

Product Type

30 Year Fixed Rate Purchase Mortgages

Sales Focus

This program provides the flexibility offered by FHA's 203(b) or 234(c) mortgages along with SONYMA's Down Payment Assistance Loan (DPAL). HUD Mortgagee Letter 2013-14 allows down payment assistance provided by state housing finance agencies such as SONYMA to be used towards the borrower's minimum cash contribution. The program is underwritten utilizing FHA's Total Scorecard with flexible credit and underwriting terms to meet the needs of a broader range of borrowers.

Geographic Restrictions

- Available for properties located in the state of New York.
- NY "Subprime" loans are not permitted.

Eligible Borrowers

The following borrower types are eligible:

- U.S. Citizens
- Permanent Resident Aliens
- Non First-Time Homebuyers
- Non-Permanent Resident Aliens
- Non-Occupant Co-Borrowers – The maximum LTV is 75% for unrelated borrowers. If borrowers are related by blood or marriage, the LTV can exceed 75% for 1 unit properties only.

Ineligible Borrowers

- Foreign Nationals
- ITIN borrowers

Refer to M&T Exhibit 03-030 for eligible Visa types for Non-Permanent Resident Aliens.

Eligible Properties

The following property types are eligible:

- 1-4 unit primary residences
- Planned Unit Developments
- Condominiums must meet FHA requirements and:
  - Appear on the FHA Approved Condominium list & meet the requirements described in the M&T FHA Underwriting & Eligibility Standards guide, or
  - Be approved via FHA Single-Unit Approval Process

Ineligible Properties

- Co-ops
- Manufactured Homes
- Community Land Trusts
- Title vesting in a Life Estate

Refer to M&T's FHA Underwriting & Eligibility Standards for more details.

Minimum Loan Amount

None

**Maximum Loan Amount**

FHA Maximum Mortgage Limits vary per county. County limits may be found at the HUD Website <https://entp.hud.gov/idapp/html/hicostlook.cfm>. The final loan amount may not exceed the statutory limit for the county except by the amount of the financed UFMIP. The ‘standard’ national mortgage limits for FHA insured loans are listed below. **However, individual counties can vary above these standard amounts when designated by HUD as a “High-Cost” County<sup>①②</sup>.** For certainty, LOs must click on the link above to identify their specific subject property county limit.

Property Type	① FHA Standard County Loan Limits	② FHA High-Cost County Loan Limits
One-Family	\$420,680	\$970,800
Two-Family	\$538,650	\$1,243,050
Three-Family	\$651,050	\$1,502,475
Four-Family	\$809,150	\$1,867,275

**FHA HIGH BALANCE:** If the final FHA whole loan amount (with MIP) is below the FHA Maximum Loan Limit for the subject property County (as validated on the HUD website) but exceeds the current-year National GSE Loan Limits, per GNMA salability policy, **the transaction must be registered in the FHA High-Balance product codes.** The FHA High-Balance program is available subject to the following:

- Cash out transaction require a minimum 660 FICO;
- Community Lending feature not eligible;
- Product Codes are on the last page of this document

Required FHA Product Code to be used	One-Family Loan Amounts	Two-Family Loan Amounts	Three-Family Loan Amounts	Four-Family Loan Amounts
<b>FHA Conforming Balance Product Codes<sup>③</sup></b>	Up to \$647,200	Up to \$828,700	Up to \$1,001,650	Up to \$1,244,850
<b>FHA High Balance Product Codes<sup>④</sup></b>	\$647,201 - \$970,800	\$828,701 - \$1,243,050	\$1,001,651 - \$1,502,475	\$1,244,851 - \$1,867,275
<sup>③</sup> The loan amount ceilings shown in this row are the GSE Loan Limits <sup>④</sup> The loan amount floors shown in this row are the GSE Loan Limits, and the loan amount ceilings in this row are max as determined by FHA				

**Maximum Loan-to-Value and Maximum Mortgage Calculations**

Property Type	Purchase <sup>①</sup>	
	Max LTV	Max CLTV
1-4 Unit Primary	96.50%	①

① May exceed 100%, see the M&T FHA Underwriting & Eligibility Standards for details on Subordinate Financing and allowable CLTV’s.  
 Note: The HCLTV may not exceed the CLTV on FHA loans

- Purchase Transactions:
  - The maximum LTV is 96.50% of the lower of the sales price or appraised value of the subject property.
  - Note for Purchase Transactions: M&T will use the lower of the original price on the original sales contract (or binder), the appraised value or the price on a renegotiated sales contract, to calculate the LTV **after** the

appraisal has been completed. The only exception to this policy will be for new construction properties where an amended purchase agreement is obtained due to improvements that have been made that impact the tangible value of the property.

### Underwriting Considerations

All loans must conform to M&T's FHA Underwriting & Eligibility Standards and, where silent, default to HUD underwriting guidelines. **No other properties may be owned simultaneously.**

- Appraisal Requirements:
  - Appraisal must be assigned to a state-certified FHA-approved appraiser.
  - Appraisals are good for **180 days with a case number assignment on or after June 1, 2022.**
  - **Refer to the FHA UES on appraisal validity requirements for case numbers assigned on or before May 31, 2022.**
  - Appraisal must include a Market Conditions Addendum – refer to Mortgage Letter 2009-09.
  - Anti-Flipping Policy – please refer to the FHA Correspondent Underwriting & Eligibility Standards for details.
  - Any appraisal made “subject to repairs” will require a final inspection.
- Assets Considerations:
  - Cash-on-hand is NOT acceptable.
  - Closing costs may be obtained from:
    - A gift from a family member;
    - Grant or unsecured loan from a non-profit agency, municipality, or employer;
    - Other acceptable sources as per the M&T FHA Underwriting & Eligibility Standards guide.
  - Down Payment Requirements:
    - Minimum Borrower Contribution –
      - ✓ Borrowers must provide a minimum downpayment of 3.5%.
        - **1% must be paid from Mortgagor's own verified funds**
        - Remaining 2.5% can be DPAL or other acceptable FHA sources.
      - ✓ Credits as a result of premium pricing may NOT be applied towards downpayment.
- Documentation:
  - Full, Alternative or Streamlined (per FHA requirements.)
  - All borrowers require a valid Social Security Number. In lieu of obtaining the actual Social Security Card, Social Security numbers may be verified by documentation such as paystub, W-2, tax returns, etc.
  - A Verbal Verification of Employment is required within 10 calendar days of the date of the Note for all salaried borrowers and within 30 days of closing for all self-employed borrowers.
  - A new tri-merge credit report is required for all transactions in order to validate the credit score for pricing purposes.
  - IRS Form 4506-C Signature Requirements:
    - A fully executed IRS Form 4506-C is required for all borrowers as follows:
      - ✓ Form 4506-C for Personal Returns: must be signed at application and at closing
      - ✓ Form 4506-C for Business Returns: must be signed at closing for each business
    - Note that business and personal returns cannot be ordered on the same form. A separate IRS 4506-C Form is required for personal versus business transcripts (as applicable).
    - If the IRS Form 4506-C is exercised during processing, where transcripts are obtained for the loan file, another 4506-C form does not have to be signed at closing for that transcript type/year (personal or business).
  - IRS Form 4506-C Usage Requirements
    - Personal Tax Returns: Obtain and review IRS-issued transcripts of all borrower personal tax returns when those tax returns are used in the underwriting analysis, for the appropriate number of years required (as determined by product parameters)

- ✓ Example: if the product requires one year of personal tax returns to be reviewed during underwriting, use the IRS Form 4506-C to obtain transcripts for that year. If the product called for two years of personal returns, transcripts must be obtained for those two years.
- ✓ If personal tax returns were not required by the product/investor, vendor-supplied transcripts are NOT required to be reviewed during the underwriting analysis
- ✓ When IRS tax transcripts are required but cannot be obtained due to extended processing delays from the IRS or a Tax Transcript Vendor, additional review is required by an M&T Operations Manager OR the LPO Exception Team. To request a review, the following must be supplied:
  - Evidence that transcripts have been ordered from the vendor
  - Evidence that the transcripts are delayed, which may include communication from the tax transcript vendor or other documentation as deemed acceptable by M&T Bank
  - Proof that the most recent years tax returns have been filed along with evidence of a tax refund received or taxes paid per the tax return
    - ❖ Upon review by an M&T Operations Manager or LPO Exception team, if a waiver of tax transcripts is approved, they will provide the approval via *M&T Form 3009 – MT Tax Return Transcript Waiver*
    - ❖ Approval may allow for the waiver of transcripts, or require transcripts to be provided as a trailing document on the loan in post-closing or post-purchase
- Business Tax Returns: IRS-issued transcripts are NOT required for business tax returns, even if the business returns are used in the underwriting decision.
  - Example: the product requires the underwriter to review one year of business tax returns, which the customer provided. Business tax return *transcripts* do NOT have to be ordered.
- All Tax Returns: Underwriters may always reserve the right to order any IRS-provided transcripts at their discretion, above and beyond this minimum policy requirement, and are encouraged to do so should they observe any anomaly or discrepancy
- The information received back from the IRS must be supported by documentation in the file, and be consistent with the borrower's declarations.
- IRS Form 4506-C Usage for "Other" Transcripts
  - Additional IRS 4506-C Forms may be exercised to obtain transcripts for other government forms, including W-2s, 1099s, 1098s or 5498s, in lieu of the applicant providing his/her own copies.
- Gas/Oil/Mineral Leases
  - Refer to M&T FHA Underwriting & Eligibility Standards (UES) for Correspondent Loans for eligibility requirements
- Homebuyer Education:
  - If all borrowers on the loan are first-time homebuyers, at least one must complete homebuyer education from a non-profit provider, HUD-approved agency or mortgage insurer;
  - If all borrowers are relying on non-traditional credit to qualify, regardless of product or loan buyer status, at least one of the borrowers must complete counseling;
  - Landlord education program for 2-4 unit properties is required as follows:
    - All borrowers must participate prior to loan closing.
    - A copy of the certificate must be retained in the loan file.
  - Landlord counseling may be obtained from a non-profit counseling agency or through an MI company's telephone and/or internet-based counseling course.
- Interested Party Contributions - Contributions up to 6% of the sales price are allowed towards the borrowers' actual closing costs, prepaids and discount points. Contributions exceeding 6% must be subtracted from the sales price (or value, if less) before calculating the loan-to-value. Lender Credits (other than premium pricing) are considered part of the 6%.

- Loan Decisioning
  - All loans must be run through FHA Total Score Card (TSC). Loans being run through TSC must receive 'approve/accept'/ eligible findings.
  - Manual Underwriting:
    - Permitted when the lender is required to downgrade a TSC Approve/Accept risk classification as per HUD 4000.III.A.4.a.v
    - Discretionary manual underwriting is not permitted (i.e. overturning a TSC REFER or CAUTION), except as follows:
      - ✓ The "refer" classification is due solely to the presence of a Chapter 7 bankruptcy being discharged >2yrs, with satisfactory re-established credit, but TSC is still issuing REFER, or
      - ✓ The "refer" classification is due solely to the presence of a Chapter 13 bankruptcy, not discharged >2yrs (but in progress for >12m), with satisfactory (or none) re-established credit, but TSC is still issuing a REFER.
    - MI Contract Underwriting is not permitted for any FHA program.
    - The minimum FICO score is 600
    - Acceptable Credit Reference Chart:

Acceptable Credit		
Borrower	Co-Borrower	Eligible
≥ 600	≥ 600	Yes
≥ 600	< 600	No
≥ 600	No Score / No Derogatory References	Yes, if TSC approval is obtained
≥ 600	No Score / With Derogatory References	No

❶ The lender's underwriter may require non-traditional/alt credit references from any borrower regardless of FICO score or TSC approval (e.g. for 'thin' or 'insufficient' credit profiles).

- Maximum Number of Properties Owned – Borrowers may NOT own other properties as of the closing of the subject property. If there is a non-occupying co-borrower on the loan they may own their own home.
- Qualifying Ratios:
  - Automated Underwriting via TOTAL Score Card: all ratios receiving an approve/eligible or accept/eligible finding from TSC are permitted.
  - Manual Underwriting (as permitted above): ratios are capped 31/43, unless the loan meets the Approvable Ratio Requirements as listed in FHA Handbook 4000.1 II.A.5.d.viii & ix.
- Reserve Requirements
  - AUS Total Score Card Approval: Three months PITI are required for 3 and 4 unit properties.
  - Manual Underwriting:
    - 1 and 2 Unit Properties – reserves must equal or exceed one (1) total monthly mortgage payment
    - 3 and 4 Unit Properties – reserves must equal or exceed three (3) total monthly mortgage payments
- Self-Sufficiency Rental Income Eligibility for 3-4 Units:
  - Net self-sufficiency rental income refers to the rental income produced by the subject property over and above the PITI. A 3- or 4-unit property must be able to support itself based on the documented fair market rents.
  - The PITI divided by the monthly self-sufficiency rental income may not exceed 100% for 3-4-unit properties.
  - Net self-sufficiency rental income is calculated by using the Appraiser's estimate of fair market rent from all units, including the unit the Borrower chooses for occupancy, and subtracting the greater of the Appraiser's estimate for vacancies and maintenance, or 25% of the fair market rent. [The sum of all rents, less the greater

of the appraiser’s estimate for vacancies and maintenance or 25% of the fair market rent, must equal or exceed the PITI]

- Subordinate Financing:
  - Traditional and seller-held seconds are not permitted.
  - Subordinate financing must meet all other FHA requirements as per the M&T FHA Underwriting & Eligibility Standards.
  - The SONYMA DPAL is acceptable, and the purchase CLTV may exceed 96.5% as the ultimate provider of funds is a State (government) entity.
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Application / Disclosure Requirements

The use of the standard FHA (HUD) forms is required, as applicable. Refer to HUD Handbook for requirements.

- FHA Important Notice to Homebuyers (HUD 92900B)
- FHA Amendatory Clause – Real Estate Certification (a/k/a “All Parties Agreement) ([Form 2408](#))

Assumability

Subject to full credit review, receipt of any FHA allowable assumption fees and subject to services guidelines.

Escrow Requirements

- Impound escrows are required, including H0-6 if required on FHA Condominium.
- Completion Escrow/Repair Escrow Holdback: any loans with repair escrow holdbacks must meet one of the following:
  - All repairs must be completed & re-inspected as satisfactory before delivery to M&T, OR
  - The Correspondent Lender must be approved to deliver loans with Repair Escrow Holdbacks to M&T Bank. Please contact your Account Executive for information on the approval process. Also, please refer to the M&T Correspondent Seller Guide for detailed information

Mortgage Insurance Premium – MIP is the amount paid by the borrower for HUD to provide insurance on the loan. Similar to private mortgage insurance, there is an upfront premium, which can be financed, and an annual premium. The UFMIP must be entirely financed into the Mortgage or paid entirely in cash. However, if the UFMIP is financed into the Mortgage, the entire amount is to be financed except for any amount less than \$1.00. Any amount less than \$1.00 will be paid in cash at closing.

- Purchase Transactions – Base loan amounts less than or equal to \$625,500

LTV	Mortgage terms of more than 15 years		
	Upfront Premium	Annual Premium	Duration in Years
Less than or equal to 90%	1.75%	.80%	11
90.01% to 95%	1.75%	.80%	❶
Greater than 95%	1.75%	.85%	❶

❶ The duration of the Annual MIP will be the term of the loan.

Pricing and Rate Locks

Refer to daily rate sheets

Settlement Instruments

M&T requires the use of the standard FHA Note and Mortgage/Deed of Trust form as well as the standard multi-state applicable riders for, condominiums, PUDs or multi-unit properties, if applicable.

- FHA Note
- FHA Mortgage/Deed of Trust
- The loan package must include a fully executed “Certificate of the State of New York Mortgage Agency” dated *prior* to loan closing date. (SONYMA to supply)

Temporary Buydowns

Not permitted

Product Description and Product Codes

Product Description

SONYMA FHA Plus 30 Yr Fxd w/DPAL	2201
SONYMA FHA Plus HB 30 Yr Fxd w/DPAL	2203