mortgage Loans – Down Payment Assistance (DPA) is not available on Whole Loan Bond Mortgage Loans transactions.
- Flex Lending FirstHome Mortgage Loans – The Focused Demographics DPA is 5%.

5.3 Focused Demographics DPA Terms

- Silent Second. For borrowers whose income is at or below 80% of AMI, DPA is in the form of a silent second mortgage loan bearing 0% interest and no payments. Terms are below in 6.3.
- Amortizing Second. For borrowers whose income is above 80% and up to 120% of AMI, DPA is in the form of an amortizing second mortgage loan, terms below in 6.4.

SECTION 6 – DOWN PAYMENT ASSISTANCE (DPA)

6.1 DPA Options

Whole Loan Bond Mortgage Loans – Cash Assistance is available for Whole Loan Bond Mortgage Loans using the Cash Advantage Product in the amount of 3%, however, it may not be used for Down Payment Assistance. DPA is not available from OHCS. DPA from outside sources are allowed to be used in combination with the Program. Follow Department guidelines.

Flex Lending FirstHome Mortgage Loans – Standard DPA is 4% and the Department’s Focused Demographics DPA is 5%.

6.2 DPA Types

DPA is calculated as a percentage of the first Mortgage Loan Note amount. Terms are income based using Fannie Mae’s AMI limits, which can be found at <https://ami-lookup-tool.fanniemae.com/>.

- Silent Second. For borrowers at or below 80% of AMI, DPA is in the form of a silent second mortgage loan bearing 0% interest and no payments. Terms are below in 6.3.
- Amortizing Second. For borrowers above 80% of AMI, DPA is in the form of an amortizing second mortgage loan with an interest rate 1% above the interest rate of the first mortgage. Terms are below in 6.4.

6.3 Silent Second Terms & Repayment

- The Silent Second Mortgage Loan is a Second Mortgage Loan that has no monthly payments and no interest accruing.
- Standard DPA – 4% of the first Mortgage Loan Note amount.
- Focused Demographics DPA – 5% of the first Mortgage Loan Note amount.
- Repayment – Any outstanding balance is repayable as follows:
 - Sale or Transfer – If all or any part of the property, or any interest in the property (including a beneficial interest), is sold, conveyed, or transferred, whether voluntary, involuntary or by operation of law.
 - Refinance or Payoff – Refinancing or paying off the first mortgage.
 - Rental of Property – If borrower rents or leases (whether by written or oral agreement) the property or any portion of the property.
 - Failure to Occupy Property as Principal Residence – If borrower fails to occupy the property as the borrower’s principal residence within sixty (60) days following the first mortgage loan closing.
 - Default or Acceleration – Upon default or acceleration of the first Mortgage Loan for any reason.

6.4 Amortizing Second Terms

Amortizing Second Mortgage Loans are provided to qualifying borrowers with income greater than 80% AMI at an interest rate 1% over the first mortgage loan interest rate.

- Standard DPA of 4%
 - Income >80% of AMI up to 120% of AMI – 240-month fully amortizing term.
 - Income >120% of AMI – 120-month fully amortizing term.
- Focused Demographics DPA of 5%
 - Income >80% of AMI up to 120% of AMI – 360-month fully amortizing term.

6.5 Use of DPA Funds

DPA funds may be used for up to 100% of the borrower’s cash requirement to close, including down payment, closing costs, pre-paid items, upfront borrower paid mortgage insurance and other related Mortgage Loan fees and expenses. The borrower may not receive cash back at close with exception of earnest money deposit and prepaid items. Any unused DPA funds must be applied to the Note principal.

6.6 Additional Funds

Additional subsidy programs may be used in conjunction with the DPA provided they meet requirements of Department and Department’s Servicer. Second mortgage DPA must be in second lien position.

SECTION 7 – FEES AND CHARGES

7.1 Servicer Fees

First Home Mortgage Loans – The following fees, which may be passed onto the borrower, will be charged by the Department’s Servicer, and deducted from the mortgage loan purchase price:

Fee	Amount	Payor/Payee
Loan Acquisition Fee	\$200	Lender Fee to the Servicer
Tax Service	\$85	Lender Fee to the Servicer
Flood Cert	\$18	Lender Fee to the Servicer

7.2 Program Administrator Fees

Whole Loan Bond Mortgage Loans – OHCS charges an administrative fee of 0.50% of the Mortgage Loan Note amount. The fee will be subtracted from the total amount owed to the approved lender.

Flex Lending FirstHome Mortgage Loans – The following fee, which may be passed onto the borrower, will be charged by Hilltop Securities (the “Program Administrator”):

Fee	Amount	Payor/Payee
Code Compliance Review Fee	\$225	Lender Fee to the Program Administrator

7.3 Mortgage Loan Purchase Price and Lender Compensation

Whole Loan Bond Mortgage Loans:

- 1.750% – Loan origination fee and discount points (calculated as a percentage of the Note amount).
 - Approved lender will retain 1.250%, and the remaining 0.50% is paid to the Department as an administrative fee.
- \$1,000 – Approved lender may charge document preparation, processing, underwriting, funding, application or a review fee, all of which cannot exceed \$1,000.

Flex Lending FirstHome Mortgage Loans:

- Mortgage loans originated under the Program will be purchased by the Department’s Servicer.
- Lender Compensation – Total lender compensation for Mortgage Loans originated in the Program will be as follows:
 - 1.25% SRP (Servicing Release Premium) for each FHA, USDA-RHS, VA or Conventional Loan
 - Lenders may collect and retain origination fees as allowed by the Department’s Servicer’s

guidelines from the borrower or seller.

- Fees – Lenders may collect all reasonable and customary fees and closing costs, provided all fees are fully disclosed in accordance with federal, state, and local regulations. Ancillary fees collected by a lender may not exceed the amount collected on the lender’s similar Mortgage Loans not sold to the Department.
- DPA Second Mortgages – No fees may be charged on DPA second mortgages, except for interest and recording fees if applicable.

7.4 Extension Fees

Whole Loan Bond Mortgage Loans – Reservations will automatically be locked in for 90 calendar days. Upon request, a 90-day lock extension may be granted to enable sufficient time to close the loan under the original terms of the reservation.

Flex Lending FirstHome Mortgage Loans – Mortgage Loans not purchased within such sixty (60) [calendar] day period, require an extension. The approved lender may request a one-time extension at the following cost. These fees will be netted out upon loan purchase.

Extension Term	Cost
7 days	0.0625%
15 days	0.1250%
22 days	0.1875%
30 days	0.2500%

SECTION 8 – LOCKING LOANS

"Lock" means the reservation of funds at a specified interest rate, for a specified period of time for, a specific borrower, on a specific program, for a specific property type, purchase price and loan amount on a specific address.

8.1 Loan Locking Hours

Whole Loan Bond Mortgage Loans – Available all hours.

Flex Lending FirstHome Mortgage Loans – The lock window is open on business days, Monday through Friday between 9 a.m. and 4 p.m. (Pacific Time) and unavailable on Saturdays, Sundays, State of Oregon holidays and days on which the financial markets are closed.

8.2 Lender Portal

Whole Loan Bond Mortgage Loans – Approved lenders are to use the reservation portal at:

<https://egov.hcs.state.or.us/reser/login.jsp>.

- Lock loans and make a reservation
- Update a reservation
- Request a cancellation

To extend a lock email HCS.Reservations@HCS.Oregon.gov

Flex Lending FirstHome Mortgage Loans – The Lender Portal is used by approved lenders to:

- Reserve funds and manage locks.
- Submit pre- and post-closing compliance packages.
- Check status of compliance conditions.
- Run reports.

8.3 Locking Loans

All Programs – The approved lender commits to accept applications in all of its lending offices within the eligible loan area. Funds must be made available on a first-come, first-served basis, irrespective of the borrower's race, color, religion, national origin, age, or gender. There will be no restrictions as to the total number of locks issued to any approved lender.

Before requesting a lock, approved lenders must have taken the mortgage loan application and pre-qualified the borrowers and must have a fully executed purchase contract at the time the loan/interest rate is locked.

Locks may not be transferred from one borrower to another or from one lender to another. In the event another lender tries to make a lock for a currently locked loan, we will need a cancellation confirmation from the original lender before allowing a new lender to relock. This will only be allowed one time.

Whole Loan Bond Mortgage Loans:

- Locks are to be made at <https://egov.hcs.state.or.us/reser/login.jsp>
- Purchase and sale agreement must be uploaded via the reservation portal during the reservation process.
- Approved lenders must close, fund and deliver Whole Loan Bond Mortgage Loans to the Department within ninety (90) calendar days of the date the Mortgage Loan is locked. It is highly recommended that approved lenders provide the borrower with a seventy-five (75) calendar-day lock.
- Adequate time should be allowed for the Department to perform a compliance review of the mortgage loan package to cure any conditions prior to the Department's purchase of the Mortgage Loan.

Flex Lending FirstHome Mortgage Loans:

- Locks are to be made at <https://www.oregonlendingprograms.com/>
- Approved lenders must close, fund, deliver and purchase First Home Mortgage Loans to the Department's Servicer within sixty (60) calendar days of the date the Mortgage Loan is locked.
- It is highly recommended that approved lenders provide the borrower with a forty-five (45) calendar-day lock.
- Adequate time should be allowed for the Department's Servicer to perform a compliance review of the credit loan package to cure any conditions prior to the Department's Servicer's approval to purchase the Mortgage Loan on the Department's behalf.

8.4 Lock Changes

Whole Loan Bond Mortgage Loans – Approved lender to complete all changes online except for lock extension requests which must be requested in writing to the HCS.Reservations@hcs.oregon.gov mailbox.

Flex Lending FirstHome Mortgage Loans:

- If there are changes in purchase price, loan amount, or property address, the approved lender must submit the following documents through the Lender Portal and notify the Program Administrator via phone or email in order to complete the loan revision:
 - a. Copy of Revised Checklist
 - b. Copy of Revised 1003
 - c. Copy of Revised 92900LT or 1008
 - d. LE/CD
 - e. Second Lien Documents
 - f. Copy of property sales contract addendum (purchase price & address changes only)

- The Program Administrator will revise the loan to reflect the changes requested and will notify the approved lender when the revision(s) are completed and available via the Lender Portal.

8.5 Cancellation and Commitment Expirations

For expired or cancelled locks, the approved lender may not make another lock for that borrower for a period of sixty (60) [calendar] days, or unless otherwise authorized by the Department. The approved lender is responsible for cancelling all Mortgage Loans subject to a lock if the Mortgage Loan will not be delivered.

- In a case where the borrower cancels or withdraws the borrower’s application, the approved lender must promptly cancel the lock.
- In a case where the approved lender’s loan commitment expires, the approved lender must request an extension and provide a new estimated closing date.

In all cases, the expiration of the loan commitment without the required action by the approved lender may result in the approved lender being placed on “Inactive Status,” meaning the approved lender may not submit new locks until the problem is resolved. Failure to comply with this provision may result in the approved lender’s expulsion from the Program.

SECTION 9 – LOAN COMPLIANCE, FUNDING, DELIVERY & PURCHASE

9.1 Mortgage Loan Delivery Timeframes

Whole Loan Bond Mortgage Loans – The closed Mortgage Loan must be delivered to the Department within ninety (90) calendar days of loan lock (the “Commitment Expiration Date”) unless an extension is purchased to cover the amount of time required to purchase the Mortgage Loan. May extend lock one-time for an additional 90 days at no cost.

Flex Lending FirstHome Mortgage Loans – Approved lenders must comply with the following requirements:

1. Pre-Closing Compliance Package – The Pre-Closing Compliance Package should be submitted to the Program Administrator (through the Lender Portal) three to five (3-5) calendar days prior to loan closing.
2. Post-Closing Compliance Package – The Post-Closing Compliance Package should be submitted to the Program Administrator (through the Lender Portal) within ten (10) calendar days following the closing date of the Mortgage Loan, but in no event after the Commitment Expiration Date.
3. Closed Mortgage Loan Package – The closed Mortgage Loan must be delivered to and purchased by the Servicer prior to the Commitment Expiration Date unless an extension is purchased to cover the amount of time required for the Servicer to complete the purchase of the Mortgage Loan.

9.2 Pre-Closing Compliance

Whole Loan Bond Mortgage Loan – does not apply

Flex Lending First Home Mortgage Loans Pre-Closing Compliance Package submitted to the Program Administrator (through the Lender Portal) must contain the following documentation:

- Pre-Closing Compliance Checklist
- Executed Underwriter’s Certification (Form 92900, 1008, etc.)
- Final AUS Certification
- Borrower Fraud Report
- Initial URLA/1003
- Unsigned Final URLA/1003
- Executed Purchase Contract w/Addendums

- Homebuyer Education Certificate for all first-time homebuyers on transaction
- **Other program specific documents such as the 2nd lien LE or Focused Worksheet, depending on the program chosen.**
- **Pre-Closing Borrower’s Acknowledgment Form*** – signed
 - ***NOTE: Borrower will sign a final copy at closing reaffirming their understanding of the terms**
- All required FirstHome SFMP documents

The down payment assistance documents will be made available after the pre-closing compliance approval.

9.3 Post-Closing Compliance

Whole Loan Bond Mortgage Loans – Follow instructions on SFMP 26 – Electronic File Submission. Email purchase packages to HCS.Reservations@HCS.Oregon.gov.

Flex Lending FirstHome Mortgage Loans – The Post-Closing Compliance Package submitted to the Program Administrator (through the Lender Portal) must contain the following documentation:

Required forms:

- The Checklist
- Executed Final Closing Disclosures first lien and/or second lien (depending on the program)
- Executed Final URLAs – Lender, Borrower, and any addendums
- Executed Second Mortgage Subordinate Deed of Trust
- Executed Second Mortgage Note
- Executed Legally Enforceable Obligation Letter
- Executed Reaffirmation – Borrower’s Acknowledgment Form*
 - ***NOTE:** Borrower is reaffirming they understand the terms of the HTS compliance file’s electronic submission: www.Oregonlendingprograms.com.
- No original documents should be sent to the Hilltop Securities team.
 - **Note:** Both HTS and IHFA files must be cleared and approved for loan purchase.

For more details, please see Loan Origination and Funding Flowchart on page 9.

9.4 Delivery of the Closed Mortgage Loan Package

Whole Loan Bond Mortgage Loans – Refer to Section 9.3

Flex Lending FirstHome Mortgage Loans – The closed Mortgage Loan package must be delivered and purchased prior to the Commitment Expiration Date unless an extension is purchased to cover the amount of time required to complete the Servicer’s purchase of the Mortgage Loan and must include:

- Loan Delivery Checklist
- Compliance Review – All loans must be approved for compliance at pre-closing to ensure the Program criteria have been met, as well as post-closing to receive final, executed documents. (Flex Lending FirstHome Mortgage Loans only)
- Executed Final Closing Disclosure
- Executed Final URLA’s (“Uniform Residential Loan Application”) – Lender, Borrower, and any addendums
- Executed Second Mortgage Subordinate Deed of Trust (Flex Lending FirstHome Mortgage Loans only)
- Executed Second Mortgage Promissory Note (Flex Lending FirstHome Mortgage Loans only)
- Executed Borrower’s Acknowledgement Letter
- All documents required by the Servicer (Flex Lending FirstHome Mortgage Loans only)

9.5 OHCS Compliance Review (Post-closing)

Whole Loan Bond Mortgage Loan – Refer to Section 9.3

Flex Lending FirstHome Mortgage Loans are required to have a compliance review by OHCS to validate that the loan meets IRS requirements. Lender is responsible to provide the following documentation to OHCS within 10 days after closing to ensure program requirements have been met. Loan will be eligible for purchase after the compliance review has been completed and all requirements are met.

Email these documents to FirstHome.CR@HCS.Oregon.gov, with a subject line of **FirstHome Compliance review**.

1. Loan application – 1003
2. Loan transmittal – 1008/LT/VALA
3. Household Income documents – tax returns, VOE, award letters, support orders, etc. OHCS reserves the right to ask for any additional income documentation they deem necessary.

9.6 Purchase of Down Payment Assistance and Cash Advantage Mortgage Loans

Cash Advantage Mortgages – (Whole Loan Bond Mortgage Loans) The approved lender will advance the funds for cash assistance at closing. Cash assistance may not be used for down payment assistance. The payment of the cash assistance must be documented in section L of the TRID Closing Disclosure under “other credits.” Approved lender will be reimbursed for such cash assistance upon purchase of the loan by the Department.

Down Payment Assistance – (Flex Lending FirstHome Mortgage Loans)

- The approved lender will advance the funds for DPA at closing. In conjunction with the purchase of the first mortgage loan the Servicer will reimburse the approved lender the amount of the DPA Mortgage Loan advanced at closing.
- If the Department’s Servicer cannot purchase the first mortgage loan, the approved lender may request the Department reimburse the approved lender for the DPA Mortgage Loan if the first mortgage loan meets the Department’s requirements. Reimbursements are at the discretion of the Department, and an administrative fee may be charged to the approved lender in an amount not to exceed the amount of the DPA Mortgage Loan.

9.7 Delinquent Closing Documentation

Loan documents are due to the Department prior to the Commitment Expiration Date, unless the approved lender purchases an extension to cover the amount of time required to complete the purchase the Mortgage Loan by the Servicer.

Additionally, with Flex Lending FirstHome Mortgage Loans, if the Post-Closing Compliance Package is not submitted through the Lender Portal within ten (10) calendar days of loan closing, the Program Administrator may contact the approved lender to request the status of the Mortgage Loan. If the approved lender fails to timely provide to the Program Administrator the required closing documentation, the corresponding lock will be subject to cancellation. Such action may also result in the approved lender being suspended or terminated from the Program until the problem is remedied.

9.8 Assumptions

Loans may be assumed subject to the consent of the Department and compliance with the requirements of Section 143 of the Internal Revenue Code of 1986. Each Mortgage Loan must contain a provision giving the

Department the right to accelerate the maturity of the Mortgage Loan upon transfer of ownership of the subject property.