

Alabama Housing Finance Authority Lending Library > Housing Finance Agency Programs > Alabama > Alabama Housing Finance Authority

Alabama Housing Finance Authority

Alabama Housing Finance Authority Lending Library > Housing Finance Agency Programs > Alabama > ServiSolutions

ServiSolutions

Alabama Housing Finance Authority Lending Library > Housing Finance Agency Programs > Alabama > ServiSolutions Documents for AHFA > Document Delivery Processes (10/24/18)

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Alabama Housing Finance Authority Lending Library > Housing Finance Agency Programs > Alabama > ServiSolutions Documents for AHFA > Final Document Transmittal (03/28/17)

This document type cannot be printed by this feature

Alabama Housing Finance Authority Lending Library > Housing Finance Agency Programs > Alabama > ServiSolutions Documents for AHFA > Form 4506 C

This document type cannot be printed by this feature

Alabama Housing Finance Authority Lending Library > Housing Finance Agency Programs > Alabama > ServiSolutions Documents for AHFA > Funding Authorization (11/18)

This document type cannot be printed by this feature

Alabama Housing Finance Authority Lending Library > Housing Finance Agency Programs > Alabama > ServiSolutions Documents for AHFA > Purchase Advice Contact Form (07/02/20)

This document type cannot be printed by this feature

Alabama Housing Finance Authority Lending Library > Housing Finance Agency Programs > Alabama > ServiSolutions Documents for AHFA > Quality Control Certification and Authorization (01/16)

This document type cannot be printed by this feature

Alabama Housing Finance Authority Lending Library > Housing Finance Agency Programs > Alabama > Lender Online

Lender Online

Alabama Housing Finance Authority Lending Library > Housing Finance Agency Programs > Alabama > AHFA Participation Overview and Program Guidelines > AHFA Participation Overview (04/19/24)

AHFA Participation Overview (04/19/24)

Alabama Housing Finance Authority (the “Authority”) offers its Programs (the “Programs”) for the origination of qualifying Mortgage Loans (the “Mortgage Loans”) to finance the acquisition of owner-occupied detached or attached single-family residences within the State of Alabama. These Mortgage Loans are originated by lending institutions participating in the Programs as originating lenders (the “Originators”) pursuant to the attached Origination and Sale Agreement (the “Agreement”).

Originators will sell all Mortgage Loans originated and closed under the Programs to the Authority, which will aggregate the Mortgage Loans into Ginnie Mae, Freddie Mac and Fannie Mae pools and issue Ginnie Mae, Freddie Mac and Fannie Mae certificates, as applicable, backed by such Mortgage Loans. The Authority will pay to Originators a Servicing Release Premium in an amount specified in the respective Program Guidelines (the “Program Guidelines”), and the Authority will service all Mortgage Loans purchased under the Program.

Originators will reserve funds on a loan-by-loan basis by using the Authority’s online Reservation System. (See “Reservation System” in the Program Guidelines for a more complete description.)

THE AGREEMENT AND THE PROGRAM GUIDELINES SHOULD BE READ IN THEIR ENTIRETY FOR THE DETAILS OF THE PROGRAM. PARTICIPANTS SHOULD PAY PARTICULAR ATTENTION TO THE DESCRIPTIONS OF THE RESERVATION OF FUNDS SYSTEM AND THE PRIOR APPROVAL PROCEDURES. UNLESS OTHERWISE PROVIDED, ALL CAPITALIZED TERMS USED HEREIN SHALL HAVE THE MEANING SPECIFIED IN THE AGREEMENT.

Included below are brief descriptions of the commitment and acceptance procedures for the Programs. In addition, there are enclosed herewith the following:

1. Program Guidelines
2. Form of Agreement (Originator I or II)
3. Originator Questionnaire
4. Funding Authorization (Originator I or II)

Each institution desiring to participate in any Program as an Originator must submit the following items or information to the Authority.

PLEASE NOTE: If the package is determined to be incomplete at the time of initial review, the Originator has 30 days from the date of initial notification to send in all requested outstanding documents. If that does not occur, the Originator’s request to participate will be declined, a notice of rejection will be sent and the applicable fee reimbursed, if included with the initial package.

1. Completed Originator Questionnaire, First Step or Step-Up Contact Form and First Step or Step-Up Branch Office Contact Form;
2. Completed "Wire Funding Authorization[1]" (Originator I or II);
3. Copy of HUD/VA approval letter evidencing current approval status/date;
4. If Originator is a non-depository institution, completed Warehouse Line Form, applicable warehouse line agreement(s) and sample bailee letter(s);
5. Most recent audited financial statements prepared in accordance with GAAP, including supplemental information. Supplemental information must include the independent auditor's report in accordance with GAAS and GAGAS on Internal Control, Compliance with HUD Programs, Schedule of Findings, and any Corrective Action Plan, if applicable. Consolidated statements with other entities must show consolidated information by entity and show separately the entity intending to do business with the Authority. In addition, we require HUD's Calculation of Net Worth and for first time Originators we require two years of audited financials. A minimum of equity (net worth) equal to or in excess of the requirements mandated by FHA is required (Originator I or II);
6. Resumes of principal officers and underwriting personnel;
7. Quality Control Plan that meets all GSE requirements as they apply to loans originated;
8. Most recent scorecard from three other investors dated within 90 days;
9. The following most recent 90 days of QC reports (Originator I and II):
 - a. Pre-Funding Reports with the most recent dated within 30 days
 - b. Post-Closing QC Reports with management responses with the most recent dated within 120 days;
10. Copy of current E&O Policy and Fidelity Bond;
11. Originator's hiring procedures for checking all employees, including management, in the origination of mortgage loan against GSA Excluded Parties List, HUD LDP List, and FHFA SCP list;
12. Original executed Origination Sales Agreement; and
13. A fee of \$250 for new Originators. The fee for recertification is \$125. The fee must be delivered to the Authority by wire at:

1 If referring to the enclosed Funding Authorization, indicate: (enclosed).

The material described above, including the new Originator fee or recertification fee, should be delivered to the Authority at:

Alabama Housing Finance Authority
7460 Halcyon Pointe Drive, Suite 200
Montgomery, Alabama 36117
Attn.: Single Family Administrator

After the Authority has accepted an Originator for participation in the First Step or Step Up Programs, the Authority will send to such institution a notice of acceptance (the "Notice of Acceptance"). However, the Authority will not allow an Originator to begin utilizing any Program until that institution has completed the required webinar training for that Program. Originators who are not accepted will receive notification of rejection with the opportunity to reapply not sooner than 12 calendar months after the date of the notice of rejection.

Questions concerning all Programs should be directed to the Authority c/o Single Family Administrator.

THE DESCRIPTION OF THE TERMS OF THE PROGRAM HEREIN MUST BE READ TOGETHER WITH THE PROGRAM GUIDELINES AND THE AGREEMENT, ALL OF WHICH ARE SUBJECT TO FINAL APPROVAL BY THE AUTHORITY. THE AUTHORITY RESERVES THE RIGHT TO ACCEPT OR REJECT THE PARTICIPATION OF ANY LENDING INSTITUTION.

Thank you for your interest in our Programs.

ALABAMA HOUSING FINANCE AUTHORITY

Alabama Housing Finance Authority Lending Library > Housing Finance Agency Programs > Alabama > AHFA Participation Overview and Program Guidelines > AHFA Program Guidelines (04/19/24)

AHFA Program Guidelines (04/19/24)

The following comprises a description of the Program Guidelines as adopted by the Authority for its First Step and Step Up Programs (the "Programs") and includes definitions of certain of the terms relevant to the Programs and referred to in the Origination and Sale Agreement for the Programs (the "Agreement"). All capitalized terms used herein, unless otherwise specified, shall have the meaning specified in the Agreement.

THE AGREEMENT CONTAINS PROCEDURES AND REQUIREMENTS RELATING TO THE ORIGINATION AND SALE OF MORTGAGE LOANS AND ORIGINATORS' REPRESENTATIONS RELATING THERETO AS WELL AS OTHER IMPORTANT PROVISIONS. THE AGREEMENT AND THESE PROGRAM GUIDELINES SHOULD BE READ IN THEIR ENTIRETY.

1. Eligible Lending Institutions. To be accepted for participation as an originating lender (an "Originator") in the Programs, lending institutions must meet the following criteria for an Originator I or II Level approval: An Originator I (Lender with endorsement Authority, Freddie Mac, Fannie Mae and/or Seller/Servicer or TPO Lender) must:
 - A. Have originated single-family residential mortgage loans in the State (such loans having been regularly made to members of the general public and not solely through affiliates of the lending institutions) and be qualified to do business in the State;
 - B. Have maintained an office in the State for origination of single-family mortgage loans at least 12 consecutive months immediately prior to the execution of the Agreement;
 - C. Have appropriate approval of the insurer/guarantor for loan to be originated (i.e., FHA, VA Rural Housing or individual private mortgage insurers), including FHA Direct Endorsement and VA Automatic Approval (if applicable) and be a Fannie Mae/Freddie Mac approved seller/servicer or TPO lender;
 - D. Have a net worth equal to or in excess of requirements mandated by FHA. If requesting participation in programs offered by Freddie Mac and/or Fannie Mae, must also meet Freddie Mac and/or Fannie Mae requirements;

- E. Provide most recent audited financial statements prepared in accordance with GAAP, including supplemental information. Supplemental information must include the independent auditor's report in accordance with GAAS and GAGAS on Internal Control, Compliance with HUD Programs, Schedule of Findings, and any Corrective Action Plan, if applicable. Consolidated statements with other entities must show consolidated information by entity and show separately the entity intending to do business with the Authority. In addition, we require HUD's Calculation of Net Worth and for first time lenders we require two years of audited financials;
- F. Provide certificate of fidelity bond and mortgage errors and omissions coverage in an amount at least equal to \$500,000;
- G. Have experienced staff with demonstrated ability and experience in mortgage loan origination, processing, underwriting, closing and post-closing;
- H. Quality Control Plan that meets all GSE requirements as they apply to loans originated.
- I. Provide copy of acceptable Appraiser Independence Standards;
- J. Provide Originator's hiring procedures for checking all employees, including management, in the origination of mortgage loan against GSA Excluded Parties List, HUD LDP List, and FHFA SCP list
- K. Provide Information Security Policy that is revised on an annual basis;
- L. In its Originator Questionnaire or other submissions to the Authority have satisfied the Authority, based on the submitted information, representations and certifications, as to its ability to properly carry out its obligations as an Originator I under the Agreement;
- M. If participating in a previous program of the Authority, be in good standing under such previous program;
- N. Not be, and their parent company, if applicable, must not be, on any form of "watch list" or under any program of specified supervision of the FDIC, Federal Home Loan Bank, NCUA, or other regulatory body;
- O. Be a MERS-approved lender;
- P. Currently hold servicing, or document the ability to hold servicing, of mortgage loans for the purpose of interim servicing and loan repurchase; and
- Q. Meet other such qualifications as the Authority shall deem necessary related to the performance of the lending institution's duties and responsibilities.

*Originator I with correspondent approval must provide evidence of adequate pre-funding and post-funding TPO quality control, and a minimum of three years' experience in TPO Lending.

An Originator II (Lender without FHA DE Authority and not an approved Freddie Mac, or Fannie Mae or Seller/Servicer or TPO Lender) must:

- A. Be a banking corporation or trust company or credit union organized under the laws of the State, under the jurisdiction of the superintendent of banks of the State, or under the laws of the United States having its principal place of business in this State and conducting the business of making mortgage loans and taking deposits in the State;
- B. Have originated single-family residential mortgage loans in the State (such loans having been regularly originated and not solely through affiliates of the bank) and be qualified to do business in the State;
- C. Have maintained an office in the State for origination of single-family residential mortgage loans at least 12 consecutive months immediately prior to the execution of the Agreement;
- D. If participating in previous programs of the Authority, be in good standing under such previous programs;
- E. Not be, and their parent company, if applicable, must not be, on any form of "watch list" or under any program of specified supervision of the FDIC, Federal Home Loan Bank, NCUA, or other regulatory body;
- F. Be a MERS-approved lender;
- G. Provide most recent audited financial statements prepared in accordance with GAAP, including supplemental information. Supplemental information must include the independent auditor's report in accordance with GAAS and GAGAS on Internal Control, Compliance with HUD Programs, Schedule of Findings, and any Corrective Action Plan, if applicable. Consolidated statements with other entities must show consolidated information by entity and show separately the entity intended to do business with the Authority.
- H. Have a net worth equal to or in excess of requirements mandated by Freddie Mac and/or Fannie Mae.
- I. Have fidelity bond and mortgage errors and omissions coverage in an amount at least equal to \$500,000. Provide a certificate from the insurance carrier .
- J. Have experienced staff with demonstrated ability and experience in mortgage loan origination, processing, closing and post-closing.
- K. Quality Control Plan that meets all GSE requirements as they apply to loans originated.
- L. Provide copy of acceptable Appraiser Independence Standards.
- M. Originator's hiring procedures for checking all employees, including management, in the origination of mortgage loan against GSA Excluded Parties List, HUD LDP List, and FHFA SCP list.
- N. Provide Information Security Policy that is revised on an annual basis.
- O. In its Originator Questionnaire or other submissions to the Authority have satisfied the Authority, based on the submitted information, representations and certifications, as to its ability to properly carry out its obligations as an Originator II under this agreement;
- P. Have entered into a contract service agreement with an approved PMI Company to provide underwriting and mortgage insurance on Conventional Mortgage Loans with a LTV of 80% or greater and enter into a correspondent arrangement with an approved Originator I with correspondent approval for the underwriting and closing of FHA loans; and
- Q. Currently hold servicing or document the ability to hold servicing of mortgage loans for the purpose of interim servicing and loan repurchase.
- R. Meet other such qualifications as the Authority shall deem necessary related to the performance of its duties and responsibilities.

All applicants must furnish the Authority with the information requested in the Authority's Originator Questionnaire in sufficient detail acceptable to the Authority.

Maintaining Originating Lender Approval Status

After initial approval, each Originating Lender will be required to submit to an annual recertification process and meet the following requirements to maintain their status. Each Originating Lender must:

- A. Maintain fidelity bond, errors and omissions insurance and net worth requirements as detailed in Originator I and Originator II requirements.
- B. Provide financial recertification documentation within 90 days of the Originating Lender's fiscal year end. Financial statements shall include a balance sheet, an income statement, and a statement of retained earnings, all related notes and the opinion of an independent Certified Public Accountant as to the correctness of those statements. Provide copy of FHA acceptance of financials through LASS. (if applicable)
- C. Provide certificate from the insurance provider confirming that the fidelity bond and mortgage errors and omissions insurance is still in effect. Certificates are to be provided when coverage is renewed, or when a new policy is issued.
- D. Provide annual certification that Quality Control Plan meets applicable GSE, insurer and guarantor guidelines. Provide copies of any notification by insurer/guarantor for violation of law or regulation, false statements, or program abuses by the Originating Lender, its employees, or any other party to the transaction as related to any

loan sold to the Authority.

- Originating Lenders shall follow FHA, VA, Rural Housing, Freddie Mac or Fannie Mae quality control procedures as they apply. Freddie Mac or Fannie Mae procedures must be followed for the Authority conventional loans unless otherwise instructed in program guidelines.
- The Authority will follow agency requirements in performing Quality Control reviews in both Pre and Post Purchase loan submissions. The selection will include random, discretionary, and EPD loans. The Originating Lender will be notified of any significant or unacceptable loan rating and will assist the Authority as needed to mitigate loan level defects.

E. Provide written notice of any major organization changes, including but not limited to:

- Resignation or replacement of senior management personnel
- Mergers, acquisitions, or corporate name change.
- Change of charter.
- Material change in financial position.
- Opening or closing of offices originating the Authority loans (including address, phone number and branch manager's name)

F. Maintain compliance with the Authority policies, procedures, rules and regulations as stated in these Program Guidelines, Loan Delivery Guide, Program Manuals and subsequent notifications.

G. Comply with terms and conditions within the Origination and Sale Agreement.

H. Originate loans resulting in a delinquency rate determined to be an acceptable risk to the Authority.

I. Provide copy of any standard agency performance report as requested by the Authority.

J. If the lender's performance is identified as presenting a significant risk to the Authority, the Authority reserves the right to impose any of the following restrictions:

- Place on probationary status,
- Suspension of loan reservation privileges,
- Retention of lender compensation and/or
- Termination from program participation.

K. Lenders must remit timely payment of any outstanding late trailing document fees as per the terms of the Origination and Sale Agreement. Past due balances could result in lender suspension, net funding, or termination from program participation.

L. The Authority will monitor early loan payoffs, early payment defaults and outstanding repurchase demands and reserves the right to impose fees or place lender on new loan reservation suspension.

2. Reservation System. The Authority accepts electronic Reservations of Funds at <https://lenders.ahfa.com> on a first-come first-served basis from Originators requesting a reservation of the Program funds (a "Reservation of Funds") for a Mortgage Loan to be made to a particular Eligible Mortgagor to finance the purchase of a particular Residence. A Commitment Fee of one-half of one percent (.50%) of the Mortgage amount for a thirty (30) day reservation or three-quarters of one percent (.75%) of the Mortgage amount for a forty-five(45) day reservation is required. The Authority may, in its sole discretion, waive or modify any or all of the foregoing requirements. The Authority utilizes a paperless loan submission process. Each Originator is required to complete an online training course prior to requesting a Reservation of Funds.

3. Types of Loans. In order to qualify under the First Step or Step Up Programs, each Mortgage Loan must be:

A. Insured by FHA

B. Guaranteed by Rural Development;

C. An uninsured Conventional Mortgage Loan, having an original principal balance not exceeding 80% of the lesser of the Appraised Value or Sales Price of the Residence; or

D. A Conventional Mortgage Loan insured by a policy of Private Mortgage Insurance Commitment issued by an approved PMI Company.

- Insurance in the amount by which the Mortgage Loan principal amount exceeds 80% of the lesser of the appraised value or the sales price of the Residence; or
- If such Mortgage Loan is included in Freddie Mac's "HFA Advantage" program or Fannie Mae's "HFA Preferred" program, the loan must meet the requirements of the most current product guidelines, including but not limited to required PMI coverage and the requirement of first-time homebuyers to complete pre-purchase counseling as described in the agency Selling Guide. PMI coverage will be provided by an approved PMI Company.

In all cases, the Mortgage Loans must be for the permanent financing of a Residence located in the State that is being purchased or constructed by or on behalf of an Eligible Mortgagor and that will be occupied as a single-family unit as described herein. Single closing construction-permanent loans are not eligible.

Only second mortgages made under the Authority's programs, or other programs approved by the Authority, are permitted.

4. Eligible Loan Area. The Eligible Loan Area shall be the entire geographical limits of the State.

5. Mortgagor Eligibility. Subject to the funding restrictions and applicable reservations, applications for Mortgage Loans must be accepted in all of the home mortgage lending offices of each Originator in the State on a first-come, first-served, fair and equal basis and considered irrespective of race, color, religion, national origin, age or sex. At least one of the Eligible Mortgagors must complete a homebuyers education course approved by the Authority prior to Closing. The Originator must submit the certificate of completion with the closed loan file.

A. Income Restrictions. The maximum Qualifying Income for any program is published in the First Step or Step Up Program Manuals. The Authority may revise the income eligibility criteria from time to time.

B. Amount of Mortgage Loan. The maximum amount of any Mortgage Loan may not exceed the applicable requirements of FHA, Rural Development, Ginnie Mae, Freddie Mac, or Fannie Mae, as the case may be, as of the Closing Date of the Mortgage Loan.

6. Term. Each Mortgage Loan shall be a level payment mortgage that fully amortizes over a 30-year term.

7. Payments. Each Mortgage Loan is to provide for payments of principal and interest on a monthly basis on the first day of each month. Each monthly payment shall be substantially equal over the entire term.

8. Loan Origination Guidelines. Loans that are originated in accordance with the loan origination, eligibility and credit underwriting standards established by the Programs will be considered eligible. **PRIOR TO CLOSING ANY MORTGAGE LOAN, THE ORIGINATOR MUST HAVE RECEIVED A CONDITIONAL COMMITMENT FROM THE AUTHORITY TO THE EFFECT THAT THE AUTHORITY HAS REVIEWED THE MORTGAGE LOAN AND HAS CERTIFIED IT AS A QUALIFIED MORTGAGE LOAN THAT IS ELIGIBLE FOR INCLUSION IN THE PROGRAMS. THE CONDITIONAL COMMITMENT WILL ENUMERATE A LIST OF ITEMS REQUIRED AT CLOSING.** Originators with delegated authority must review the mortgage loan and

certify that the loan is a qualified mortgage loan eligible for inclusion in the Programs. A delegated conditional commitment issued prior to Closing will enumerate a list of items required at closing.

9. Fees in Origination. In connection with each Mortgage Loan, an Originator may charge and collect from an Eligible Mortgagor or seller of a Residence at the closing of the sale thereof to the extent permitted by law (a) reasonable and customary charges, not in excess of the amounts which would otherwise be assessed if made in connection with a non-Program mortgage loan, which are paid or incurred by the Originator for hazard or mortgage insurance or guaranty premiums, surveys, title insurance, appraisal fees and certain other fees and charges. Originators may, subject to applicable laws and regulations, following the receipt of an application from an Eligible Mortgagor and prior to Closing, collect from the Eligible Mortgagor, the seller of the Residence or other interested person, moneys to pay a portion or all of the Commitment Fee described in paragraph 2 with respect to the Reservation of Funds for such Mortgage Loan, to be applied as a credit at Closing.

10. Service Release Premium. Unless otherwise noted, a service release premium will be paid to the Originating Lender for each First Mortgage Loan by the Authority at the time of loan purchase. This will be included in the net price of the loan when purchased. Service release premiums may vary by programs and are subject to change at the discretion of the Authority.

11. Third Party Originations. Approved Originator I's with correspondent approval may enter into correspondent arrangements with Third Party Originators, but the following restrictions apply:

A. All loans must close in the name of Originator I. Loans cannot close in the name of the Third Party Originator and then be sold to the Originator I;

B. The Originator I must make all reservations in the Lender reservation system. The Originator I cannot provide a password and access to the Lender reservation system to anyone other than their own employees; and

C. The Originator I is responsible for ensuring that all underwriting is in compliance with secondary market standards and guidelines for FHA, Freddie Mac or Fannie Mae loans. In the event that there is a requirement for repurchase, the Originator I (not the Third Party Originator) will be required to repurchase the loan.

12. Qualifying Residences. Subject to certain limitations described below, all Residences financed by Mortgage Loans shall be detached single family houses, attached single family houses or townhouses, units which are manufactured housing insured under Section 203(b) of the National Housing Act of 1934, as amended, units of a "condominium," or units within a "planned unit development" as such terms are defined in the Freddie Mac or Fannie Mae Guide.

13. Builder Commitments. The Programs do not permit commitments of funds by Originators to builders. Reservation of Funds for individual Mortgage Loans are to be requested and granted as described in paragraph 2. above.

14. Permitted Encumbrances. All Mortgage Loans must be secured by a first lien on the fee simple title or leasehold estate to the Residence. Permitted Encumbrances are those liens, covenants, conditions and restrictions, rights of way, easements and other matters of public record as of the date of the recording of the related Mortgage, which are permitted under the Ginnie Mae, the Freddie Mac or the Fannie Mae Guides. All Mortgage Loans must comply with the provisions of the Agreement.

15. New Mortgage Requirements. The proceeds of all Mortgage Loans must be used to provide owner-financing of Residences and not to acquire or replace existing Mortgages. No refinancing of any outstanding indebtedness shall be permitted except with regards to Take-Out Loans. A Take-Out Loan may be made to permit an Eligible Mortgagor to finance a Residence which qualifies as a newly constructed Residence under First Step or Step Up Program Guidelines and to retire any indebtedness thereof if:

A. Such indebtedness was originally incurred within twenty-four (24) months of the Closing Date;

B. The Mortgage Loan will be used as a take-out of the construction or other bridge or interim loan; and

C. The term of construction, bridge or interim loan being refinanced does not, as of the Closing of the Mortgage Loan, exceed twenty-four (24) months or such other period as the Authority may determine, in accordance with applicable law. If warranted by the circumstances, an Eligible Mortgagor shall be considered as both a Mortgagor and a seller with respect to Take-Out Loans.

16. Mortgage Documents. The closed loan package is to be submitted as stated in the First Step or Step Up Procedure Manual.

17. Purchase and Servicing of Mortgage Loans. Each Originator I or II will sell the Qualified Mortgage Loans which it originates to the Authority. Mortgage Loans purchased by the Authority will be in an amount equal to the principal amount of the Mortgage Loan plus a Servicing Release Premium, plus in each case, accrued interest to the date of purchase. The Authority will establish a schedule for the submission and purchase of Mortgage Loans which will permit Mortgage Loans to be sold to the Authority. All closed Mortgage Loan submission packages must be delivered to the Authority within 10 calendar days after the Closing Date. Penalties will be imposed for loans received after the 10-day funding period. Certain fees will be deducted from the funding; however, the Originator may collect these fees at closing in accordance with the First Step or Step Up Procedure Manual. Notice must be given to the Eligible Mortgagor at the time of Closing that the loan servicing duties will be transferred to the Authority. The Authority will service all purchased Mortgage Loans under the name ServiSolutions.

18. Buydowns. Buydowns are permitted under any Program, but only with written authorization from the Authority.

19. Down Payment Assistance. This program provides down payment and entry cost assistance to homebuyers with low to moderate incomes. This program is to be used in conjunction with the First Step and Step Up Programs only. All homebuyers must meet the qualifications stated on the Down Payment Assistance Application. The maximum down payment assistance available to a home buyer is published in our First Step and Step Up Program Manuals.

This Program will be available in conjunction with homes financed under FHA 203(b), RD Guaranty loans, Freddie Mac, Fannie Mae or VA loan products. This program cannot be used in conjunction with any other down payment assistance program or grant program without prior approval from the Authority. All FHA, RD, Freddie Mac, Fannie Mae or VA guidelines must also be met. A second mortgage will be recorded against the property being purchased. The term of the second mortgage will run 10 years. The second mortgage will bear interest at the first mortgage note rate. The second mortgage will be repaid on a monthly basis and amortized over the 10 year term. Full repayment will be required upon sale of the property, refinance of the first mortgage, and/ or payoff of the first mortgage. An Originator may not charge any additional fees in conjunction with the program. The recording costs of the second mortgage loan are to be borne by the borrower or seller. Originator will sell the second mortgage loan (Down Payment Assistance) which it originates to the Authority. The price to be paid by the Authority will be the amount equal to 100% of the principal amount of the second mortgage, plus per diem interest in accordance with the Loan Delivery section of the First Step or Step Up Procedure Manuals. The Authority will act as servicer on both the first and second mortgages. The Down Payment Assistance second mortgage is not assumable. The Authority may, in its sole discretion, waive or modify any or all of the foregoing requirements.

Additionally, the Originators may be required to act as agent for the Authority to disclose information as required by the Code to Eligible Mortgagors.

to 100% of the principal amount of the second mortgage, plus per diem interest in accordance with the Loan Delivery section of the First Step or Step Up Procedure Manuals. The Authority will act as servicer on both the first and second mortgages. The Down Payment Assistance second mortgage is not assumable. The Authority may, in its sole discretion, waive or modify any or all of the foregoing requirements.

Additionally, the Originators may be required to act as agent for the Authority to disclose information as required by the Code to Eligible Mortgagors.

ORIGINATORS ARE REMINDED THAT THESE PROGRAM GUIDELINES ARE A BRIEF DESCRIPTION OF THE PROGRAMS. ORIGINATORS ARE REFERRED TO THE AGREEMENT AND THE FIRST STEP OR STEP UP PROCEDURE MANUAL FOR A FULL DESCRIPTION OF THEIR RIGHTS,

DUTIES AND OBLIGATIONS UNDER ALL PROGRAMS. ORIGINATORS ARE FURTHER REMINDED THAT THE AUTHORITY RESERVES THE RIGHT TO MODIFY THE TERMS AND PROVISIONS OF ALL PROGRAM GUIDELINES AND/OR THE AGREEMENT AND/OR ANY OTHER PROGRAM DOCUMENT AT ANY TIME.

Alabama Housing Finance Authority Lending Library > Housing Finance Agency Programs > Alabama > First Step Manual > Introduction (04/02/24)

Introduction (04/02/24)

This manual has been designed to provide our participating Originators with the information needed to carry out their responsibilities as Alabama Housing Finance Authority (AHFA) Approved Originators.

The First Step Program assists low- to moderate-income homebuyers in purchasing a home at a lower interest rate than the current market rate. Lower rates reduce the financing costs of single-family residences, thus helping Alabamians to afford their own homes.

AHFA will not underwrite the loan from a credit standpoint. All underwriting and execution of certifications required by AHFA and the IRS regulations will be performed by the Approved Originators. The Originator must decline those applications where the applicant does not qualify under the requirements of the First Step Program.

The Originator determines if the Borrower, loan, and property are within guidelines as stated in the First Step Procedural Manual based upon information obtained. The Originator must explain the Program and its requirements to both the buyer and the seller.

The Originator reserves funds ("locks") the loan through Originator Online Portal, as described in Section III of this manual.

The Originator originates, processes, and underwrites the loan. Before closing, the Originator sends to AHFA the pre-closing eligibility package to AHFA for approval. Upon approval of the loan, the Originator will receive a conditional approval from AHFA. The Originator may then close the loan with the conditions listed on the conditional approval. The Originator must have the loan approved by AHFA and close the loan before the reservation lock expires.

After the loan closing, the Originator sends to AHFA the closed loan package as stated in Section VI of the First Step Procedural Manual. Upon receipt and approval of the closed loan package, AHFA will fund the Mortgage Loan as stated in Section VI of the First Step Procedural Manual.

The purpose of this manual is to provide pertinent information and to enhance any current guidelines established by AHFA and IRS regulations for the First Step Program. Applicable Program Guidelines and the Origination and Sale Agreement supersede this manual. Please utilize appropriate documents applicable to each First Step issue. AHFA reserves the right to update or revise the First Step Procedural Manual at any time.

Alabama Housing Finance Authority Lending Library > Housing Finance Agency Programs > Alabama > First Step Manual > Section I Definitions (04/02/24)

Section I Definitions (04/02/24)

Affidavits: Written and signed statements to determine eligibility under the program.

Agreement: The Origination and Sale Agreement between the Originators and AHFA, and all amendments or supplements where appropriate, the Invitation, the Notice of Acceptance, the Notice of Availability of Funds, and all forms or reports prescribed by AHFA.

Appraised Value: An appraisers' opinion of value based on regulations and guidelines established by the mortgage industry.

Approved Originators: Lending institutions that execute an Agreement with AHFA to participate in the Program.

Assumptions: A purchaser assuming the primary liability for payment of an existing mortgage. The Seller remains secondarily liable unless specifically released by the Originator.

AHFA: Alabama Housing Finance Authority, a public corporation and instrumentality of the State organized pursuant to the Act, or any successor to its duties.

Bond For Title (Deed): A contract to transfer property into the purchaser's name only when the debt for the property is paid in full.

Borrower: A person who will occupy the principal residence being purchased, who will be obligated to repay the Mortgage Loan, and who will sign the Note and Security Instrument.

Co-Borrower: A person who will occupy the property being purchased, who will be secondarily liable for the Mortgage Loan, and who will sign the Note and Security Instrument.

Commitment Expiration Date: The Commitment Expiration Date will equal the reservation expiration plus 10 days, to cover shipping and delivery.

Commitment Fee: A percentage amount of the related Mortgage Loan, to be paid to AHFA by an Originator at the time of the purchase of the loan.

Co-Borrower/Non-Occupant: A relative who will not occupy or take title to the property being purchased and is signing the note and mortgage solely for the purpose of providing additional security.

Eligible Borrower: A person intending to purchase a principal residence to be financed with a First Step loan, who can meet all qualifications as established in this procedural manual.

Eligible Loan Area: The entire geographical area of the State of Alabama.

Equal Credit Opportunity Act (ECOA): A federal law that prohibits Originators from denying mortgages on the basis of the Borrower's race, color, religion, national origin, age, sex, marital status, or receipt of income from public assistance programs.

Existing Property: A property which has been previously occupied or new properties more than one year old.

Freddie Mac: The Federal Home Loan Mortgage Corporation (FHLMC), or any successor thereto.

Fee Simple: The greatest possible interest a person can have in real estate, including the right to dispose of the property or pass it on to one's heirs.

FHA: The Federal Housing Administration of the Department of Housing and Urban Development of the United States of America, or any successor thereto.

First-Time Homebuyer: A buyer of a residence who has not had an ownership interest in a principal residence, as described in Section II of this Procedural Manual, at any time during the three-year period prior to loan closing.

GNMA: The Government National Mortgage Association, an entirely owned corporate instrumentality of the United States of America within the Department of Housing and Urban Development, whose powers are prescribed generally by Title III of the National Housing Act of 1932, as amended.

Ground Rent: The earnings of improved property allocated to the ground itself after allowance is made for earnings of the improvements. Also, payment for the use of land in accordance with the terms of a ground lease.

Guarantor: A promise by one party to pay debt or perform an obligation contracted by another in the event that the original obligor fails to perform as contracted.

Interest Held in Trust: Property held in trust until certain conditions are fulfilled.

Joint Tenancy: Joint ownership by two or more persons, giving each tenant equal interest and rights in the property, including the right of survivorship.

Loan Delivery Guide: The guide for Originators developed by AHFA, as amended.

Lease: A written document containing the conditions under which the possession and use of real and/or personal property are given by the owner to another for a stated period and for a dated consideration.

Life Estate: A freehold estate giving a beneficiary all property rights, except the right to sell. The estate is terminated upon the death of the beneficiary.

Maximum Household Income: An amount of income not to exceed the federal income limitation described in Section II of this Procedural Manual.

Mortgage: The instrument securing a Mortgage Loan which creates a lien on a residence subject only to permitted encumbrances.

Mortgage Documents: The documents specified for delivery to AHFA as stated in this First Step Procedural Manual.

Mortgage Loan: Any loan evidenced by a Mortgage Note which is secured by the related Mortgage for financing the purchase of a residence.

Mortgage Note: The promissory note, payable to the order of an Originator and executed by a Borrower, to evidence the obligation to repay a Mortgage Loan.

Mortgage Revenue Bond or MRB: A qualified mortgage revenue bond as defined in the Internal Revenue Code of 1986.

New Construction: Single-family residences less than one year old and never occupied.

Originators: Lending institutions that execute an Agreement with AHFA to participate in the Program.

Permitted Encumbrances: The title encumbrances on a residence permitted under the Program Guidelines.

Present Ownership Interest: Any form of ownership interests as described Section II of this Procedural Manual.

Principal Residence: A Residence which the Eligible Borrower intends to occupy as its principal residence and which is not to be used in a trade or business, or as an investment property.

Profit and Loss: A statement by a business reflecting a financial gain or loss for a given period.

Program: The purchase of securities backed by qualified Mortgage Loans originated by participating Originators under AHFA's Single-Family First Step Program.

Program Guidelines: Guidelines established by AHFA and the IRS to administer the First Step Program and any revisions, amendments, and modifications thereof.

Proposed Construction: Property proposed to be constructed.

Remainder Interest: The property remainder of an estate after the termination of a prior estate; can have either a vested or contingent interest.

Reservation Expiration Date: 30 or 90 days from the reservation date.

Reservation of Funds: Reserved funds equal to the Mortgage Loan amount for an Eligible Borrower.

Residence: A single-family, owner-occupied dwelling unit located within the Eligible Loan Area, including detached and attached units, condominiums, planned unit developments and manufactured homes which have a minimum of 400 square feet of living space and a minimum width of 102 inches and which are of a kind customarily used at a fixed location, and meeting applicable Originator requirements.

Right of Redemption: A legally enforceable right provided by law permitting the Borrower or owner to reclaim foreclosed property by making full payment of the mortgage debt or the foreclosure sales price, as applicable.

State: The State of Alabama.

Survivorship: The legal right of the survivor or persons having joint interest in property to take the interest of the person who is deceased.

Take-Out Loan: Any Mortgage Loan made for the purpose of paying a construction period loan, bridge loan or similar temporary initial financing which qualifies as such pursuant to Section II of the Mortgage Revenue Procedural Manual.

Targeted Areas: Areas in the State that constitute qualified census tracts or areas of chronic economic distress within the meaning of Section 143 of the Internal Revenue Code.

Tenancy: A holding of real estate under any kind of right of title. Used alone, tenancy implies a hold under a lease.

Tenancy in Common: The type of ownership created when real or personal property is granted to two or more persons, without express words creating a joint tenancy. There is no right of survivorship.

Tenancy by Entirety: The joint ownership of property by a husband and wife where both are viewed as one person under common law that provides for the right of survivorship.

Tenant Shareholder: Ownership whereby real property is held in the name of the shareholders rather than in the names of individual partners.

Transfer Date: A date to be designated in accordance with the Program Final Delivery Date as defined in the Program Guidelines of any Mortgage Revenue Bond series. The Transfer Date is established by AHFA.

VA: The Department of Veterans Affairs of the United States of America, or any successor thereto.

Zoning: The act of city or county authorities designating the type of property use in specific areas.

Alabama Housing Finance Authority Lending Library > Housing Finance Agency Programs > Alabama > First Step Manual > Section II Program Eligibility Guidelines (04/03/25)

Section II Program Eligibility Guidelines (04/03/25)

Table of Contents			
Included in this section are:			
<ul style="list-style-type: none">• A. Loan Types and Terms• B. Eligible Loan Area• C. Borrower Eligibility• D. Targeted/Non-Targeted Areas• E. First-Time Homebuyer Requirements	<ul style="list-style-type: none">• F. Required Documentation to Verify First-Time Homebuyer Status• G. Schedule of Maximum Income Limits• H. Defining Household, IRS Rev. Ruling 86-124• I. Defining and Calculating Mortgage Revenue Bond Household Income Limits, IRS Rev. Ruling 86-124• J. Defining and Calculating Acquisition Cost	<ul style="list-style-type: none">• K. Sales Price Limits• L. Credit Overlays• M. Qualified Residences and Property Requirements• N. Property Prohibitions for Use of the Residence• O. Excess Land and Land Usage	<ul style="list-style-type: none">• P. Improvement to the Property• Q. Permitted Encumbrance• R. Title Restrictions• S. Federal Recapture• T. Assumptions Only

A. Loan Types and Terms

All Mortgage Loans must be secured by a first lien on the Fee Simple title. Permitted Encumbrances are those liens, covenants, conditions and restrictions, rights of way, easements, and other matters of public record as of the date of the recording of the related Mortgage in compliance with FHA, VA, Ginnie Mae, and Freddie Mac, as applicable. All Mortgage Loans must comply with the provisions of the First Step lender agreement.

Loan Types:

Lenders may use FHA, VA, USDA, or Freddie Mac’s HFA Loan products as specified below:

- FHA – Loans under the 203B and 234C sections of the HUD Act are permitted. No 203K loans are permitted.
- VA – Loans under the Guaranteed Loan program.
- USDA – Loans guaranteed by the USDA Office of Rural Development of the U.S. Department of Agriculture, or any successor to its functions.
- Freddie Mac – Loans are available only through the HFA Advantage Conventional option. Maximum MRB income limits still apply.

Loan Terms and Purpose:

The term of the first mortgage for the acquisition of a Principal Residence is 30 years. The term of the Down Payment Assistance (DPA) second mortgage is 10 years. Both mortgages will have the same fixed rate of interest.

An AHFA loan may be the permanent financing for a temporary construction loan with acceptable documentation. Such loans must have a nonrenewable term of twenty-four (24) months or less, documented with a copy of the construction loan note and recorded security instrument, which have not been modified previously. An AHFA loan cannot close with a three-day right of rescission. Please refer to item #4 in the ‘Defining and Calculating Acquisition

Cost' section for the list of required documents for a construction/ perm loan.

B. Eligible Loan Area

The Eligible Loan Area shall be the entire geographic boundary of the State of Alabama. AHFA may require certain amounts of available funds to be reserved for a period of time in certain parts of the State, including, as required under Federal law, that at least 20 percent of the funds be set aside for financing of Targeted Area Residences.

C. Borrower Eligibility

- Must be a First-Time Homebuyer, unless purchasing a Targeted Area Residence.
- Must be a U.S. citizen or have legal status to be in the United States. Refer to specific agency guidelines.
- Must be 18 years of age or older.
- AHFA does not allow non-occupying co-Borrowers or co-signors.
- Gross annual household income must be within applicable income limits.
- Property must be Borrower's principal residence within 60 days of loan closing.
- Borrower cannot have any other active AHFA loans at closing.
- The Mortgage Loan must be a new Mortgage Loan, not the refinancing of an existing mortgage. The only permissible exception is a temporary loan, such as a construction loan or land contract (contract for deed), which has a term of 24 months or less.

D. Targeted/Non-Targeted Areas

A Targeted Area is a qualified census tract or an area of chronic economic distress. A Targeted Area may be an entire county or may be a particular census tract or other designated specific area within that county. All other locations within the State that are not Targeted Areas are Non-Targeted Areas.

E. First-Time Homebuyer Requirements

If the Residence is in a Non-Targeted area, Eligible Borrowers may not have a present ownership interest in their Principal Residence within the three years preceding the execution of the initial Uniform Residential Loan Application. The First-Time Homebuyer requirement does not apply for residences being financed in "Targeted" areas or under certain circumstances if the applicant is a veteran (as set forth below).

The Veteran Exemption: Veterans and their spouses, as defined in 38 U.S.C./section 101, do not have to meet the three-year requirement (First-Time Homebuyer requirements) so long as the veteran did not previously receive a loan financed through the MRB program or similar program under this exemption, served in active duty and executed the initial Uniform Residential Loan Application before the date 25 years after the last date on which such veteran left active service, and was not or about to be dishonorably discharged.

Present Ownership Interest includes:

- A Fee Simple interest.
- A joint tenancy, a tenancy in common, or a tenancy by the entirety.
- The interest of a tenant shareholder in a cooperative.
- A life estate.
- A land contract.
- An interest held in trust for the Borrower that would constitute a Present Ownership Interest if held directly by the Borrower.

F. Required Documentation to Verify First-Time Homebuyer Status

To verify prior homeownership on each Borrower purchasing a property in a Non-Targeted area, AHFA will require all of the following documentation:

- Executed Eligible Borrower Affidavit
- Completed and executed URLA 1003
- Tri-Merge Credit Report
- Copy of Drive Report, Fraud Guard Report or MERS report for each Borrower

Other documentation may be requested by AHFA as applicable.

G. Schedule of Maximum Income Limits

In order to qualify for the program, the Borrower must meet current income limits for the program, which may be accessed through our website and the following link: [Income Limits | Alabama Housing Finance Authority \(ahfa.com\)](#)

H. Defining Household, IRS Rev. Ruling 86-124

Income limits are based on household size. All persons who will be residing in the home as their Principal Residence should be included.

1. Accuracy of Household Size: If the lender becomes aware at or prior to closing that the household size differs from the size as approved by AHFA, documentation must be submitted to AHFA. Adding additional household members after initial application may result in additional verification documentation requirements.
2. Expected Childbirth: Do not include an unborn child for purposes of determining the number of persons in the household.

I. Defining and Calculating Mortgage Revenue Bond Household Income Limits, IRS Rev. Ruling 86-124

The applicant(s) within the defined household, household size, and Targeted/Non-Targeted Area property designation cannot have a gross total annual income greater than the applicable MRB income limits published on the AHFA website and linked in Section II G of this manual. Any income that is expected to continue in the next 12 months or with a current history of receipt should be included in the income calculation.

All signers of the mortgage note must occupy the residence as their principal residence. Signers of the mortgage note must be eighteen (18) years of age or older. Total combined income from all mortgage note signers must be included in calculations for determining income eligibility.

Mortgage note signer income is the combined total annual gross income, earned and unearned, from all sources, received by the Borrower(s) before taxes or other withholdings or deductions. Examples of income sources counted when determining the Income include:

- Annual wages, including salary or hourly pay W-2, 1099s, etc.
- Overtime, fees, tips, bonuses, holiday pay, weekend pay, shift differentials, commissions
- Second jobs, seasonal employment, part-time pay
- Dividends, interest income, royalties
- Pensions, retirement income, Social Security benefits (do not have to include “grossed up” portion of SS and SSDI for household income, even though it is allowed for qualifying)
- Alimony and or child support
- Self-employed Income from Schedule C, E, F from personal 1040 tax returns, Partnership Income, S Corp, Corporate, etc.
- Income from trusts, annuities, etc.
- VA benefits
- Net rental income (75% of gross rent)
- Unemployment compensation

Gross income is calculated by projecting gross income forward for the 12-month period beginning on the date of the loan application. Typically, income from overtime, bonuses and commissions is averaged for the most recent 12-month period. If information is unavailable for this period, the lender may average prior year and year to date or current year only if newly received. The monthly average multiplied by twelve (12) will be added to the current annual base pay/salary.

Lenders should provide adequate documentation along with the AHFA First Step Income Eligibility Worksheet to support the total income used in determining compliance to program eligibility.

Required Income Documentation:

- Most recent 30 days’ paystubs
- W-2s for previous year
- Current award letters from pensions, retirement, any Social Security benefits, VA benefits, or trust income
- Appropriate tax returns for the most recent one-year period for all self-employed income and a signed and dated year-to-date profit and loss statement
 - Most recent year tax transcript if the tax transcripts are not available, we will accept all of the following:
 1. Complete signed and dated federal tax returns, and;
 2. Complete executed 4506C, and;
 3. Signed statement, with AHFA 1010 Warning, which states all tax returns provided have been filed with the IRS or if filed electronically, the notification showing returns were accepted.
 - If the borrower(s) files an extension, we will accept all of the following:
 1. Copy of the complete executed extension, and;
 2. Previous years federal tax transcripts
 3. Completed executed 4506C
- Rental leases to calculate net rental income for all rental properties listed on the URLA. For retained property not yet rented, verification of market rent from third party is required (i.e., Zillow, Broker Price Opinion or Appraiser Market Rent Estimate). If retained property will not be rented for the next 12 months, Borrower affidavit is required.

J. Defining and Calculating Acquisition Cost

Generally, the acquisition cost (as defined below) is the sales price specified in the purchase contract between the seller and Borrower(s) for the property, so long as there are no other agreements (written or verbal) outside of or in addition to the purchase contract for payment of any additional amounts in connection with the purchase or construction of the property.

1. Acquisition Cost: The cost of acquiring an eligible residence from the seller as a completed residential unit. The acquisition cost of the property to be financed cannot exceed the sales price limits in force for this program at the time of the initial loan application date.
2. Acquisition Cost Inclusions:
 - a. All amounts paid, in cash or in kind, by the Borrower (or a related party or for the benefit of the Borrower) to the seller (or a related party or for the benefit of the seller) as consideration for the Residence.
 - b. The price or total cost to construct a home on land owned by the Borrower.
 - c. The amount paid by the Borrower for the unimproved lot/land if owned less than two years before the date of the initial loan application date.
 - d. The Borrower-paid cost of necessary repairs to the residence that are not included in the purchase contract.
 - e. Amount paid, in cash or in kind, by any other person to or for the benefit of the seller (or related party) on behalf of the Borrower, in connection with the property.
 - f. The cost for fixtures that are not included in the sales contract.
3. Acquisition Cost Exclusions: Do not include the following items in determining acquisition cost:

- a. The cost of land which has been owned by the mortgagor for at least 2 years prior to the date on which construction of the residence begins.
 - b. The cost for personal property that is not included in the contract for sale.
 - c. The sweat equity of the Borrower or Borrower's immediate family's labor.
 - d. Loan points paid by the seller.
 - e. Usual and reasonable settlement and financing costs.
4. Required Construction/ Perm Documentation for Acquisition Cost Determination: The following items will need to be included in the compliance package submitted to AHFA for review:
- a. Copy of construction Note
 - b. Copy of construction payoff
 - c. Copy of builder contract
 - d. Copy of deed to lot

K. Sales Price Limits

Properties being purchased must not exceed sales price/Acquisition Cost limits established for the program in place at the initial loan application date. Current limits may be accessed through our website and linked here: [Sales Price Limits | Alabama Housing Finance Authority \(ahfa.com\)](#)

L. Credit Overlays

Lenders must follow all applicable guidelines in determining eligibility for FHA, VA, and Freddie Mac's HFA Advantage loans. In addition, there are specific overlays AHFA imposes:

- Each Borrower must have a minimum credit score of 640 or greater
- Maximum debt-to-income ratio cannot exceed 45%
- No manual underwrites or refers
- Must use LPA for Freddie Mac loans - Accept/Eligible Only
- May use LPA or DU for FHA/VA loans as applicable - Approve/Eligible Only
- Must receive GUS "Accept" findings for USDA Loans
- Loans must remain deliverable to Freddie Mac or Ginnie Mae as applicable
- Homebuyer education is required to be completed prior to loan closing by at least one of the note signers.
- Homebuyer education completion certificates will be required at time of program compliance approval.

M. Qualified Residences and Property Requirements

Qualified Residences must be, in addition to being eligible under FHA, VA, USDA, and Freddie Mac guidelines:

- A one-unit single-family detached home, or
- A one-unit row house, townhouse, or condominium project unit (with FHA, VA or Freddie Mac approval), or
- A manufactured home, built on a HUD-approved permanent foundation and classified as "real property." Manufactured Housing loans are only permitted with FHA, VA and USDA financing.
- Property ownership must be Fee Simple. Leasehold properties are ineligible.

N. Property Prohibitions for Use of the Residence

1. The Borrower cannot rent, lease, quit claim, assign, or transfer any interest in the residence to another party and will not enter into any such agreement, understanding or other arrangement.
2. The Borrower cannot use the residence in a trade or business and cannot deduct any portion of the cost of the residence as a home business expense on Borrower's federal income tax returns. No portion of the residence can be specifically designated for any commercial use.
3. The Borrower cannot use the residence as investment property and will not receive any income from the residence or the land. This provision prevents the Borrower from later using the property for rental income.
4. The Borrower cannot use the residence as a recreational, seasonal, vacation or second residence.

O. Excess Land and Land Usage

Land being purchased with the residence should maintain the basic livability of the residence and cannot provide a source of income to the eligible Borrower. If the land is capable of being subdivided or used in agricultural business, the Borrower(s) must certify that they will not:

1. Subdivide or otherwise sell any of the real property on which the residence is or is to be located, except in conjunction with a future sale of the residence
2. Seek any variance from applicable zoning, minimum lot size or set-back requirements
3. Start a homestead business on their property

P. Improvement to the Property

During the first year of ownership, the mortgagor (directly or indirectly) cannot make improvements or have services performed on the Residence that would cause the acquisition cost of the Residence to exceed the maximum sales price limits. The following is a list of ineligible improvements or services:

1. Addition of fixtures to the Residence
2. Completion of livable basement or attic space
3. Addition of rooms to the Residence or outbuildings to the property

It will constitute an event of default if the cost of the improvements made, or services performed to the Residence, cause the acquisition cost to exceed the maximum sales price limits. The holder of the Mortgage Loan may then accelerate the debt and initiate foreclosure and other appropriate proceedings.

Q. Permitted Encumbrance

All Mortgage Loans must be secured by a first lien on the fee simple title to the Residence. Permitted encumbrances are those liens, covenants, conditions, and restrictions, right of way, easements, and other matters of public record as of the date of the recording of the related mortgage. These encumbrances must be permitted under FHA, VA, USDA, Freddie Mac, and Ginnie Mae.

R. Title Restrictions

Title may be held only in the names of those persons who sign BOTH the Mortgage Note AND the Security Instrument. The warranty deed must be prepared correctly to insure it adheres to these program requirements. Properties still within a remaining redemption period from foreclosure may not have a title exception for the redemption period. See the Loan Delivery Guide for more information and details as to title restrictions.

S. Federal Recapture

All loans originated under a tax-exempt bond program are subject to a federal recapture tax upon the Borrower's disposition of the Residence. If the sale or transfer of the property resulted in owed recapture tax, the Borrower(s) would pay the tax as additional federal tax liability to the Internal Revenue Service (IRS) at the next tax filing date in the year the home sold. The purpose of the recapture provision is to recapture a portion of the subsidy or benefit received from Borrowers who received large or rapid increases in their income soon after they purchased their home. The Borrowers are subject to recapture for nine years from the closing date. Recapture is not triggered by refinancing the loan, nor does refinancing the loan remove the recapture provision term of nine (9) years from the original closing date.

The maximum amount of a recapture tax is 6.25% of the original amount of the Mortgage Loan but shall not exceed 50% of the gain upon disposition. The lender provides an initial recapture settlement disclosure to the Borrower(s), and the final disclosure will be mailed to the Borrowers along with their first payment coupons and hello letter from AHFA. The final recapture settlement disclosure will provide the nine (9) year recapture holding period percentage breakdown, along with future household income thresholds.

The holding period percentage shows the percentage of the 6.25% maximum recapture tax the Borrower would owe, based on the number of months they had owned the property at the time it was sold/transferred to the new owner:

Holding Period Percentage (HPP):

Year 1 (0-12 months)	20%
Year 2 (13-24 months)	40%
Year 3 (25-36 months)	60%
Year 4 (37-48 months)	80%
Year 5 (49-60 months)	100%
Year 6 (61-72 months)	80%
Year 7 (73-84 months)	60%
Year 8 (85-96 months)	40%
Year 9 (97-108 months)	20%

Key dates to compute the ownership period:

1. the date of the original mortgage
2. the date of disposition (when title is transferred)

Whether the recapture tax results in an actual required payment depends on three factors. All three of the factors must be triggered simultaneously for any recapture tax to be due:

1. The Principal Residence is sold or transferred within the first 9 years (108 months) from the closing date of the loan.
2. The Borrowers' current household income exceeds the amount stated on the Recapture Settlement Disclosure based on their current household size, and Targeted or Non-Targeted Area property for the year in which the property sold.
3. There is net gain from the sale of the home after all closing cost expenses, real estate commissions, and capital improvement costs have been deducted.

T. Assumptions Only

FHA, VA and USDA loans are assumable and require prior approval by AHFA's servicing division. Purchasers assuming a tax-exempt loan must credit qualify and meet all the eligibility requirements for the program as defined in Section 1 of the manual. The Nine-Year Federal Recapture timeframe will begin anew at the closing of the assumption.

Alabama Housing Finance Authority Lending Library > Housing Finance Agency Programs > Alabama > First Step Manual > Section III Originator Processing Guide (04/03/25)

Section III Originator Processing Guide (04/03/25)

Originators should determine the following eligibility determinations before locking in a First Step loan:

1. Determine the sales price and income parameters by identifying whether the property falls within a Targeted or Non-Targeted location.
2. Based on the household size and location, determine whether Borrower income is within the applicable income limits as outlined in IRS Rev. Ruling 86-124 and published on our website.
3. Confirm that the property does not exceed the sales price and acquisition cost limits of the program.
4. Determine whether the Borrower meets the Residence requirement.
5. Determine whether the Borrower meets the First-Time Homebuyer requirement if purchasing in a Non-Targeted Area.
6. Determine whether the Borrower meets the new purchase mortgage requirement.
7. Confirm that the property is a one-unit dwelling.
8. Confirm that the Borrowers meet the loan requirements of FHA, VA, USDA, and Freddie Mac as applicable.
9. Provide the Seller Affidavit to the seller/Realtor on the purchase contract for completion/eSignature.

Table of Contents

Included in this section are:

- A. Targeted Area Map Determination
- B. Reservation/Lock Procedures
- C. Pre-closing AHFA Submission
- D. MRB Affidavits/Certification Forms
- E. Pended Loan/Curative Items Request
- F. Understanding Recapture
- G. Electronic Signature Policy
- H. Homebuyer Education
- I. Acceptable PMI Providers.
- J. First Step Program Affidavits

A. Targeted Area Map Determination

To establish the income and sales price limitations and other eligibility requirements, the originator must first determine whether the property being purchased is in a Targeted or Non-Targeted Area.

AHFA has an online access link to PolicyMap. Originators may access and print this data for the counties that are entirely Targeted or entirely Non-Targeted identified locations, and IRS-designated Qualified Census Tracts.

For all other counties, a completed Targeted Area ID Status Request Form must be completed and emailed to compliance@ahfa.com along with a copy of the property appraisal map and flood certification with census tract information. For new construction properties, a plat map might be required, if the roads are all new.

AHFA will review the request and respond back by email to the processor or loan officer, with the designated area identified on the Targeted Map ID form. A copy of this form or the online printout will be required for all Targeted-identified property locations when the file is submitted for pre-closing review.

Targeted Areas: Originators will use the sales price and income limits designated for Targeted properties, based on household size. Maximum income is bracketed by 1-2 person households, or household sizes of 3 or greater. Borrowers purchasing in a Targeted Area do not have to be First-Time Homebuyers.

Non-Targeted Areas: Originators should use the sales price and income limits designated for Non-Targeted Area locations, based on household size as described previously. Borrowers purchasing in Non-Targeted Areas are required to be First-Time Homebuyers (have not previously owned a principal residence within the last three years from date of the loan application). Further documentation is required. See Section II, F. and G. for documentation requirements.

Targeted Areas of Chronic Economic Distress					
The counties listed below are FULLY Targeted Areas:					
Barbour	Choctaw	Dallas	Macon	Pickens	Talladega
Bibb	Clarke	Greene	Marengo	Pike	Washington
Bullock	Conecuh	Hale	Monroe	Randolph	Wilcox
Butler	Crenshaw	Lowndes	Perry	Sumter	
The counties listed below contain NO Targeted Areas:					
Blount	DeKalb	Fayette	Geneva	Jackson	Lamar
Limestone	St. Clair				
Entire Cities and Towns. The cities and towns listed below were designated as Targeted Areas as of the date shown. Any area annexed to the city after that date is NOT a Targeted Area.					
Abbeville..... March 26, 1982			Lafayette March 26, 1982		
Anniston March 26, 1982			Phenix City March 26, 1982		
Atmore March 26, 1982			Ridgeville September 15, 1983		
Attalla September 19, 1983			Roanoke March 26, 1983		

Bessemer.....	March 26, 1982	Roosevelt City	March 26, 1982
Dadeville.....	March 26, 1982	Vredenburgh.....	September 16, 1983
Gadsden	September 19, 1983	Wadley.....	September 15, 1983
Headland	March 26, 1982	Wedowee.....	September 15, 1983
Other Targeted Areas. In addition to the counties and cities listed heretofore, certain areas within the following counties also have been designated as Targeted Areas. Many of the areas are described as Census Tracts and/or Enumeration Districts (EDs). Each such description is followed by either “(1970)” or “(1980),” designating which Census Map should be used. Unless otherwise indicated, any reference to an ED includes the entire ED.			
AUTAUGA COUNTY			
City of Prattville	Census Tract 20	ED 13 (1970)	ED 14 (1970)
	ED 19 (1970) (see AHFA Map No. 701-01)		
County at Large	Census Tract 20	Census Tract 210	ED 19 (1970)
			ED 778 (1980)
BALDWIN COUNTY			
City of Bay Minette	Census Tract 106 (1980) (The portion within the city limits as of July 6, 1982.)		
Foley	A portion of the Beaulah Heights area		A portion of the Aaronville area
	A portion of the Westside area		
County at Large	Census Tract 103 (1980)	Census Tract 107 (1980)	Census Tract 111 (1980)
	*Census Tract 109 (1980)		*Census Tract 110 (1980)
	(*Areas within the city limits of the cities of Loxley, Silverhill, Summerdale and Robertsedale as of July 6, 1982, are excluded from the Targeted Area.)		
CALHOUN COUNTY			
Town of Hobson City	The area south of Park Avenue and within the corporate limits as of July 9, 1982.		
Town of Ohatchee	The Community Comprehensive Program Area as submitted on March 26, 1982, by the state of Alabama.		
City of Piedmont	ED 1 (1970)		ED 3 (1970)
	The Community Comprehensive Program Area as submitted on March 26, 1982, by the State of Alabama.		
County at Large	Census Tract 5 (1980)	Census Tract 6 (1980)	Census Tract 7 (1980)
	ED 7 (1970)	ED 18 (1970)	ED 31 (1970)
	ED 21 (1970)	ED 49 (1970)	ED 17 (1970)
	ED 48 (1970)	ED 24 (1970)	ED 47 (1970)
	ED 25 (1970)	ED 46 (1970)	ED 105 (1970)
	ED 45 (1970)	ED 106 (1970)	ED 30 (1970)
			ED 51 (1970)
CHAMBERS COUNTY			
Valley	A portion of the northern part of Fairfax.		
CHEROKEE COUNTY			
Town of Cedar Bluff	The area east of State Route 68 within the city limits as of July 9, 1982.		
City of Centre	The area north and east of U.S. Highway 411 within the city limits as of July 9, 1982.		
CHILTON COUNTY			
City of Clanton	The Community Comprehensive Program Area as submitted on March 26, 1982, by the State of Alabama.		
CLAY COUNTY			
Town of Ashland	The area north of First Avenue North within the city limits as of July 9, 1982.		
Town of Lineville	The area west of State Route 49 within the town limits as of July 9, 1982.		
CLEBURNE COUNTY			
City of Heflin	ED 6 (1970)		
COLBERT COUNTY			
City of Tuscumbia	An area bounded by 11th Street on the North, Hickory Street and Avenue A on the East and South, and Woodmont Drive on the West.		
	The Community Comprehensive Program Area as submitted on March 26, 1982, by the State of Alabama.		
City of Sheffield	The Community Comprehensive Program Area as submitted on March 26, 1982, by the State of Alabama.		
COOSA COUNTY			
Town of Rockford	The area east of U.S. Highway 231 within the town limits of Rockford as of July 9, 1982.		
COVINGTON COUNTY			
City of Andalusia	The Community Comprehensive Program Area as submitted on March 26, 1982, by the State of Alabama.		

CULLMAN COUNTY				
City of Cullman	The Community Comprehensive Program Area as submitted on March 26, 1982, by the State of Alabama.			
DALE COUNTY				
City of Ozark	An area in the northwest corner of the city. (See AHFA Map No. 721-01.)			
ELMORE COUNTY				
City of Millbrook	Census Tract 104	ED 15 (1970)	A portion of ED 16 (1970)	
City of Wetumpka	Census Tract 106		ED 20 (1970)	
County at Large	Census Tract 104	ED 968 (1980)	A portion of ED 16 (1970)	
ETOWAH COUNTY				
City of Altoona	The area north of the L & N Railroad track and within the city limits as of July 9, 1982.			
City of Boaz	The Community Comprehensive Program Area as submitted on March 26, 1982, by the State of Alabama.			
HOUSTON COUNTY				
City of Dothan	Census Tract 406 (1980)		ED 7B (1970)	ED 8 (1970)
	ED 9 (1970)	ED 10 (1970)	ED 11 (1970)	ED 12 (1970)
	ED 13 (1970)	ED 18 (1970)	ED 19 (1970)	ED 20 (1970)
	ED 21 (1970)	ED 22 (1970)	ED 23 (1970)	ED 29 (1970)
	ED 31 (1970)	ED 32 (1970)	ED 33 (1970)	
JEFFERSON COUNTY				
City of Birmingham	The areas within the indicated Census Tracts and the city limits of Birmingham as of July 7, 1982:			
	11. (1980)	21. (1980)	23.03 (1980)	23.04 (1980)
	23.05 (1980)	23.06 (1980)	30.01 (1980)	31. (1980)
	36. (1980)	37. (1980)	47.01 (1980)	47.02 (1980)
	47.03 (1980)	48. (1980)	49. (1980)	50. (1980)
	53.01 (1980)	53.02 (1980)	56. (1980)	59.03 (1980)
	59.04 (1980)	59.05 (1980)	59.06 (1980)	111.04 (1980)
	112.04 (1980)	119.02 (1980)	119.03 (1980)	124.01 (1980)
City of Homewood	Rosedale Neighborhood Strategy Area only. (See AHFA Map No. 698-01.)			
County at Large	The entire Census Tracts listed below are Targeted Areas:			
	7. (1980)	9. (1980)	18.01 (1980)	25. (1980)
	26.01 (1980)	26.02 (1980)	27. (1980)	28.01 (1980)
	28.02 (1980)	29. (1980)	32. (1980)	33. (1980)
	45. (1980)	46. (1980)	51.01 (1980)	
	The areas within the Census Tracts listed below must NOT be located within the cities of Birmingham, Bessemer, and Mountain Brook as of July 8, 1982:			
	105. (1970)	106. (1970)	109. (1970)	110. (1970)
	111.01 (1970)	111.02 (1970)	112.02 (1970)	113. (1970)
	114. (1970)	116.01 (1970)	116.02 (1970)	
	119. (1970) excluding Zion City as existing on July 8, 1982			
	120. (1970)	121.01 (1970)	123.02 (1970)	125. (1970)
	126. (1970)	127.01 (1970)		
	131. (1970) excluding Brownsville as existing on July 8, 1982			
	133. (1970)	136. (1970)	137. (1970)	138. (1970)
	139. (1970)	140. (1970)	141.01 (1970)	143. (1970)
	141.02 (1970) only the City of Johns as existing on July 8, 1982.			
LAUDERDALE COUNTY				
City of Florence	Census Tract 103. (1980)		Census Tract 110. (1980)	
	Census Tract 111. (1980)		Census Tract 115. (1980)	
	The following Neighborhood Strategy Areas as submitted on March 26, 1982, by the State of Alabama:			
	Coliseum Area	Westside Area	N. Florence Area	E. Florence Area
LAWRENCE COUNTY				
City of Moulton	The Community Comprehensive Program Area as submitted on March 26, 1982, by the State of Alabama.			
LEE COUNTY				
City of Opelika	An area in the eastern and southern portion of the city described as follows:			

	Beginning at the (north) city limits as of July 7, 1982, and running south on U.S. 431 and to the intersection of U.S. 431 and U.S. 29; west to the L & N Railroad to South Railroad Avenue to South Seventh Street; south on South Seventh Street to Torbert Blvd.; east to Interstate 85; southwest to AL 169; south on AL 169 past the industrial park; west to Society Hill Road; north on Society Hill Road-South Long Street to York Street; west on York Street; north on Simmons Street to Waverly Parkway; west on Waverly Parkway to U.S. 280 Bypass.			
County at Large	Census Tract 401. (1980)		Census Tract 407. (1980)	
MADISON COUNTY				
City of Huntsville	1.00 (1980)	2.01 (1980)	2.02 (1980)	7.02 (1980)
	8.00 (1980)	10.00 (1980)	11.00 (1980)	12.00 (1980)
	21.00 (1980)	22.00 (1980)	23.00 (1980)	24.00 (1980)
	25.01 (1980)			
	105.00 (1980), only the areas located within the City of Huntsville as existing on July 9, 1982.			
	107.00 (1980), only the areas located within the City of Huntsville as existing on July 9, 1982.			
	The following areas which qualify as Targeted Areas are:			
	Glendale - Triana Estates: The neighborhood is bounded on the north by the property line of the northern most section of Sewall Drive, on the west by Triana Boulevard, on the east by the property line of the eastern section of Sewall Drive south to Johnson Road; then eastward to the property line to the eastern rear of the point where Baywood Drive begins; then southward along the line to the east rear of Alhambra and Berkshire Drives to a point just south of where Baywood Drive terminates; it is bounded on the south by the property line to the rear of the southern half of Nassau and Baywood Drives.			
	Hillandale - Terry Heights: The neighborhood is bounded on the north by University Drive, on the east by Pulaski Pike, on the west by the property line to the rear of Crestline Drive, and on the south by Holmes Avenue.			
	Meadow Hills: The neighborhood is bounded on the north by the property line to the rear of Shepherd Drive and Atkins Drive, on the east by Memorial Parkway, on the west by Blue Springs Road and on the south by the property line to the rear of Shawmont, Tuxedo, Norwood, and Griffith Drives.			
	Northwest Huntsville: The subdivisions and surrounding areas of Rollings Hills, Cherokee Hills and Windsor Manor.			
	Sandhurst Park - South Park Estates: An area located in the extreme southwest part of the city as existing on July 9, 1982.			
	Western Huntsville: Located north of University Drive and generally west of Sparkman Drive, including the Rideout Village Subdivision.			
County at Large	11. (1980)	12. (1980)	16. (1980)	21. (1980)
	101.ED 1 (1970)	102.ED 3 (1970)	103.ED 5 (1970)	104.ED 6 (1970)
	104.ED 7 (1970)	105.ED 13 (1970)	105.ED 14 (1970)	108.ED 22 (1970)
	109.ED 199 (1970)		109.ED 200 (1970)	
	112.ED 208 (1970), the portion east of Wall-Triana Hwy.			
	112.ED 212 (1970), the portion east of Wall-Triana Hwy.			
	113.ED 203 (1970)		113.ED 206 (1970)	
	114.ED 204 (1970)		114.ED 205 (1970)	
	The Community Comprehensive Program Area as submitted on March 26, 1982, by the State of Alabama.			
MARSHALL COUNTY				
City of Albertville	The area south of Highway 75 and Main Street within the city limits as of August 6, 1982. (See AHFA Map No. 742-01).			
	The Community Comprehensive Program Area as submitted on March 26, 1982, by the State of Alabama.			
City of Boaz	The Community Comprehensive Program Area as submitted on March 26, 1982, by the State of Alabama.			
City of Guntersville	The Community Comprehensive Program Area as submitted on March 26, 1982, by the State of Alabama.			
MOBILE COUNTY				
City of Mobile	2.00 (1980)	3.00 (1980)	4.01 (1980)	4.02 (1980)
	5.00 (1980)	7.01 (1980)	7.02 (1980)	8.00 (1980)
	9.03 (1980)	10.02 (1980)	12.01 (1980)	13.01 (1980)
	13.02 (1980)	14.00 (1980)	15.01 (1980)	15.02 (1980)
	18.00 (1980)	19.01 (1980)	19.02 (1980)	20.00 (1980)
	21.00 (1980)	23.02 (1980)	26.00 (1980)	27.00 (1980)
	32.02 (1980)	37.02 (1980)	38.01 (1980)	39.01 (1980)

	39.02 (1980)	40.00 (1980)	43.00 (1980)	
	Portions of the following areas are also Targeted Areas:			
	Carlisle Subdivision	Timbers Subdivision		
	Demetropolis Avenue	Pinehurst Subdivision		
	Zack Logan Street			
County at Large	Census Tract 57.00 Block Group 988 (1980)			
	Census Tract 63.00 Block Group 139 (1980)			
	Census Tract 64.00 (1980), except EDs 542U, 542T and 543			
	Census Tract 65.00 (1980), except EDs 547, 548, 549 and 550			
	Census Tract 67.00 ED 551T (1980)			
	Census Tract 68.00 (1980)	Census Tract 69.00 (1980)		
	Census Tract 71.00 (1980), except EDS 558 and 559			
MONTGOMERY COUNTY				
City of Montgomery	Area of Designations: A, B1, B2, B3, B4, B5 and B6. See descriptions below. All tracts mentioned below refer to 1980 census maps:			
	<p>AREA A: All of tracts 1, 2, 3, 4, 5, 6, 7, 11, 16, 18, 19, 24, 25, 51.01, 51.02, and 51.03. It also includes parts of tracts 13, 14, 15, 17, 26, 30 and 54.02. The area stretches from the Madison Park area in the northeast across town to Smiley Court in the southwest. On the north it is bounded by the city limits as of July 15, 1982. On the west it follows the L & N Railroad to Simmons Drive and an extension of Lamuck Street to Lehigh Street, and Lehigh connects with West Boulevard. The southern boundary follows West Boulevard to I-65, and I-65 North to I-85. It follows I-85 east to Cleveland, Cleveland to Columbia, Columbia to Bellview, and Bellview to Early. From Early the southern boundary goes south on Court and east on Felder to Norman Bridge. It goes south on Norman Bridge to Fairview and then east on Fairview to Ridge Avenue. From Ridge Avenue it follows Felder west to Carter Hill and then goes north on West Street to I-85. The eastern boundary follows Three Mile Branch North to Highland Avenue and then follows the boundary of Greenwood Cemetery to Greenridge Road.</p>			
	<p>Then the boundary follows Pleasant Ridge Road to Forest Hills Drive and Forest Hills Drive to Willow Lane east to the northern Intersection of Forest Hills Drive. Then it connects with the Atlanta Highway and goes east to Dalraida Road. It follows an extension of Marie Cook Drive to the Seaboard Coast Railroad and then follows the railroad east to the northern boundary of tract 19. From there it connects with Three Mile Brand and goes north to Federal Drive. It follows Federal Drive to the Northern By-Pass and then goes east along the By-Pass to Plantation Way and an undeveloped area north of Hyde Park Drive. Then it follows Brassell Creek back to the northern city limits line as of July 15, 1982.</p>			
	AREA B1: Located in southwest Montgomery in the western half of tract 60.02. It is bounded on the north and west by Hayneville Road, the south by U. S. Highway 80 and the east by Caney Branch Creek.			
	AREA B2: Located in southeastern Montgomery and is bounded by the eastern border of tract 56.03 and the Troy Highway on the east, Whites Slough on the north, Narrow Lane on the west, and the city limits as of July 15, 1982, on the south. The area contains parts of tract 29, 32 56.01 and 56.03.			
	AREA B3: Located in northeastern Montgomery and contains parts of tracts 26 and 53.02. It is bounded on the south by Wares Ferry Road, the east by Ray Drive and Jule Drive, the north by Glade Park and Groveland, and the east by an extension of Planters Road.			
	AREA B4: Located in southwestern Montgomery and is made up of parts of tracts 59.01 and 59.02. It is bounded on the north by Catoma Creek, the west by U.S. Highway 31, the south by the city limits as of July 15, 1982, and the east by Seaboard Coastline Railroad.			
	AREA B5: Located in tract 29 in the southeastern corner of the city. It is part of Woodley East and includes all property on both sides of Manasse Drive and property on the north side of Gentilly Drive.			
	AREA B6: Located in tract 29 in the southeastern corner of the city and includes all of the Whispering Pines Subdivision. It is bounded by the back property lines of housing located in the subdivision. This includes the property facing Whispering Pines Drive, Pine Shadow Lane, Fernwood Drive and Shadowood Drive.			
County at Large	Census Tract 2 (1980)	Census Tract 6 (1980)		
	Census Tract 10 (1980)	Census Tract 12 (1980)		
	ED 1033 U (1980)	ED 1035 (1980)		
MORGAN COUNTY				
City of Decatur	Census Tract 5.00 (1980)			
	Farmington/Cedar Lake: The area south of the Beltline Highway and west of the L & N Railroad, being a portion of the Section 6, T6S, R4W and Section 5, T6S, R4W.			
	Northwest Decatur: The area north of West Moulton Street and west of the L & N Railroad being a portion of Section 13, T5S, and R5W and Section 18, T5S, R4W.			

	Westmead No. 14/ Westmead Townhomes: The area southwest of Beltline Highway, between Old Moulton Road SW and Danville Road SW/ being a portion of Section 25, T5S, R5W.	
	The Community Comprehensive Program Area as submitted on March 26, 1982, by the State of Alabama.	
RUSSELL COUNTY		
County at Large	Census Tract 301.00 (1980)	Census Tract 302.00 (1980)
SHELBY COUNTY		
County at Large	Census Tract 303.01 (1980), excluding the Planned Unit Developments of Inverness and Riverchase.	
	Census Tract 303.02 (1980)	Census Tract 304.02 ED 18 (1980)
	Census Tract 305.00 ED 25 (1980)	Census Tract 306.01 (1980)
	Census Tract 307.01 (1980)	Census Tract 307.02 (1980)
TALLAPOOSA COUNTY		
Alexander City	An area requested on behalf of Alexander City by the East Alabama Planning and Development Commission on August 5, 1982, and approved by the Treasury on October 27, 1982.	
Town of Camp Hill	The area east of the Central Georgia Railroad and within the city limits as of July 9, 1982.	
TUSCALOOSA COUNTY		
City of Holt	Census Tract 105 (1980)	
City of Northport	Portions of the following areas as submitted on March 26, 1982, by the State of Alabama:	
	Bridge Avenue Area	Hightown Area
City of Tuscaloosa	All of Census Tract 118 and portions of Census tracts 117 and 124 (1980)	
County at Large	Census Tract 111. (1980)	Census Tract 115. (1980)
	Census Tract 118. (1980)	
	The Community Comprehensive Program Area as submitted on March 26, 1982, by the State of Alabama.	
WALKER COUNTY		
Town of Oakman	Consult with AHFA.	
WINSTON COUNTY		
City of Haleyville	Corinth Heights Subdivision - The area within the following description: west to Dime Road, east to Newburg Road, south to Delashaw Road and north to the city limits as of July 7, 1982.	
	Chickakee Road Area - The area within the following description: west to the city limits as of July 7, 1982, east to Quarter Creek, south to Chickakee Road and north to the city limits as of July 7, 1982.	
	Brookhaven Subdivision 1 and 2 - The area within the following description: west to Quarter Creek, east to Airport Road, south to Chickakee Road and north to George Avenue.	
	Forest Park Subdivision - The Lake Shore Drive Area.	
	Hilltop Subdivision - The area within the following description: west to Birch Street, east to Oak Street, north to Maple Street and south to the city limits as of July 7, 1982.	
Rev. Proc. 2024-8 designated various census tracts, based on the 2020 census, as Targeted Areas. Such areas within the counties listed below include the incorporated and unincorporated areas within the designation.		
Calhoun	3, 4, 11.02, 13, and 21.01	
Coffee	113	
Colbert	203	
Covington	9627	
Dale	207	
Escambia	9706	
Etowah	3, 6, 7, 8, 10, 13, and 17	
Franklin	9737.01	9737.02
Houston	406	412
Jefferson	1, 3, 4, 5, 7, 8, 15, 19.02, 20, 22, 29, 32, 33, 34, 37, 39, 40, 42, 45.02, 51.01, 55, 57.02, 100.01, 102, 104.01, 106.04, 119.01, and 131	
Lauderdale	101, 103, and 107	
Lee	406.03	414
Madison	2.03, 3.02, 12, 13.01, 21, 22, 23, 24, 25.01, 25.02, and 30	
Marion	9640.02	
Mobile	4.02, 5, 12, 15.01, 15.02, 21, 23.02, 27, 39.01, 48, 49, 50, 51, and 76	
Montgomery	3, 4, 6, 10, 12, 16, 22.01, 24, 29.01, 30, 32, and 56.14	
Morgan	6	51.09

Russell	302	
Tuscaloosa	117.01, 117.03, 118, 119.02, 124.08, and 128	

B. Reservation/Lock Procedures

1. Reservation Procedures. Subject to the funding restrictions and applicable reservations, applications for Mortgage Loans will be accepted in all the lending offices of each Participating Originator in the state. Reservations will be made on a first-come, first-served, fair and equal basis irrespective of race, color, religion, national origin, age, or sex. Prior to making a reservation request, the originator must have taken a Mortgage Loan application from a potential eligible Borrower. The Borrower furnishes the originator an earnest money sales agreement or construction contract entered by the seller/builder of a residence and the eligible Borrower. Originators are responsible for making a preliminary determination to see if the potential eligible Borrower will qualify for the Mortgage Loan. The program processing is designed to complement the originator's regular credit and underwriting procedures. Since AHFA is not part of the credit approval process, no formal notice of rejection of the First Step Program loan is required by AHFA under the Equal Credit Opportunity Act. AHFA recognizes the procedural variations among participating originators. The following steps are for the reservation and loan processing procedure:

- The eligible Borrower applies for mortgage financing from a participating originator.
- The originator determines if the loan applicant is eligible for the First Step program based on preliminary information obtained.
- The originator provides all additional MRB Program Affidavits/Certifications to Borrower and seller to be executed. These forms are required for pre-closing submission approval by AHFA.
- All Mortgage Loans must be originated in compliance with and must conform to the provisions of all applicable rules, regulations and limitations of FHA, VA, USDA, Freddie Mac, and Ginnie Mae as appropriate.

Each originator is to assign usernames and passwords to designated employees responsible for making requests for Reservations of Funds. All reservations must be made through AHFA's online reservation system, <https://Originators.ahfa.com>. Telephone requests for reservations will be accepted if the web site is unavailable for more than 24 hours.

These reservation requests may be eligible for funding on a first-come, first- served basis under any future First Step Programs.

2. Rate Commitment Form. Participating originators may make Reservations of Funds online at <https://Originators.ahfa.com>. The originator completes the New Reservation Form within the online system to reserve funds and secure the current interest rate. Upon completion of the form, the online system will generate a commitment number and expiration date of the commitment. The originator then prints the Reservation of Funds/Rate Commitment Form within the online system for Borrower(s)' execution. NOTE: Since the form is conveniently available online to print, AHFA will not accept any handwritten or typed versions of this form. The originator will include this form and the Reservation Acceptance in Step 1 of the First Step package. The originator is responsible for making the reservation in a timely manner while the rate is still available. The First Step rate is subject to change with market activity. Under no circumstances should an originator postpone or delay making a reservation, due to the possibility of an increase in the rate. AHFA cannot honor an originator's disclosure to a Borrower without an actual loan reservation commitment issued from Originator Online.

3. Commitment Fee: Upon completion of the Originator online reservation procedure, each originator must furnish AHFA with the Reservation Package as stated on the First Step Transmittal Checklist (Step 1). AHFA must receive these documents within 72 hours (three business days) of the reservation date. Failure to submit the requested documentation to AHFA within the time specified may result in cancellation of the Reservation of Funds and Rate Commitment. NOTE: All Commitment Fees are to be submitted via wire to our Accounting Department. The commitment fee may be refunded if the borrower provides a written request within 30 days after the reservation expiration date or cancellation date, whichever occurs first.

4. Reservation Expiration Date. There will be two available "lock in" commitments:

- A 45-day reservation expiration requiring a Commitment Fee of 0.75% of the total first loan amount for FHA, VA, USDA, and conventional loans.
- A 30-day reservation expiration requiring a Commitment Fee of 0.50% of the total first loan amount for FHA, VA, USDA, and conventional loans.
- The loan must close and disburse by the Reservation Expiration Date.

5. Lock Policy. The purpose of this policy is to enhance AHFA's First Step Program by offering specific rules and guidelines in areas that were previously handled on a case-by-case basis.

1. Extensions

- Fifteen-day extensions are available on 30-day or 45-day reservations.
- The cost per extension is 0.25 percent.
- Extensions must be requested on or before the Reservation Expiration Date. Extension fee must be paid within 3 days of the extension request. Once the fee is received, the extension will be issued.
- A maximum of two extensions are permissible on a 30-day reservation. Only one extension is permissible on a 45-day reservation.

2. Re-locks

Re-locks are available at worst-case pricing for expired reservations or reservations that have been extended the maximum amount of time allowed.

- Re-locked loans must pay an additional Commitment Fee.
 - Reservations that are not expired may not re-lock.
 - A reservation to the Borrower must be expired for 60 days to get current market (better rate).
 - Reservations that are canceled due to nonpayment of the Commitment Fee may re-lock at worst-case pricing.
 - Borrowers who change originators must re-lock due to system limitations but will retain the original reservation.
 - Borrowers who change property, provided that the loan amount is within 10 percent of the original loan amount, will retain the original reservation.
6. Cancellation of Reservation. If it is determined that the proposed Borrower does not qualify for the program, the reservation will be canceled. If AHFA determines that a Mortgage Loan application was taken by an originator after the date the originator submitted its request for Reservation of Funds, the reservation will be canceled. The Commitment Fee is refundable only within 30 days of the cancellation. NOTE: Written notification must be sent to AHFA within 24 hours of reservation date if it is determined that the Borrowers do not meet First Step Program guidelines. Originators who repeatedly make First Step reservations but fail to follow through with the loan process and do not remit the Commitment Fee will be billed. Further continued abuse may result in expulsion from the program at AHFA's discretion.

7. Transfer of Reservation. AHFA will allow a transfer of any Reservation of Funds from one eligible Borrower to another eligible Borrower, with AHFA approval. A new Rate Commitment Form is required. AHFA also may allow a loan transfer from one approved originator to another upon approval by

AHFA. Reservations of Funds may be transferred one time only. Loan amount changes may affect your commitment. Notify AHFA of any changes immediately.

C. Pre-closing AHFA Submission

A. Request for Conditional Commitment Package. The originator has performed the customary verifications for loan underwriting as required by the Origination and Sale Agreement and has made all the eligibility requirement determinations outlined in Sections II and III of this manual. Once the loan has been locked, the originator will prepare the submission package for upload to AHFA. Upon receipt of the required documentation, the package is processed in first-come, first-served order within 72 hours (three business days) beginning the next business day. The Step 1 and Step 2 Request for Conditional Commitment Stacking Order Submission Checklists. The Stacking Order Checklists contain all the required documents/supporting documentation needed for AHFA's compliance underwriters to review the loan for program compliance and eligibility. All required forms and documentation should be placed in order of the checklist and uploaded to AHFA through Originator Online, bucket 1 for Checklist 1 items and bucket 2 for Checklist 2 items. Step 1 Checklist:

1. First Step Transmittal Checklist 1
2. Rate Commitment Form – downloadable document available after the loan has been locked/reserved through the AHFA Originator Online Portal.
3. Completed Targeted Map ID request form

Step 2 Checklist:

1. Initial Applications. The initial application for the first mortgage should be completed, signed, and dated by the Borrowers and originator. All information should agree with all applicable areas of the Rate Commitment Form and sales contract.
2. Fully Executed Sales Contract. Any changes or addendums to the sales contract must be reviewed by AHFA prior to closing. Changes in the sales price will require an amended sales contract. All changes are to be initialed by all parties involved. All areas of the sales contract are to be completed and properly executed by the Borrower and seller where applicable. The following areas should be consistent with all applicable areas of the Rate Commitment Form and handwritten application.

- Names of Borrowers
- Name of sellers
- Sales price
- Property address
- Loan Type: FHA, VA, USDA, or conventional
- Real estate agency's name and address
- Number of days for the seller to surrender possession is 60 days or less after loan closing.
- Must contain dated signatures of all parties to the contract

3. Down Payment Assistance Application (if using DPA second mortgage program)
4. Copy of Credit Report for each Borrower. Each Borrower must have a minimum credit score of 640 or higher. If the property is in a Non-Targeted Area, originators should review the credit report for any current Mortgage Loans, and for any Mortgage Loans reported within the most recent three-year period. If any Mortgage Loans have been reported within the three-year period, the loan may not be eligible for MRB financing. Further documentation may be required to satisfy the First-Time Homebuyer requirements. See Section II. G for details.
5. Copy of the AUS Report – Must be "Approve/Eligible" if using DU for government loans and "Accept/Eligible" on FHLMC and government loans using LPA. FHLMC Conventional loans should always be submitted as HFA Advantage loans. USDA Loans require GUS "Accept" findings.
6. Copy of FHA 92900 LT, FHLMC 1008 or VA Loan Analysis
7. Copy of the underwriter's completed AHFA First Step Income Eligibility Worksheet
8. Paystubs covering 30 consecutive days for each Borrower. This will vary based on the Borrower's pay periods – weekly pay would require four consecutive paystubs, etc.
9. W-2's for the most recent one-year period
10. Copy of most recent year's federal tax transcript for each Borrower (Current year tax transcripts are required on/after the IRS filing deadline.)
11. All other income documentation to support Social Security income (SSI), disability income (SSDI), pensions, retirement, interest or dividend income. For SSI, SSDI, pensions, retirement, or annuities, provide current awards letter or contract. For self-employed Borrowers, provide the most recent year's federal tax transcripts and signed and dated profit and loss statement.
12. If child support income is received, court ordered or has been received at all within the past 12 months it must be included in the household income calculation. A copy of the separation agreement, child support agreement, order through the clerk of courts, or other documentation will be required to confirm the child support used in the household income.
13. Copy of pre-closing CD with AIS grant amount disclosed in Section L (for FHLMC under 80% AMI only)
14. Copy of executed Mortgagee Certification
15. Copy of PMI Certificate (for FHLMC conventional loans)
16. Copy of FHA case number assignment
17. Completed and executed VA Exemption Certification (only if applicable)
18. Copy of DD-214 or DD4 if Borrower uses VA Exemption (only if applicable)
19. Occupancy Statement

AHFA will base the annual household income calculations on all sources of income received by Borrowers obligated on the loan. Household income will not always match the qualifying income. Year-to-date earnings reported on the paystub should be reviewed by the originator to determine if more income has been earned than base earnings.

Gross income is calculated by projecting gross income forward for the 12-month period beginning on the date of the loan application. Typically, income from overtime, bonuses and commissions will be averaged for the most recent 12-month period. If information is unavailable for this period, the originator may average prior year and year to date or current year only if newly received. The average multiplied by twelve (12) will be added to the current annual base pay/salary. A written VOE may be required.

D. MRB Affidavits/Certification Forms

In addition to the regular credit and property documents the loan file will contain, certain AHFA MRB-specific forms must be disclosed, explained, and executed by the Borrower and the seller as applicable. Copies of these documents are required to be uploaded in the post-closing compliance review. To avoid delays in approval and closing, the Seller Affidavit should be provided to the property seller(s) as soon as the originator determines MRB eligibility. MRB forms certify loan eligibility and disclosure requirements of this program. The documents are available for download in the Lender Online portal once the loan has been reserved/locked. Originators may also reproduce these forms for intake into their document repository if they choose but may not change the document content in any way. Copies of program forms will be supplied to each originator upon their acceptance and approval to participate in this program.

E. Pended Loan/Curative Items Request

AHFA reviews the pre-closing documents for compliance with the program guidelines. If the loan is approved and closes, AHFA will also review the loan file for purchase. In both reviews, there may be missing items, corrections needed, or further clarification required. In those instances, AHFA will pend the loan and provide a list of required items or “cures” to the originator through the Lender Online portal and by email to the contact email address listed on the submission stacking order checklist. The originator must successfully cure all the pended items by uploading the required corrective items, missing documents, etc., with AHFA clearing each curative item. Upon email notification of the uploaded curative documentation, the loan will be re-reviewed in a first-come, first-served order. AHFA must issue a Conditional Commitment (pre-closing approval) prior to the lock expiration date and closing date. AHFA must have cleared all curative items in the purchase review before the loan will fund.

F. Understanding Recapture

The MRB program is subject to federal recapture. The originator will be required to provide the Borrower(s) with the Program document titled “Initial Recapture Disclosure.” Originators should understand the concept of recapture to explain its parameters to the homebuyers. Originators should tell the homebuyers that the final recapture settlement disclosure will be emailed and mailed to them post-closing by AHFA. It will contain the necessary information they will need to determine if recapture will apply to them, and how to calculate the additional tax they may owe. Originators should also encourage the Borrowers to contact a tax professional for in-depth explanation if needed, as neither the originator nor AHFA are tax experts.

Recapture is triggered when the residence is sold or transferred within nine years of the purchase closing date. The recapture is actually paid as additional federal taxes owed for the tax year in which the home is sold. The amount of recapture that owners might have to pay depends on:

1. The owner’s income during the tax year in which the home is sold
2. The household size during the tax year in which the home is sold
3. The year the home is sold (1-9) and the corresponding percentage of recapture for the year sold
4. Net gain realized from the sale of the residence

Please Note: Recapture is not triggered by the refinance of the MRB loan – only by the sell or transfer. Not all Borrowers will owe recapture tax. But it will be their responsibility to determine whether it will apply to their particular situation if they do sell or transfer the property within the first nine years.

AHFA will provide the Borrower(s) with the final recapture settlement disclosure after the loan is purchased and the servicing transferred. The homeowners should maintain this disclosure with other critical closing documents as it will be necessary for the owner to calculate any potential recapture tax should recapture be triggered.

G. Electronic Signature Policy

AHFA will accept electronic signatures for the purchase contract and all initial origination documents, loan disclosures, and specific AHFA MRB affidavits/certifications executed in compliance with the ESIGN Act and state laws. The Note(s), Security Instrument(s), any riders, and the Final Closing Disclosure(s) must be signed in ink with original signatures. Originators may refer to the AHFA AllRegs library link at https://www.allregs.com/tpl/public/al_hfa_allregs_tpl.aspx for further details found in the Loan Delivery Guide.

H. Homebuyer Education

At least one eligible mortgagor must complete an AHFA-approved homeownership education course prior to loan closing. The originator must submit the certificate of completion with the closed loan file. Certificates of completion must be dated within one year of loan reservation to AHFA. Acceptable forms of counseling include face-to-face, various online courses, and the Keys to Homeownership book published by the National Foundation for Credit Counseling. A complete list of acceptable homebuyer education courses by program type is available in our Loan Delivery Guide at https://www.allregs.com/tpl/public/al_hfa_allregs_tpl.aspx.

I. Acceptable PMI Providers

Lenders may use the following providers: This list is subject to change.

ArchMI	Arch Mortgage Insurance Company
Enact	Enact Mortgage Insurance Corporation
Essent	Essent Guaranty, Inc.
MGIC	Mortgage Guaranty Insurance Corporation
NMI	National Mortgage Insurance Corporation
Radian	Radian Guaranty, Inc.

J. First Step Program Affidavits

Prior to loan closing, the Borrowers Affidavit, Seller Certification Affidavit and Recapture Application Disclosure must be signed and dated by the Borrower(s). Each affidavit should be included in the closed loan file. Loan purchase may be delayed if the affidavits are missing, dated on or after the date of loan closing or are completed incorrectly.

Alabama Housing Finance Authority Lending Library > Housing Finance Agency Programs > Alabama > First Step Manual > Section IV Down Payment Assistance (04/03/25)

Section IV Down Payment Assistance (04/03/25)

The purpose of this program is to provide down payment and entry cost assistance to homebuyers with low to moderate incomes, using the AHFA downpayment assistance and closing cost loan in conjunction with the First Step Program as a second mortgage. This subordinate loan will require full disclosures to be provided to the homebuyers as a separate interest-bearing, amortizing lien. Originators will obtain separate URLAs, LEs, initial and final CD's, etc.

Table of Contents

Included in this section are:

- A. Reservations
- B. Eligibility
- C. Types of Loans
- D. Calculation of Assistance Amount
- E. Required Documentation
- F. Term and Repayment
- G. Commitment Periods
- H. Issuance of Funds
- I. Fees in Origination
- J. Purchase and Servicing
- K. Assumptions

A. Reservations

If needed, reservations for Down Payment Assistance will be made through AHFA's reservation web site, <https://Originators.ahfa.com>. Each DPA reservation is tied to the first mortgage reservation.

B. Eligibility

All homebuyers must meet the qualifications stated on the Down Payment Assistance Application. The maximum income is stated on the Down Payment Assistance Application and is calculated as stated in Section II of this First Step Procedural Manual.

C. Types of Loans

This program will be available in conjunction with homes financed under the FHA 203(b) and 234(c) mortgage products, the VA guaranteed loan program, the USDA Rural Development guaranteed loan program, or the Freddie Mac HFA Advantage conventional loan program. This program cannot be used in conjunction with any other down payment assistance program or grant program without prior approval from AHFA. All FHA guidelines must also be met.

D. Calculation of Assistance Amount

The maximum assistance available to a homebuyer is the lesser of \$10,000 or 4.00% of the sales price, which can be used for their down payment and closing costs. As a reminder, the maximum LTV for the first mortgage for each option is as follows:

- FHA – 96.50%
- VA – 100%
- USDA – 100%
- Freddie Mac/Conventional – 97.00%. In addition, for Freddie Mac HFA Advantage/Conventional, Borrower(s) will receive an additional Affordable Income Subsidy grant that must be used towards the transaction (closing costs, DPA). No cash back may be received by the Borrower from the AIS grant. The amount is determined as follows:
 - AMI between 80.00% and 50.01%: 0.50% of the 1st loan amount
 - AMI 50.00% or below: 1.00% of the 1st loan amount

E. Required Documentation

The Originator must provide:

1. The executed, completed Down Payment Assistance Application
2. A copy of the credit report for all occupying Borrowers
3. A copy of the Underwriter's Transmittal Summary 1008, or VA Loan Analysis, reflecting the DPA as secondary financing; AHFA will issue a legally binding obligation letter for the second mortgage DPA on all FHA first Mortgage Loans using AHFA's DPA program. The originator must be in possession of the legally binding obligation letter before closing the loans.

The Down Payment Assistance Note and Mortgage (Fannie/Freddie standard multi-state Note/Alabama Mortgage) are to be executed at closing. The originator will send by overnight delivery the original executed second note, endorsed to AHFA, along with the first mortgage note, to the attention of

AHFA Collateral, 7460 Halcyon Pointe Drive, Suite 200, Montgomery, AL 36117.

If the Originator's first Mortgage Loan is using First Step FHA financing with the DPA second, the Originator must transfer the loans in MERS to AHFA PRIOR to submitting for MIC. The Originator should include a copy of the legally binding obligation letter and executed second note and mortgage in the case binder file.

F. Term and Repayment

A second mortgage will be recorded against the property being purchased. The term of the second mortgage will run for 10 years. The second mortgage will bear interest at the first mortgage note rate. The second mortgage will amortize in 120 equal monthly payments of principal and interest. Repayment will be required upon sale of the property, refinance of the first mortgage, and/or payoff of the first mortgage, as well as the assumption of the first mortgage.

G. Commitment Periods

The commitment periods of this program will run concurrent with the First Step Program as defined in the program guidelines.

H. Issuance of Funds

AHFA will purchase the Down Payment Assistance second mortgage with the purchase of the First Step first mortgage for conventional loans.

I. Fees in Origination

An originator may not charge any additional fees in conjunction with this program. The recording costs of the second Mortgage Loan are to be borne by the Borrower or seller.

J. Purchase and Servicing

Originators will sell the second Mortgage Loans which it originates, according to conventional guidelines, to AHFA. The price to be paid by AHFA will be the amount equal to 100% of the principal amount of the second mortgage, plus per diem interest in accordance with Section IX, Loan Delivery.

K. Assumptions

The Down Payment Assistance Second Mortgage Loan is not assumable.

AHFA reserves the right to make revisions as it deems necessary to provide for a successful program.

Alabama Housing Finance Authority Lending Library > Housing Finance Agency Programs > Alabama > First Step Manual > Section V Closed Loan Procedures (04/02/24)

Section V Closed Loan Procedures (04/02/24)

Table of Contents

Included in this section are:

- A. Tax-Exempt Rider
- B. 4506C form
- C. Changes to Conditional Commitment
- D. Age of Credit Documents
- E. Power of Attorney
- F. Settlement Statement Fees
- G. Short Pays

A. Tax-Exempt Rider

Required to be marked, executed, and recorded with the Security Instrument first mortgage. See forms on Lender Online or AllRegs.

B. 4506C form

AHFA's specific 4506C form is imprinted with our vendor information and must be completed and executed by the Borrower(s) at closing.

C. Changes to Conditional Commitment

Upon issuance of the Conditional Commitment as posted on the Loan Status screen, the originator may close the loan in accordance with the conditions stated on the Conditional Commitment. The loan is to close before the Reservation Expiration Date stated on the Conditional Commitment. The Borrower, address, interest rate, loan amount, and term of loan must agree with all closing documents. Changes of these items are to be approved by AHFA before closing. Failure to do so could result in rejection of the loan.

D. Age of Credit Documents

All verifications should be less than four months (120 days) old at the time of closing, or current information will be required. Credit documents more than 120 days old upon submission of the closed loan package could result in rejection of the loan.

E. Power of Attorney

A POA that references the property and authorizes the attorney-in-fact to enter into a real estate transaction to the mortgage property is permitted provided certain parameters are met, unless otherwise required by applicable state law.

- The POA must be specific to the transaction and include the full property address.
- The POA must not be used to sign both the initial disclosures and the closing documents. Either the initial disclosures or the closing documents must be signed by the Borrower in their original handwriting or via electronic disclosure.
- The Borrower's name on the Note and Security Instrument must match the name on the POA.
- The POA must be dated such that it was valid at the time the loan documents were executed.
- The POA must be recorded prior to the recording of the security instrument.
- The Title Policy cannot include exceptions based on the use of a POA.
- The following persons connected to the transaction are not eligible to act as attorney-in-fact or agent under a POA:
 - The originator
 - Any affiliate of the originator
 - Any employee of the originator or any other affiliate of the originator
 - The loan originator
 - The employer of the loan originator
 - Any employee of the employer of the loan originator
 - The title insurance company providing the title insurance policy or any affiliate of such title company (including but not limited to, the title agency closing the loan), or any employee of either such title insurance company or any such affiliate
 - Any real estate agent or individual affiliated with a real estate agent with a financial interest in the transaction
 - If the Borrower is out of the country, documents can be executed and notarized in an embassy or consulate. Uniform Code of Military Justice guidelines must be met.
 - See the Loan Delivery Guide for specific loan type requirements by logging in to <https://www.allregs.com>.

F. Settlement Statement Fees

The maximum Origination/Discount Fee is capped at 0.50% of the loan amount. Fees not directly paid to a third party are capped at \$1,300. The 0.50% cap and \$1,300 limit are shown in Section A of the Loan Estimate (LE). Examples of fees under the \$1,300 cap in Section A of the LE include underwriting fees, application fees, processing fees, and administrative fees. First Step loans must still pass points and fees tests and not be considered high cost under Section 32 of Regulation Z.

- Down Payment and Closing Cost Assistance Second Mortgage - No originator or settlement agent fees allowed.

G. Short Pays

Short pays are allowed up to the fifth day of the month.

Alabama Housing Finance Authority Lending Library > Housing Finance Agency Programs > Alabama > First Step Manual > Section VI Loan Purchases and Transfer of Servicing Rights (04/03/25)

Section VI Loan Purchases and Transfer of Servicing Rights (04/03/25)

Originators are encouraged to review the Loan Delivery Guide published in AllRegs, and free to our participating originators at <https://www.allregs.com>.

Table of Contents

Included in this section are:

- A. Review of the Mortgage Loan
- B. Penalties Withheld from Funding
- C. Funding of the Mortgage Loan
- D. Final Documentation
- E. Transfer of Loan Servicing Rights and Benefits

A. Review of the Mortgage Loan

The closed Mortgage Loan package is to be received by AHFA within 10 days of loan closing.

- a. Originators must check the closed loan package to confirm all items listed on the Funding Checklist are included in the package. Loans will not be funded if any of the items on the checklist are missing or incorrect.
- b. All loans purchased by AHFA will require mandatory registration with MERS. No assignments will be accepted for first or second mortgages. Originators must transfer all applicable rights in MERS to AHFA immediately after purchase.

Upon completion of the closed loan file compliance review, the Mortgage Loan(s) will be funded if the file is complete and follows all requirements. Closed loan packages will not be funded until all required fundable documentation has been received and all compliance issues cleared.

B. Penalties Withheld from Funding

Originators have 10 days from closing to deliver the complete closed loan package to AHFA. A loan is considered to be in a fundable condition when a complete closed loan package is delivered without errors or missing documents. Loans with delinquent payments will not be purchased.

Originators will have 15 days from the date of file review to clear the loan exception(s) with no penalty. If the loan is not cleared by day 15 after file review, the originator will be charged a penalty fee of 25 basis points (0.25%) of the principal purchased. The originator will be charged 0.25% of the principal purchased in 15-day increments for up to 60 days. If the conditions are not provided by the 71st day from the date of closing, original Notes will be returned to the originator, and the loan(s) will not be purchased. This section does not override any applicable lock expiration period. Extension fees may be required by AHFA if the loan is not funded by the applicable expiration date. The amounts of all fees and penalties are subject to change.

C. Funding of the Mortgage Loan

AHFA sends single and multiple fundings via wire transfer every Wednesday and Friday for each originator. If an originator has multiple fundings, a breakdown will be sent via email the day before funding. Only one set of wiring instructions will be accepted from each originator. Originators are allowed one change to the wiring instructions per calendar year. Subsequent changes to wiring instructions will result in a \$500 fee per transaction.

Note: Originators are responsible for servicing the loan until purchased by AHFA, including the payment of all required escrow disbursements for each loan during the period from closing to purchase.

The funding amount for both first and second mortgages will consist of:

1. Scheduled unpaid principal balance
2. Servicing Release Premium per the Program Guidelines (first mortgages only)
3. Interest from the closing date through the purchase date or interest from the last paid installment date to purchase date at the loan's per diem rate.
4. Tax service fee of \$85.00 (first mortgages only)

D. Final Documentation

The originator is to submit the final Mortgage Loan documentation consisting of the following original documents to AHFA within 120 days of closing:

- Recorded First Mortgage
- Title Policy
- Mortgage Insurance documentation (FHA Mortgage Insurance Certificate, PMI Certificate of Coverage, Loan Guaranty Certificate)
- Recorded Second Mortgage (if applicable)

E. Transfer of Loan Servicing Rights and Benefits

The originating lender retains the loan servicing rights and benefits until AHFA purchases the loan. The originating lender will perform all servicing duties until that time. Servicing and benefits rights transfer to AHFA at the time of loan purchase. The originator will be sent a reminder along with the purchase payment advice to send out their goodbye letter to the Borrower. AHFA will send the Borrower a Notice of Assignment, Sale or Transfer and two temporary payment coupons at the time of loan purchase. (The first payment due to AHFA will be determined based upon when the Notice of Assignment, Sale or Transfer is sent.) If the loan is purchased (purchase date) on or before the 10th of the month, the first payment due to AHFA will be the next scheduled monthly payment due date. After the 10th, the effective date will roll to the following scheduled monthly payment due date. The originator must complete the MERS Transfer of Servicing Rights and Transfer of Beneficial Rights to AHFA within 48 hours of loan purchase.

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Income Calculation Worksheet (04/02/24)

Alabama Housing Finance Authority Lending Library > Housing Finance Agency Programs > Alabama > First Step Manual > Program Documents (04/02/24) > Income Tax Statement (04/02/24)

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Alabama Housing Finance Authority Lending Library > Housing Finance Agency Programs > Alabama > First Step Manual > Program Documents (04/02/24) > Mortgagee's Certification (04/02/24)

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Alabama Housing Finance Authority Lending Library > Housing Finance Agency Programs > Alabama > First Step Manual > Program Documents (04/02/24) > Occupancy Statement (04/02/24)

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Alabama Housing Finance Authority Lending Library > Housing Finance Agency Programs > Alabama > First Step Manual > Program Documents (04/02/24) > Recapture Application Disclosure (04/02/24)

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Alabama Housing Finance Authority Lending Library > Housing Finance Agency Programs > Alabama > First Step Manual > Program Documents (04/02/24) > Second Mortgage Assistance Application (04/02/24)

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Alabama Housing Finance Authority Lending Library > Housing Finance Agency Programs > Alabama > First Step Manual > Program Documents (04/02/24) > Seller Certification Affidavit (04/02/24)

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Alabama Housing Finance Authority Lending Library > Housing Finance Agency Programs > Alabama > First Step Manual > Program Documents (04/02/24) > VA Exemption Application Declaration (04/02/24)

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Alabama Housing Finance Authority Lending Library > Housing Finance Agency Programs > Alabama > Step Up Manual > Introduction

Introduction

The Alabama Housing Finance Authority (the Authority), is a public corporation and an instrumentality of the State. It was organized pursuant to Title 24, Chapter 1A of the Code of Alabama, as revised. The Authority, a non-profit organization, was established as the housing entity for the state in 1980 and currently administers several housing programs such as the Mortgage Credit Certificate Program, the Step Up Program, the Habitat for Humanity Loan Purchase Program, the Low-Income Housing Tax Credit "LIHTC" and the HOME Program, as well as several specialty housing programs within the state of Alabama.

The lender determines if the mortgagor, loan, and property are within guidelines as stated in Sections II, III, and IV of the Step Up Procedural Manual based upon information obtained. The lender must explain the Program and its requirements to the buyer.

The lender reserves funds and sends to the Authority the reservation package as stated in Section V of the Step Up Procedural Manual.

The lender processes and underwrites the loan as stated in Sections VI and VII of the Step Up Procedural Manual. The lender sends to the Authority the Request for Conditional Commitment package before closing as stated in Section VI of the Step Up Procedural Manual. Upon approval of the loan for program compliance the lender will receive from the Authority a conditional commitment. The lender may then close the loan with the conditions listed on the conditional commitment. The lender must have a conditional commitment issued by the Authority and close the loan before the reservation of funds expires.

After the loan closing, the lender sends to the Authority the closed loan package as stated in Section VIII of the Step Up Procedural Manual as well as the Loan Delivery and Purchase Guidelines. Upon receipt and approval of the closed loan package, the Authority will fund the mortgage loan as stated in Section IX of the Step Up Procedural Manual.

The purpose of this manual is to provide pertinent information and to enhance any current guidelines established by Authority for the Step Up Program. Applicable Program Guidelines and the Origination and Sale Agreement supersede this manual. Please utilize the appropriate, applicable documents. The Authority reserves the right to update or revise the Step Up Procedural Manual at any time.

Alabama Housing Finance Authority Lending Library > Housing Finance Agency Programs > Alabama > Step Up Manual > Section I Definitions (08/01/22)

Section I Definitions (08/01/22)

Agreement: The Origination and Sale Agreement between the Originators and the Authority, and all amendments or supplements where appropriate, the Participation Overview, and all forms or reports prescribed by the Authority.

Authority: Alabama Housing Finance Authority, a public corporation and instrumentality of the State organized pursuant to the Act, or any successor to its duties.

Co-Borrower: A person who will occupy the property being purchased and who will be liable for the mortgage loan.

Commitment Fee: A percentage amount of the related mortgage loan, to be paid to the Authority through a Lender at the time of Reservation of Funds.

Conventional Mortgage: A Mortgage Loan other than an FHA-Insured Mortgage Loan or a Mortgage Loan with a VA Guaranty or a Rural Development Guaranty.

Days: All references to days shall be calendar days.

Eligible Mortgagor: A person intending to purchase a principal residence to be financed with a Step Up loan, who can meet all qualifications as established.

Eligible Loan Area: The entire geographical area of the State of Alabama.

Equal Credit Opportunity Act (ECOA): A federal law that prohibits lenders from denying mortgages on the basis of the borrower's race, color, religion, national origin, age, sex, marital status, or receipt of income from public assistance programs.

Fee Simple: The greatest possible interest a person can have in real estate, including the right to dispose of the property or pass it on to one's heirs.

FHA: The Federal Housing Administration of the Department of Housing and Urban Development of the United States of America, or any successor thereto.

Freddie Mac: The Federal Home Loan Mortgage Corporation, a public government-sponsored enterprise.

Ginnie Mae: The Government National Mortgage Association, an entirely-owned corporate instrumentality of the United States of America within the Department of Housing and Urban Development, whose powers are prescribed generally by Title III of the National Housing Act of 1932, as amended.

Mortgage: The instrument securing a mortgage loan which creates a lien on a Residence subject only to Permitted

Encumbrances.

Mortgage Loan: Any loan evidenced by a Mortgage Note which is secured by the related Mortgage for financing the purchase of a Residence.

Mortgage Note: The promissory note evidencing the obligation to repay a mortgage loan, payable to the order of a lender, executed by a mortgagor to evidence obligation to repay the mortgage loan.

Mortgagor: The purchaser of a single-family residence who borrows funds to obtain a Residence.

Originators: Lending institutions that execute an Agreement with the Authority to participate in the Program.

Permitted Encumbrances: The title encumbrances on a Residence permitted under the Program Guidelines.

Principal Residence: Housing which the Eligible Mortgagor intends to occupy as a primary residence and which is not to be used in a trade or business, or as an investment property.

Program Guidelines: Guidelines established by the Authority to administer the Step Up Program and any revisions, amendments and modifications thereof.

Rate Commitment: An interest rate guaranteed to the borrower for either 30 days or 45 days from the loan reservation date.

Reservation Expiration Date: A period of 30 days or 45 days from the reservation date.

Reservation of Funds: Reserved funds equal to the mortgage loan amount for an Eligible Mortgagor.

Residence: A single-family owner-occupied dwelling unit located within the Eligible Loan Area, including detached and attached units, condominiums, planned unit developments and manufactured homes which have a minimum of 400 square feet of living space and a minimum width of 102 inches and which is of a kind customarily used at a fixed location, and meeting applicable lender requirements.

Servicer: Alabama Housing Finance Authority.

State: The State of Alabama.

USDA: United States Dept. of Agriculture

Take-Out Loan: Any mortgage loan made for the purpose of paying a construction period loan, bridge loan or similar temporary initial financing which qualifies as such pursuant to Section II, of the Step Up Procedural Manual.

VA: The Veteran's Administration

Worst-case Pricing: The higher of either the original lock rate or the current market rate at the time of the request or at the time of the funding if no request is made. Alternatively, if the rate cannot be changed, the lower of either the original lock price or current market price at the time of the request or at the time of the funding if no request is made.

Section II Mortgagor Eligibility Evaluation (06/14/24)

Table of Contents

Included in this section are:

- A. Income Restrictions
- B. Occupancy
- C. Residence Used as Vacation, Seasonal, Rental, Recreational or Second Home
- D. Homebuyer Education
- E. Credit Score Requirement
- F. Total Debt-to-Income Ratio
- G. Acceptable PMI Providers
- H. AUS Findings
- I. Tax Liens

A. Income Restrictions

The annual qualifying income of the mortgagor:

- May not exceed \$ 159,200 for FHA/VA/USDA Step Up
- May not exceed 80% of the Area Median Income (AMI) for property's location or \$159,200, whichever is less, for FHLMC Step Up < 80% AMI.
- Will be greater than 80% of the Area Median Income (AMI) for property's location AND must not exceed \$159,200 for FHLMC Step Up > 80% AMI
- Annual income will be calculated using the Lender's qualifying income as shown on the Underwriters Transmittal Summary and AUS findings. The Authority may revise the income eligibility criteria in the future.

B. Occupancy

Mortgagor must occupy the residence as their Principal Residence within 60 days after the closing and thereafter, as their principal and permanent residence.

C. Residence Used as Vacation, Seasonal, Rental, Recreational or Second Home

The Mortgagor cannot purchase the residence for use as a rental, recreational, seasonal, vacation or second residence.

D. Homebuyer Education

At least one eligible mortgagors must complete an AHFA-approved homeownership education course prior to loan closing. The Originator must submit the certificate of completion with the closed loan file. Certificates of completion must be dated within one year of loan reservation to AHFA. Acceptable forms of counseling include face-to-face, various online courses, and the Keys to Homeownership book published by the National Foundation for Credit Counseling.

E. Credit Score Requirement

All borrowers must have at least one credit score with the lowest being at least a 640 to be eligible for the program. In the case where the applicable borrower has three credit scores, the mid-credit score must be at least a 640.

F. Total Debt-to-Income Ratio

The TDTI ratio may not exceed 45 percent for the Step Up program. When using the conventional product, the lender will also need to adhere to current agency TDTI requirements, in addition to the applicable PMI company TDTI requirements. TDTI ratio should be based on the lender's qualifying total income and total debts. To verify TDTI, the following documentation must be submitted with the compliance package:

- LPA/DU Findings or FHA Total Scorecard Findings (FHA)
- LPA/DU Findings (VA Automated Findings)
- GUS Findings (USDA)
- LPA Findings only

(Conventional) AND

- HUD Form 92900-LT (FHA Loan Underwriting and Transmittal Summary) for FHA loans
- VA Loan Analysis for VA loans
- 1008 for conventional & USDA loans

Once the closed file is received, AHFA's Loan Review Department will ensure the final TDTI meets program guidelines by reviewing the final Automated Underwriting Findings and final FHA Loan Underwriting and Transmittal Summary. Loans not meeting program requirements will not be purchased.

G. Acceptable PMI Providers

Lenders may use the following providers: This list is subject to change.

ArchMI	Arch Mortgage Insurance Company
Enact	Enact Mortgage Insurance Corporation
Essent	Essent Guaranty, Inc.
MGIC	Mortgage Guaranty Insurance Corporation
NMI	National Mortgage Insurance Corporation
Radian	Radian Guaranty, Inc.
UGI	United Guaranty Residential Insurance Corporation

H. AUS Findings

AHFA will not accept manual underwriting for loan approvals. We accept LPA/DU or FHA Total Scorecard Findings resulting in "Approve/Eligible" or "Accept/Accept" that is consistent with FHA/VA guidelines, Final GUS Findings resulting in "Accept/Eligible", and LPA Findings resulting in "Approve/Eligible" or "Accept/ Accept" consistent with conventional guidelines. Any AUS submissions for loans resulting in a Refer decision will be ineligible for delivery to AHFA.

I. Tax Liens

Unpaid, unsatisfied, and/or unreleased federal or state tax liens are not permitted under the Step Up Program. Any borrower or spouse who will hold title that has a tax lien cannot utilize the program. We will not accept repayment plans on files with an established lien. All liens must be satisfied prior to approval and evidence to support the release included in the loan file.

Alabama Housing Finance Authority Lending Library > Housing Finance Agency Programs > Alabama > Step Up Manual > Section III Loan Eligibility Evaluation (04/16/24)

Section III Loan Eligibility Evaluation (04/16/24)

Table of Contents

Included in this section are:

- A. Permitted Encumbrances
- B. Types of Loans
- C. Amount of Mortgage Loan
- D. Assistance
- E. New Mortgage Requirements

A. Permitted Encumbrances

All Mortgage Loans must be secured by a first lien on the fee simple title or leasehold estate to the Residence. Permitted Encumbrances are those liens, covenants, conditions and restrictions, rights of way, easements, and other matters of public record as of the date of the recording of the related Mortgage. These encumbrances must be permitted under FHA/VA/ USDA , Ginnie Mae, and FHLMC as applicable.

B. Types of Loans

There are the following options for Step Up: 1) FHA loans insured by HUD,VA guaranteed loans,USDA guaranteed program loans, 2) Conventional, using Freddie Mac HFA Advantage product, where income is \leq 80% AMI and 3) Conventional, using Freddie Mac HFA Advantage product where income is $>$ 80% AMI and less than \$159,200. NOTE: FHA203(k) loans are not eligible for inclusion in the Step

C. Amount of Mortgage Loan

The maximum amount of any mortgage loan may not exceed the applicable requirements of FHA, VA/USDA, FHLMC and Ginnie Mae as of the closing date of the mortgage loan.

D. Assistance

The maximum amount of assistance for down payment and closing costs is the following:

- The lesser of \$10,000 or 4.00% of the sales price.

E. New Mortgage Requirements

No refinancing of any outstanding indebtedness shall be permitted except with regard to take-out loans. A take-out loan may be made to permit an Eligible Mortgagor to finance which qualifies as a newly constructed residence under the Program Guidelines.

If warranted by the circumstances, an Eligible Mortgagor shall be considered as both a Mortgagor and a seller with respect to take-out loans. A newly constructed residence is considered a residence which has not previously been occupied, and is less than one year old.

Section IV Property Eligibility Evaluation

Table of Contents

Included in this section are:

- A. Eligible Loan Area
- B. Qualifying Residences
- C. Foreclosures
- D. AHFA Requirements for Repair Escrows

A. Eligible Loan Area

The Eligible Loan Area shall be the entire geographic boundaries of the State.

B. Qualifying Residences

Subject to certain limitations described below, all Residences financed by the Step Up Program must meet the following:

1. The Residences must be permanently affixed, and considered “Real Property”;
 2. Detached single-family houses, consisting of no more than one dwelling unit;
 3. Attached single-family houses or townhouses, units which are manufactured housing insured under Section 203(b) of the National Housing Act of 1934, as amended; and
 4. Units of a “condominium” or units within a “planned unit development” as such terms are defined in the Freddie Mac guide.
5. Manufactured homes using FHA financing must meet the following requirements:
- (a) The manufactured home must be attached to the land.
 - (b) The manufactured home must be classified and taxed as real estate.
 - (c) In accordance with the jurisdictional requirements, the manufactured home title must be surrendered/ cancelled (copy of cancellation must be provided at the time of loan purchase by AHFA).

All product guidelines concerning the eligibility of manufactured housing must be met.

C. Foreclosures

All foreclosed properties must have affirmative title coverage with no exception for Right of Redemption or must be covered by Surety Bond.

D. AHFA Requirements for Repair Escrows

Since the participating lender is the servicer until the loan is purchased by the Authority, the lender will approve any repair escrow, following applicable credit guidelines.

Furthermore, the Authority will not purchase a Step Up loan with an outstanding repair escrow. The closed loan package submitted to our Loan Review Department will need to include the Final Inspection, verifying repairs have been completed, for the loan to be purchased by the Authority. As a result, the lender needs to be mindful that any delays in the completion will cause a delay in the purchase of the loan.

Section V Reservation Section (06/14/24)

Table of Contents

Included in this section are:

- A. Reservation Procedures
- B. Rate Commitment Form
- C. Reservation Document Delivery
- D. Reservation Expiration Date
- E. Lock Policy
- F. Cancellation of Reservation
- G. Transfer of Reservation

A. Reservation Procedures

Subject to the funding restrictions and applicable reservations, applications for mortgage loans will be accepted in all the lending offices of each Participating Originator in the State. Reservations will be made on a first-come, first-served, fair, and equal basis irrespective of race, color, religion, national origin, age, or sex.

Prior to making a reservation request, the lender must have taken a mortgage loan application from a potential Eligible Mortgagor. The mortgagor furnishes the lender an earnest money sales agreement or construction contract entered by the seller/builder of a Residence and the Eligible Mortgagor. Lenders are responsible for making a preliminary determination to see if the potential Eligible Mortgagor will qualify for the mortgage loan. The Program processing is

designed to complement the lender's regular credit and underwriting procedures. Since the Authority is not part of the credit approval process, no formal notice of rejection of the Step Up loan is required by the Authority under the Equal Credit Opportunity Act. The Authority recognizes the procedural variations among participating lenders.

The following steps are for the reservation and loan processing process:

1. The Eligible Mortgagor applies for mortgage financing from a participating lender.
2. The lender determines if the loan applicant is eligible for the Step Up Program based on preliminary information obtained on annual income.
3. All mortgage loans must be originated in compliance with and must conform to the provisions of all applicable rules, regulations and limitations of FHA/VA/USDA, Ginnie Mae, and Freddie Mac as appropriate.

Each lender is to assign user names and passwords to designated employees responsible for making requests for Reservations of Funds. All reservations must be made through the Authority's online reservation system, <https://lenders.ahfa.com>. Telephone requests for reservations will be accepted if the web site is unavailable for more than 24 hours. In that event, telephone reservations will be accepted temporarily until the site resumes operation. These reservation requests may be eligible for funding on a first-come, first-served basis under any future Step Up programs.

B. Rate Commitment Form

Participating lenders may reserve Reservations of Funds online at <https://lenders.ahfa.com>. The lender completes the New Reservation Form within the online system to reserve funds and secure the current interest rate. Upon completion of the form, the online system will generate a commitment number and expiration date of the commitment. The lender then prints the Reservation of Funds/Rate Commitment Form within the online system for borrower(s)'s execution.

NOTE: Since the form is conveniently available online to print, AHFA will not accept any hand-written or typed versions of this form. The lender will include this form and the Reservation Acceptance in Step 1 of the Step Up package. The lender is responsible for making the reservation in a timely manner while the rate is still available. The Step Up rate is subject to change with market activity. Under no circumstances should a lender postpone or delay making a reservation, due to the possibility of an increase in the rate. AHFA cannot honor a lender's

C. Reservation Document Delivery

Upon completion of the Lender Online reservation procedure, each lender must furnish the Authority with the Reservation Package as stated on the Step Up Transmittal Checklist (Step 1), Appendix 1. The Authority must receive these documents within 72 hours (three business days) of the reservation date. Failure to submit the requested documentation to the Authority within the time specified may result in cancellation of the Reservation of Funds and Rate Commitment. NOTE: All commitment fees are to be submitted via wire to our Accounting Department. Please contact our Accounting Department for wiring instructions as well as any other necessary information to complete the wire.

The commitment fee may be refunded if the borrower provides a written request within 30 days after the reservation expiration date or cancellation date, whichever occurs first.

D. Reservation Expiration Date

There will be two available "lock in" commitments:

1. A 45-day reservation expiration requiring a commitment fee of 0.75% of the total loan amount for FHA/VA/USDA and conventional loans.
2. A 30-day reservation expiration requiring a commitment fee of 0.50% of the total loan amount for FHA/VA/USDA and conventional loans.
3. The loan must close and disburse by the reservation expiration date.

E. Lock Policy

The purpose of this policy is to enhance the Authority's Step Up program by offering specific rules and guidelines in areas that were previously handled on a case-by-case basis.

1. Extensions
 - (a) Fifteen-day extensions are available on 30-day or 45-day reservations.
 - (b) The cost per extension is 0.25 percent.
 - (c) Extensions must be requested on or before the reservation expiration date.
 - (d) A maximum of two extensions are available on a 30-day reservation, one on a 45-day reservation.
 - (e) The extension fee must be received within 72 hours after the reservation expiration date. If not, the reservation will expire, and the extension opportunity will be lost. AHFA's re-lock policy will then take effect.
2. Re-locks
 - (a) Re-locks are available at worst-case pricing for expired reservations or reservations that have been extended the maximum amount of time allowed.
 - (b) Re-locked loans must pay an additional commitment fee.
 - (c) Reservations that are not expired may not re-lock.
 - (d) A reservation to the borrower must be expired for 60 days to get current market (better rate).
 - (e) Reservations that are canceled due to nonpayment of the commitment fee may re-lock at worst-case pricing.
 - (f) Borrowers that change lenders must re-lock due to system limitations but will retain the original reservation.
 - (g) Borrowers that change property, provided that the loan amount is within 10 percent of the original loan amount, will retain the original reservation.

F. Cancellation of Reservation

If it is determined that the proposed mortgagor does not qualify for the program, the reservation will be canceled. If the Authority determines that a mortgage loan application was taken by a lender after the date the lender submitted its request for Reservation of Funds, the reservation will be canceled.

NOTE: Written notification must be sent to the Authority within 24 hours of reservation date if it is determined that the mortgagors do not meet Step Up Program guidelines. Lenders who repeatedly make Step Up reservations but fail to follow through with the loan process and do not remit the commitment fee, will be billed. Further continued abuse may result in expulsion from the program.

G. Transfer of Reservation

The Authority will allow a transfer of any Reservation of Funds from one Eligible Mortgagor to another, with Authority approval. A new Rate Commitment Form is required. The Authority also may allow a loan transfer from one approved lender to another. The Commitment Fee will be transferred upon approval by the Authority. Reservations of Funds may be transferred one time only.

The Reservation of Funds and Rate Commitment committed to an Eligible Mortgagor may be transferred from one property to another with the prior approval of the Authority. Loan amount changes may affect your commitment. Notify the Authority of any changes immediately.

Alabama Housing Finance Authority Lending Library > Housing Finance Agency Programs > Alabama > Step Up Manual > Section VI Loan Processing & Underwriting Procedures (06/14/24)

Section VI Loan Processing & Underwriting Procedures (06/14/24)

Table of Contents

Included in this section are:

- A. Request for Conditional Commitment Package
- B. Request for Conditional Commitment

A. Request for Conditional Commitment Package

The Originator performs the customary verifications for loan underwriting as required by the Origination and Sale Agreement. The Originator completes the remainder of the mortgage application process and sends to the Authority the Request for Conditional Commitment Package as stated on the Transmittal Checklist (Step 2). Upon receipt of the required documentation, the package is placed in a first-come first served order and processed within 72 hours (three business days) beginning the next business day.

B. Request for Conditional Commitment

The Request for Conditional Commitment package and the reservation package will be compared at the time the Request for Conditional Commitment package is received.

The following criteria will help ensure accuracy and consistency in files when reviewed:

1. Commitment Fee. The commitment fee is to be checked to ensure the amount reserved is covered. The commitment fee should be paid within 72 hours of loan reservation and should agree with the amount shown on the Rate Commitment Form. If the amounts do not agree, a request in writing for a decrease or increase is needed. (Amounts that increase will require additional funds to cover the commitment fee and are subject to the availability of funds.) See Section X, Modifications, for more information.
2. Request for Conditional Commitment. The Transmittal Checklist must be completed thoroughly. The Authority will check the income reflected on the Income Calculation Worksheet to ensure compliance with applicable limits. Information provided on the worksheet should agree with the Rate Commitment Form, handwritten application, and the sales contract (name, property status, etc.).
3. Initial Application. The handwritten/initial application should be completed, signed, and dated by the mortgagors and lender. All information should agree with all applicable areas of the Rate Commitment Form and sales contract.
4. Fully Executed Sales Contract. Any changes or addendums to the sales contract must be reviewed by the Authority prior to closing. Changes in the sales price will require an amended sales contract. All changes are to be initialed by all parties involved. All areas of the sales contract are to be completed and properly executed by the mortgagor and seller where applicable. The following areas should be consistent with all applicable areas of the Rate Commitment Form and handwritten application.
 - (a) Names of the mortgagors.
 - (b) Sales Price.
 - (c) Property address.
 - (d) Loan Type: FHA, VA, USDA, or Conventional.
 - (e) Real estate agency's name and address.
 - (f) Number of days for the seller to surrender possession is 60 days or less after loan closing.
 - (g) Signatures of the sellers and buyers with dates.

Alabama Housing Finance Authority Lending Library > Housing Finance Agency Programs > Alabama > Step Up Manual > Section VII Income Guidelines for Mortgagors (04/16/24)

Section VII Income Guidelines for Mortgagors (04/16/24)

Table of Contents

Included in this section are:

- A. Income Documentation Requirements
- B. Non-Occupant Co-Borrowers.

A. Income Documentation Requirements

Lenders must attempt to verify all income reported on the Uniform Residential Loan Application.

The credit underwriter must provide an income calculation worksheet to verify the qualifying income referenced on the Uniform Residential Loan Application, executed 92900-LT/ 1008, and AUS Findings.

B. Non-Occupant Co-Borrowers.

A Non-Occupant Co-Borrower or Non-Occupant Co-Signer serves a similar purpose as additional security for the mortgage loan, however, they do have the following differences:

Non-Occupying Co-Borrowers:

1. Will be included on the purchase contract
2. Will be included on title to the property
3. Will execute the Note and Mortgage

Non-Occupying Co-Signers:

1. Will not be included on the purchase contract
2. Will not be included on title to the property
3. Will only execute the Note

In either instance, the following applies:

1. A Non-Occupant Co-Borrower/Co-Signer is permitted by applicable FHA/VA/USDA and Ginnie Mae guidelines and currently under the FHLMC "HFA Advantage" product
2. A Non-Occupant Co-Borrower/Co-Signer must be a relative of the mortgagor.
3. A Non-Occupant Co-Borrower/Co-Signer will not occupy the residence as his primary/permanent residence.
4. The Non-Occupant Co-Borrower/Co-Signer will be required to complete/ execute AHFA's "Non-Occupant Co-Borrower/ Co-Signer Statement" certifying to the above conditions.

For FHA/VA/USDA Step-Up, AHFA will not consider non-occupant co-borrower/ co-signer income when verifying the loan is under the current program income limit of \$159,200. However, for the Conventional/ HFA Advantage product, AHFA must include this income as FHLMC's area median income (AMI) includes all qualifying income for their purposes.

Alabama Housing Finance Authority Lending Library > Housing Finance Agency Programs > Alabama > Step Up Manual > Section VIII Issuance of the Conditional Commitment (04/15/22)

Section VIII Issuance of the Conditional Commitment (04/15/22)

Please note: Lenders are responsible for monitoring the status of their loans on Lender Online, which includes checking for the posting of conditional commitments as shown below.

Loan/Reservation Status Details

Updated on Thursday, December 10, 2003, at 07:05 AM

« Back

Reprint Reservation

Select Documents

Cancel Loan

Loan Cancellations are NOT ALLOWED.

GENERAL INFORMATION

Lender Loan No: 10227593

Reservation/Loan No: 25014030518

Application Accepted On: 12/06/2002

Reservation Expires: 01/20/2003

Commitment Expires: 02/10/2003

Borrower Name: [REDACTED]

Social Security No: [REDACTED]

Lender ID No:

Lender Name:

Branch Name:

Servicer Loan No:

Loan Officer:

FIRST MORTGAGE

Program: [REDACTED] Program: DPA 3

Loan Amount: \$159,924

Loan No: 35014030518

Term: 360 months

Loan Type: Conventional

Initial Interest Rate: 6.1000%

Loan Amount: \$6,375

Term: 240 months

Initial Interest Rate: 6.1000%

PROPERTY ADDRESS

County:

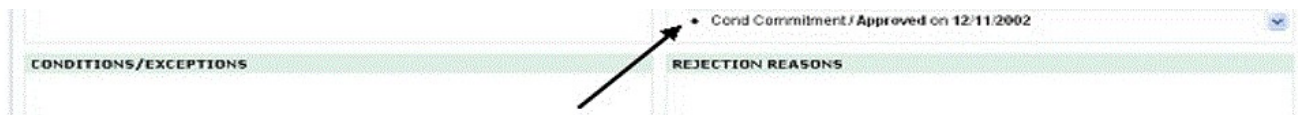
STAGE/STATUS/DATE

Purchased / Approved on 01/10/2003

Major Curative / Approved on 01/02/2003

File Shipd Svcr / Approved on 01/06/2003

Closed LoanRecd / Approved on 12/31/2002



Alabama Housing Finance Authority Lending Library > Housing Finance Agency Programs > Alabama > Step Up Manual > Section IX Closed Loan Procedures (04/16/24)

Section IX Closed Loan Procedures (04/16/24)

Table of Contents

Included in this section are:

- Conditional Commitment
- Verification of Credit Documents
- Settlement Statement Fees

Conditional Commitment

Upon issuance of the Conditional Commitment as posted on the Loan Status screen, the lender may close the loan in accordance with the conditions stated on the Conditional Commitment. The loan is to close before the reservation expiration date stated on the Conditional Commitment. The mortgagor, address, interest rate, loan amount, and term of loan must agree with all closing documents. Changes of these items are to be approved by the Authority before closing. Failure to do so could result in rejection of the loan.

Verification of Credit Documents

All verifications should be less than four months (120 days) old at the time of closing or current information will be required. Credit documents more than 120 days old upon submission of the closed loan package could result in rejection of the loan.

Settlement Statement Fees

In connection with each mortgage loan, a lender may charge and collect from an Eligible Mortgagor or seller at closing, reasonable and customary charges. Step Up loans must still pass points and fees tests and not be considered high cost under Section 32 of Regulation Z Home Ownership and Equity Protection Act of 1994 (HOEPA) in order to be eligible for purchase.

1. FHA/VA/USDA - Customary and reasonable discretionary fees are allowable.
2. Step Up Second Mortgage Assistance - No lender or settlement agent fees allowed
3. FHLMC HFA Advantage - Customary and reasonable discretionary fees are allowable.

Alabama Housing Finance Authority Lending Library > Housing Finance Agency Programs > Alabama > Step Up Manual > Section X Loan Purchases and Transfer of Servicing Rights (01/10/25)

Section X Loan Purchases and Transfer of Servicing Rights (01/10/25)

Table of Contents

Included in this section are:

- A. Review of the Mortgage Loan
- B. Penalties Withheld from Funding
- C Funding of the Mortgage Loan
- D. Final Documentation
- E. Transfer of Loan Servicing Rights and Benefits

A. Review of the Mortgage Loan

The closed mortgage loan package is to be received by Alabama Housing Finance Authority (AHFA), within 10 days of loan closing.

1. Lenders must check the closed loan package to confirm all items listed on the Funding Checklist are included in the package Loans will not be funded if any of the items on the checklist are missing or incorrect.
2. All loans purchased by AHFA will require mandatory registration with MERS. No assignments will be accepted for first or second mortgages. Lenders must transfer all applicable rights in MERS to AHFA immediately after purchase.

Upon completion of the closed loan file compliance review, the mortgage loan(s) will be funded if the file is complete and follows all requirements. Closed loan packages will not be funded until all required fundable documentation has been received and all compliance issues cleared.

B. Penalties Withheld from Funding

Lenders have 10 days from closing to deliver the complete closed loan package to AHFA. A loan is considered to be in a fundable condition when a complete closed loan package is delivered without errors or missing documents. Loans with delinquent payments will not be purchased.

Lenders will have 15 days from the date of file review to clear the loan exception(s) with no penalty. If the loan is not cleared by day 15 after file review, the lender will be charged a penalty fee of 25 basis points (0.25%) of the principal purchased. The lender will be charged 0.25% of the principal purchased in 15-day increments for up to 60 days. If the conditions are not provided by the 71st day from the date of closing, original Notes will be returned to the lender and the loan(s) will not be purchased. This section does not override any applicable lock expiration period. Extension fees may be required by AHFA if the loan is not funded by the applicable expiration date. The amounts of all fees and penalties are subject to change.

C. Funding of the Mortgage Loan

AHFA wire on single and multiple funding's every Wednesday and Friday for each lender. A breakdown of the multiple lender's funding's will be sent via email the day before funding. Only one set of wiring instructions will be accepted from each lender. Lenders are allowed one change to the wiring instructions per calendar year. Subsequent changes to wiring instructions will result in a \$500 fee per transaction.

Note: Lenders are responsible for servicing the loan until purchased by AHFA to include the payment of all required escrow disbursements for each loan during the period from closing to purchase.

The funding amount for both first and second mortgages will consist of:

1. Scheduled unpaid principal balance
2. Servicing Release Premium per the Program Guidelines (first mortgages only)
3. Interest from the closing date through the purchase date or interest from the last paid installment date to purchase date at the loan's per diem rate

Amounts to be deducted from funding of both first and second mortgages will consist of:

1. Penalties or fees assessed in Section X, B, or C
2. Prepaid escrow (unless after first payment) or current amortized escrow balance on the loan less any escrow disbursements
3. Funding Fee of \$211.00 (first mortgages only)
4. Tax service fee of \$85.00 (first mortgages only)

D. Final Documentation

The lender is to submit the final mortgage loan documentation consisting of the following original documents to AHFA within 120 days of closing:

- Recorded First Mortgage
- Title Policy
- Mortgage Insurance documentation (FHA Mortgage Insurance Certificate, PMI Certificate of Coverage, Loan Guaranty Certificate)
- Recorded Second Mortgage (if applicable)

E. Transfer of Loan Servicing Rights and Benefits

The originating lender retains the loan servicing rights and benefits until AHFA purchases the loan. The originating lender will perform all servicing duties until that time. Servicing and benefits rights transfer to AHFA at the time of loan purchase. Lender will be sent a reminder along with the purchase payment advice to send out their goodbye letter to the borrower. AHFA will send the borrower a Notice of Assignment, Sale or Transfer and two temporary payment coupons at the time of loan purchase. (The first payment due to AHFA will be determined based upon when the Notice of Assignment, Sale or Transfer is sent.) If the loan is purchased (purchase date) on or before the 10th of the month, the first payment due to AHFA will be the next scheduled monthly payment due date. After the 10th, the effective date will roll to the following scheduled monthly payment due date. The lender must complete the MERS Transfer of Servicing Rights and Transfer of Beneficial Rights to AHFA within 48 hours of loan purchase.

Alabama Housing Finance Authority Lending Library > Housing Finance Agency Programs > Alabama > Step Up Manual > Section XI Modifications

Section XI Modifications

It is the lender's responsibility to notify the Authority of any modifications. Expiration dates, penalties and extensions are addressed in Section VI.

1. Mortgage Decrease. Mortgage amount decreases will require approval by the Authority.
2. Mortgage Increase. Mortgage amount increases will require approval by the Authority.
3. Property Address. Property address changes require approval of the Authority.
4. DPA Mortgage Decrease. Second mortgage amount decreases do not require approval by the Authority.

Alabama Housing Finance Authority Lending Library > Housing Finance Agency Programs > Alabama > Step Up Manual > Section XII Assumptions

Section XII Assumptions

Assumption loans require the same qualifying process as the current Step Up Program Guidelines (refer to Section II, III and IV of the Step Up manual). Income guidelines are the most current income guidelines provided by the Authority. Investor guidelines must be followed.

The down payment assistance second mortgage is not assumable.

Alabama Housing Finance Authority Lending Library > Housing Finance Agency Programs > Alabama > Step Up Manual > Section XIII Down Payment/Closing Cost Assistance (04/16/24)

Section XIII Down Payment/Closing Cost Assistance (04/16/24)

The purpose of this program is to provide down payment and entry cost assistance to homebuyers with low to moderate incomes, using the Step Up first mortgage loan product. Down payment and closing cost assistance is used in conjunction with the Step Up Program as a second mortgage. This subordinate loan will require full disclosures to be provided to the homebuyers as a separate interest bearing, amortizing lien. Originators will obtain separate URLAs, LE's initial and final CD's, etc.

Table of Contents

Included in this section are:

- A. Reservations
- B. Eligibility
- C. Types of Loans
- D. Calculation of Assistance Amount
- E. Required Documentation
- F. Term and Repayment
- G. Commitment Periods
- H. Issuance of Funds
- I. Fees in Origination
- J. Purchase and Servicing
- K. Assumptions

A. Reservations

If needed, reservations for Down Payment Assistance will be made through the Authority's reservation web site, <https://lenders.ahfa.com>, and is tied to the first mortgage reservation.

B. Eligibility

All homebuyers must meet the qualifications stated on the Down Payment Assistance Application. The maximum income is stated on the Down Payment Assistance Application and is calculated as stated in Section II of this Step Up Procedural Manual.

C. Types of Loans

This program will be available in conjunction with homes financed under the FHA 203(b) and 234(c) mortgage products, the VA guaranteed loan program, USDA guaranteed loan program or the HFA Advantage conventional loan program. This program cannot be used in conjunction with any other down payment assistance program or grant program without prior approval from the Authority. All FHA guidelines must also be met.

D. Calculation of Assistance Amount

- For Step-Up, the maximum assistance available to a homebuyer is the lesser of \$10,000 or 4.00% of the sales price which can be used for their down payment and closing costs. As a reminder, the maximum LTV for the 1st mortgage for each option is as follows:
 - FHA- 96.50%
 - VA- 100%
 - USDA- 100%
 - Freddie Mac/Conventional- 97.00%
 - In addition, for Freddie Mac/ Conventional, borrower(s) will receive an additional AIS grant that must be used towards the transaction (closing costs, DPA). No cash back may be received by the borrower from the AIS grant. The amount is determined as follows:-.50% of the 1st loan amount for AMI income between 80.00%- 50.01%Or-1.00% of the 1st loan amount for AMI income 50.00% or below

E. Required Documentation

The lender must provide:

1. The executed, completed Down Payment Assistance Application;
2. A copy of the credit report for all occupying borrowers;
3. A copy of the Underwriter's Transmittal Summary 1008, or VA Loan Analysis, reflecting the DPA as secondary financing; The Authority will issue a legally binding obligation letter for the second mortgage DPA on all FHA first mortgage loans using the Authority's DPA program. The lender must be in possession of the legally binding obligation letter before they close the loans.

The Down Payment Assistance Note and Mortgage (Fannie /Freddie standard multi-state Note/Alabama Mortgage) are to be executed at closing. The lender will overnight the original executed second note, endorsed to the Authority, along with the first mortgage note to the attention of AHFA Collateral, 7460 Halcyon Pointe Dr. Ste 200, Montgomery, AL 36117.

If the lender's first mortgage loan is using Step Up FHA financing with the DPA second, the lender must transfer the loans in MERS to the Authority PRIOR to submitting for MIC. The lender should include a copy of the legally binding obligation letter and executed second note and mortgage in the case binder file.

F. Term and Repayment

A second mortgage will be recorded against the property being purchased. The term of the second mortgage will run for 10 years. The second mortgage will bear interest at the first mortgage note rate. The second mortgage will amortize in 120 equal monthly payments of principal and interest. Repayment will be required upon sale of the property, refinance of the first mortgage, and/or payoff of the first mortgage, as well as the assumption of the first mortgage.

G. Commitment Periods

The Commitment periods of this program will run concurrent with the Step Up Program as defined in the Program Guidelines.

H. Issuance of Funds

The Authority will purchase the Down Payment Assistance second mortgage with the purchase of the Step Up first mortgage for conventional loans.

I. Fees in Origination

A lender may not charge any additional fees in conjunction with this program. The recording costs of the second mortgage loan are to be borne by the borrower or seller.

J. Purchase and Servicing

Lenders will sell the second mortgage loans which it originates, according to conventional guidelines, to the Authority. The price to be paid by the Authority will be the amount equal to 100% of the principal amount of the second mortgage, plus per diem interest in accordance with Section IX, Loan Delivery.

K. Assumptions

The Down Payment Assistance second mortgage loan is not assumable.

The Authority reserves the right to make revisions as it deems necessary to provide for a successful program.

Alabama Housing Finance Authority Lending Library > Housing Finance Agency Programs > Alabama > Step Up Manual > Program Documents (04/16/24) > Step Up Transmittal Checklist (Step 1) (04/16/24)

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Alabama Housing Finance Authority Lending Library > Housing Finance Agency Programs > Alabama > Step Up Manual > Program Documents (04/16/24) > Step Up Transmittal Checklist (Step 2) (04/16/24)

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Alabama Housing Finance Authority Lending Library > Housing Finance Agency Programs > Alabama > Step Up Manual > Program Documents (04/16/24) > Non-Occupant Co-Borrower/Co-Signer Statement (04/16/24)

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Alabama Housing Finance Authority Lending Library > Housing Finance Agency Programs > Alabama > Step Up Manual > Program Documents (04/16/24) > Second Mortgage Assistance Application (04/16/24)

This document type cannot be printed by this feature