

Correspondent Mortgage Bulletin

Information for Correspondent Lenders of SunTrust Mortgage, Inc.

October 31, 2014 • COR14-104



Alert

Update

Reminder

Clarification

Training
Information

Preview

Nonprofit Entities Providing 2nd's on FHA Loans

The U.S. Department of Housing and Urban Development (HUD) clarifies whether nonprofit organizations assisting with a government entity's secondary financing program require HUD approval and placement on the *Nonprofit Organization Roster*.

Intended Audience

Origination Processing	Secondary Marketing	Underwriting	Closing Delivery Funding	Compliance Legal	Other
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Effective Dates

Friday, October 31, 2014
Effective for new applications and loans in pipeline on or after this date.

Background Information

FHA published Mortgagee Letter 2014-08 on April 29, 2014 providing guidance on nonprofits assisting government entities in providing secondary financing in combination with FHA insured mortgages.

Bulletin Details

Secondary Financing

Eligible secondary financing includes:

- Lender-held second mortgages and home equity lines of credit
- Seller-held second mortgages
- Other Organizations and Private Individuals
- Family Member Loans without balloon payments due within five years of execution
- Employer-held second mortgages
- Community Seconds / Down Payment Assistance (DPA) Programs, including "silent" or "soft" seconds, provided by Federal, State, Local Government Agencies or HUD-approved Non-Profit Corporations

Action Required Origination, Processing, and Underwriting

Starting October 31, 2014

Follow the requirements outlined in this bulletin.

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Bulletin Details, continued

Secondary Financing, continued

Notes:

Non-Profit Corporations must have HUD approval to provide secondary financing in combination with an FHA first mortgage. Community Seconds/ DPA programs involving secondary financing, including silent or soft seconds, must be approved by the DE Lender and must meet all FHA requirements.

Federal, State, and Local Government Agencies

- Obtain documentation that shows the Government Entity incurred prior to or at closing an enforceable legal liability or obligation to fund the borrower's Minimum Cash Investment requirement. Acceptable forms of documentation include:
 - A cancelled check, evidence of wire transfer or other draw request showing that prior to or at the time of closing the Government Entity had authorized a draw of the funds on its account provided towards the borrower's required Minimum Cash Investment from the Government Entity's account; or
 - A letter from the Government Entity, signed by an authorized official, establishing that the funds provided towards the borrower's required Minimum Cash Investment were funds legally belonging to the Government Entity at or before closing
- Government agency programs are limited to borrowers with incomes of no more than 115% of median income to be eligible for FHA financing. Borrowers with incomes above 115% of median and up to 140% of median income, are acceptable for FHA financing if approval is obtained from the jurisdictional HOC to use the higher median.

Non-Profit Corporation

The non-profit corporation must be approved by HUD to provide secondary financing and appear on HUD's list: <https://entp.hud.gov/idapp/html/f17npdata.cfm>

Note: Nonprofit organizations assisting with a government entity's secondary financing program must also have HUD approval and appear on HUD's Nonprofit Organization Roster unless there is a documented agreement that:

- The functions performed are limited to the government entity's secondary financing program; and
- The secondary financing legal documents (Note and Deed of Trust) name the government entity as the Mortgagee.
- Include in the case binder, a letter from the government entity documenting the relationship between the government entity and the nonprofit. The letters must be on the government entity's letterhead and contain the following:
 - FHA case number for the first mortgage
 - Complete property address
 - Name, address and Tax ID for the nonprofit
 - Name of the borrower(s) to whom the nonprofit is providing secondary financing
 - Amount and purpose for the secondary financing
 - Statement indicating whether the secondary financing:
 - Will close in the name of the government entity, or
 - Will be closed in the name of the nonprofit and held by the government entity
- Enter the secondary financing information in FHA Connection (FHAC) in accordance with the Nonprofit Matrix

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Bulletin Details, continued

Revised Material

Click [FHA](#) to review the revised material.

Former Guidelines

Previously, All nonprofit organizations assisting with a government entity's secondary financing program required HUD's approval.

Other Resources

Support Group	Description and Contact Information:
Correspondent Relations Coordinator	Specific questions on applying this procedure to specific loan files. Direct contact information for each correspondent relations coordinator is located in General Section 1.01: The Correspondent Division
Emerging Banker Account Executive	Specific questions on applying this procedure to specific loan files. Direct contact information for each account executive is located in General Section 1.01: The Correspondent Division.
Resource Center	Provides phone and email support on products, policies, and procedures as well as new product rollout and existing product enhancement. Contact the Resource Center at 800.382.2111, Option 1, Option 2.

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