
Handling Community Lending Programs and Products

Procedure

TABLE OF CONTENTS

Document Information	2
Overview	2
New Product Requests	3
Getting Started	6
Identifying and Selecting the Liability Type	6
Adding Agency-Funded Programs	7
Applying for Lender-Funded Programs	9
Adding Grants	12
Understanding a Grant Fund - Example	13
Handling Mortgage Credit Certificates	15
Completing the Lock Process	16
References	17
Revision History	18

Document Information

Scope	Production Loan Officer, Production Manager, Retail Market Leader, Retail Divisional Leader
Governing Policy	Company Retail Lock Policy
Tools and Systems	Octane

Overview

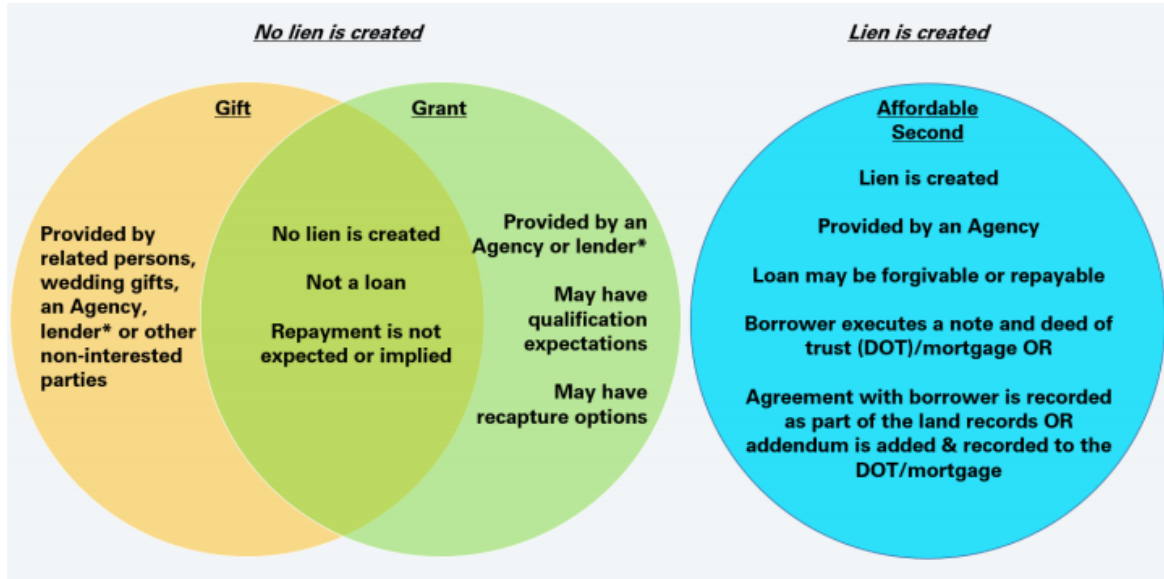
Cardinal Financial Company, Limited Partnership (“Cardinal”) permits approved Housing Authority programs that provide grants, community loans, and mortgage credit certificates. Cardinal separates its support of these programs into Cardinal-funded (also known as lender-funded) and agency-funded programs.

The Product Development Program must approve all community lending, grants, or mortgage credit certificate programs. Currently, they are listed on Cardinal’s list of supported programs as either lender-funded or agency-funded, which delineates between the level of support and lender participation required. Cardinal requires approval for all grants, community lending providers, and mortgage credit certificate providers, as significant legal documentation, tax keeping, and other critical steps are required regardless of the entity’s requirements for lender approval.

See the [Product Development Portfolio - Matrix](#) for an active list of supported investors and community lending products and programs. Cardinal’s Coming Soon and community lending products help identify any products, programs, or community lending offers that are approved and pending rollout. The Products page of the Hub provides status updates and an estimated date that the program will be offered.

What are gifts, grants and Affordable Seconds

Recognizing there are various terms used in the industry, the information provided below is a high-level overview of the defined terms used in this resource when gifts, grants and or Affordable Seconds are used to assist with down payment and closing costs.



** Home Possible[®] mortgages only*

Find the Affordable Seconds job aid [here](#).

For definitions of "Affordable Seconds" and "Agency" access [Freddie Mac glossary](#).

Although Community Lending Programs lower the amount a borrower must bring to the closing by covering a portion of the sales price, the gift, grant, or second lien is not applied directly to the borrower's closing costs within Octane.

New Product Requests

Branch managers can submit a request for a new product through their Executive Leader. Retail Finance meets with the Retail division managers to determine the business needs and motivation for offering the new product and the proposed urgency of the product offering. Each submission requires a justification and volume projections.

The submission form is only available to executive leaders and can be accessed from the [Executive Resources](#) page on [The Hub](#).

An executive or authorized delegate must submit the request to ensure senior management has all the information to make an informed decision.

The requester should have details on the following data points:

- New banked investor
- New brokered investor
- New product offering from a current investor
- New community lending product
- New Mortgage Credit Certificate
- A description of the product
- The business rationale including the estimated volume
- Additional product details including the program website, contact information, EIN, guidelines, and other supporting documentation
- A note stating whether this product is for a niche market or not

Requests are reviewed and prioritized based on the volume and income the product generates for Cardinal and the importance of the product to the originator's referral base.

The purpose of this procedure is to provide instructions on how to correctly input key pieces of information and use Octane features available to support approved community lending programs, including concurrent financing provided by another entity, a second lien provided by a community lending entity, or state program, a community-provided grant/gift, or a community lending Mortgage Credit Certificate.

The liability type is critical to obtaining accurate requirements, product offerings, and automated underwriting findings. Octane differentiates concurrent seconds obtained from another financial institution,

community second programs that provide down payment assistance (“DPA”) in the form of a loan that must be repaid or will be forgiven, and a DPA program that assists in the form of a grant.

Community Second funds must be provided by a federal agency, a municipality, a state, a county, a local housing finance agency, a non-profit organization, a regional Federal Home Loan Bank under one of its affordable housing programs, or an employer.

Repayment of the Community Seconds mortgage can be structured in any number of ways, such as:

- Requiring fully amortizing, monthly payments
- Deferring payments for some period before changing to fully amortizing, monthly payments
- Deferring payments over the entire term unless the mortgage is paid off or the property is sold before the maturity date of the mortgage
- Forgiving the debt over time

Users must ensure that they are combining assistance types and completing all steps that apply for each assistance type or amount.

Cardinal’s policy is not to offer counterparties, investors, or products that compete with products we offer as banked products internally.

- **Example:** If a Housing Finance Authority offers a product with no down payment assistance, Cardinal will not support the “no assistance product” option without an additional benefit to the borrower.

Important: Once the structure for a Standalone product is disclosed, a piggyback loan cannot be used, and a new loan must be started. Cardinal cannot support canceling locks with existing community lending providers. Once a loan is disclosed or locked with a piggyback, the loan structure cannot change to remove the piggyback, and a new loan must be started.

Getting Started

The performer must have access to [Octane](#) and the Community Lending Overview to perform the steps in this procedure.

1. Access and sign in to [Octane](#).
2. Review the registration process for the product or program within the [Retail](#) or [Consumer Direct](#) overview, if applicable.
3. Review the overview to determine if there are any prerequisite steps before adding the product.

Identifying and Selecting the Liability Type

Down payment assistance can be agency or lender-funded. Refer to the [Product Development Portfolio - Matrix](#) or review the Assistance Type listed on the Community Lending Overview to verify whether the program is lender or agency-funded.

Depending on the result, use the below table to determine the next steps.

If	Then
<p>The program is funded by the community lending agency</p>	<ul style="list-style-type: none"> • The funds are supplied at the time of closing. • The program does not require a product code. • The program is added in Octane as a new Community Second liability on the Credit screen. <p>Note: Refer to Adding Agency-Funded Programs for more information.</p>
<p>The funds are supplied by Cardinal</p>	<ul style="list-style-type: none"> • Cardinal is reimbursed by the investor upon the purchase of the loan. • The program is added to the loan by selecting the specified product terms. <p>Note: Refer to Applying for Lender-Funded Programs for loan setup steps.</p>

Users must complete the process for [Adding Agency-Funded Programs](#) or [Applying for Lender-Funded Programs](#), not both.

Adding Agency-Funded Programs

1. From the left menu in Octane, navigate to the **Credit** screen.
2. Select the **Liabilities** tab.
3. Click **Add Liability**.
4. Complete the following fields:
 - **Liability Type:** Select **Community Second**.
 - **Lien:** Select **2nd**.
 - **Property:** Select the **Subject Property**.
 - a. Enter the **City, State,** and **ZIP code**.
 - **Disposition:** Use the drop-down menu to select **New**.
 - **Third-Party Community Second Program:** Click **Choose** and select the applicable program.

Note: If no programs are listed in the Third-Party Community Second Program menu, then the main program selected for the loan does not support a Community Second. Contact Support for further assistance.
 - **Balance & Credit Limit:** Enter the assistance amount to create the new loan or liability.
 - a. Place the assistance amount in the **Balance** field.

Description	Details
Liability Type: <input type="text" value="Community Second"/>	Disposition: <input type="text" value="New"/>
Lien: <input type="text" value="2nd"/>	Third-Party Community Second Program: <input type="text" value="Broward County Florida Homebuyer Purchase Assistance Program"/> Choose Clear
Property: <input type="text"/>	Opened: <input type="text" value="10/04/2021"/>
Borrower: <input type="text"/>	Months Left: <input type="text" value="120"/>
Creditor Name: <input type="text"/>	Term Months: <input type="text" value="120"/>
Account Number: <input type="text"/>	Past Due: <input type="text" value="\$0.00"/>
Street (Line 1): <input type="text"/>	Balance: <input type="text" value="\$5,000.00"/>
Street (Line 2): <input type="text"/>	Payment: <input type="text" value="\$0.00"/>
City: <input type="text"/>	Net Payment
State & Zip Code: <input type="text" value="Select..."/> <input type="text"/>	AUS Exclude from Debt: <input type="text" value="No"/>
Country: <input type="text" value="USA"/>	AUS Payoff: <input type="text" value="No"/>
	Original Loan Amount: <input type="text" value="\$0.00"/>
	Foreclosure Exception: <input type="text" value="Not Applicable"/>
	Bankruptcy Exception: <input type="text" value="Not Applicable"/>
	Mortgage Delinquency Exception: <input type="text" value="Not Applicable"/>
	Financing Type: <input type="text" value="Unknown"/>

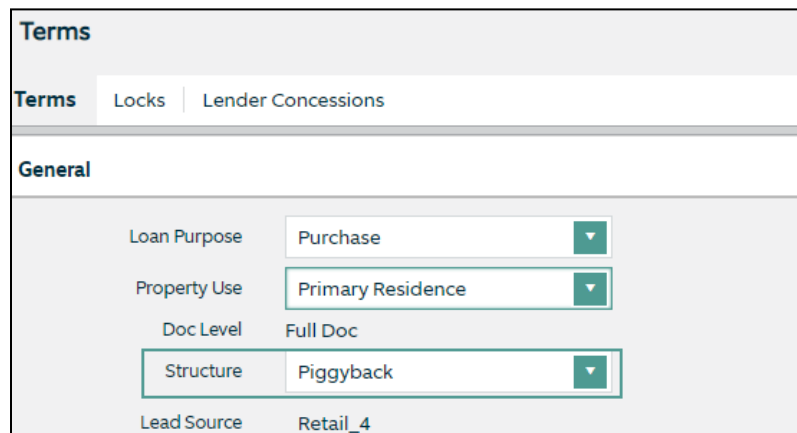
5. From the left menu, navigate to the **Assets** screen.
6. Select the **Funds for Closing** tab.
7. Allocate the **assistance amount** in the correct column for the **Community Second**.
 - Ensure the assistance amount populates in the applicable column.
 - Ensure the **Deficiency** is **\$0**.

Assets				
Assets Funds for Closing Grants				
Source	Description	Available	Borrower Closing Costs ?	Down Payment
Community Second	NHD	\$15,200.00	\$0.00	\$15,200 .00
Savings Account	BOA - 123456	\$6,000.00	\$0.00	\$5,800 .00
			Deficiency \$0.00	Deficiency \$0.00

Applying for Lender-Funded Programs

All program parameters must be set to obtain accurate pricing. Refer to the [community lending overview](#), including the product snapshot within the overview for more information about the correct loan structure and pricing.

1. From the left menu in Octane, navigate to the **Terms** screen.
2. Select the **Terms** tab.
3. In the **General** section, locate the **Structure** field.
 - a. Use the drop-down menu to select **Piggyback**.



The screenshot shows the 'Terms' screen in Octane. At the top, there are tabs for 'Terms', 'Locks', and 'Lender Concessions'. Below the tabs is the 'General' section. The 'General' section contains several fields: 'Loan Purpose' is set to 'Purchase', 'Property Use' is set to 'Primary Residence', 'Doc Level' is set to 'Full Doc', 'Structure' is set to 'Piggyback', and 'Lead Source' is set to 'Retail_4'. The 'Structure' field is highlighted with a red box.

4. In the **1st Loan Terms** section, enter the **Base Loan Amount**.
5. In the **2nd Loan Terms** section, enter the **Base Loan Amount**.

1st Loan Terms	2nd Loan Terms
Program ID: C30TBAFPPA80FHFC4 Program Name: Conforming 30 Year Fixed Rate TBA FL HFA Preferred Plus > 80% AMI 4% Program Information Sale Price: \$260,000 .00 Base Loan Amount: <input checked="" type="checkbox"/> \$247,000 .00 Down Payment: 1.200 % Down Payment Amount: \$3,120.00 MI, MIP, Funding Fee Financed: \$0 Total Loan Amount: \$247,000.00	Program ID: 2ND30FLADFHFC Program Name: 2nd Mortgage 30 Year FL Assist Community Second Program Information Base Loan Amount: \$9,880 .00 Total Loan Amount: \$9,880.00 Note Rate: 0.000 % Price: 100.000 % Details Qualifying Rate: 0.000 % (Note Rate) Initial P&I: \$0.00

6. Click **Save**.
7. Click **Get Rates**.
8. Complete the following fields for the 1st Loan Terms.

- Type
- Term
- Amortization
- Payment
- MI Payment Payer
 - If the program offers a **No MI** option, select **Not Applicable**.

Note: Do not select **Lender - Single Premium**.

- Doc Category
- Doc Level

Include Rates: All Lock Term Days: 30 (through 9/29/23) Non-Conforming: Exclude Community Lending: Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	Type: Conventional Amort. Term: 30 Years Amortization: Fixed Payment: Fully Amortized	Prepay Penalty Schedule: None Buydown: No MI Payment Payer: Borrower - Monthly Doc Category: Full Documentation Doc Level: Full Documentation - 2 Years
---	--	---

9. Complete the following fields for the 2nd Loan Terms.

- a. In the **Term** field, select all applicable terms.

2nd Loan			
Include Rates: All	Type: <input checked="" type="checkbox"/> Conventional <input type="checkbox"/> FHA <input type="checkbox"/> VA <input type="checkbox"/> HELOC <input type="checkbox"/> USDA	Term: <input checked="" type="checkbox"/> 30 Years <input type="checkbox"/> 15 Years Show All	Amortization: <input checked="" type="checkbox"/> Fixed <input type="checkbox"/> ARM Prepay Penalty Schedule: None Buydown: No Community Second: Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>

- b. Toggle the **Community Second** field boolean to **Yes** to display all community lending options.

2nd Loan			
Include Rates: All	Type: <input checked="" type="checkbox"/> Conventional <input type="checkbox"/> FHA <input type="checkbox"/> VA <input type="checkbox"/> HELOC <input type="checkbox"/> USDA	Term: <input checked="" type="checkbox"/> 30 Years <input type="checkbox"/> 15 Years Show All	Amortization: <input checked="" type="checkbox"/> Fixed <input type="checkbox"/> ARM Prepay Penalty Schedule: None Buydown: No Community Second: Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>

10. Click **Find Rates**.

11. Choose the appropriate **Loan Pricing** for the first and second lien.

Note: Both first and second mortgage products must be selected.

12. Click **Choose Selected**.

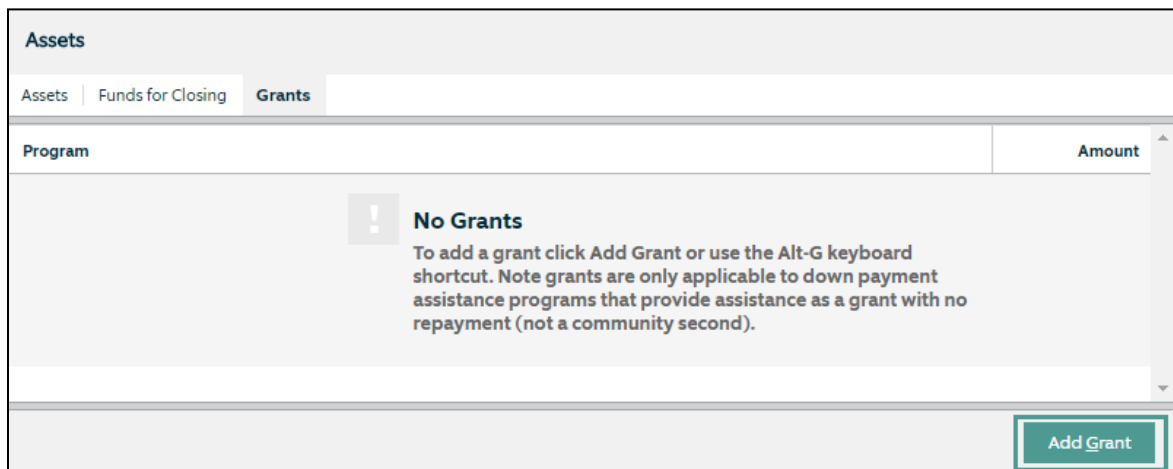
Cancel	Choose Selected	Find Rates
--------	-----------------	------------

Adding Grants

The Automated Underwriting System (“AUS”) calculates the grant as a gift; however, it will not be subtracted from the funds required for closing. When reviewing AUS for the assets required for closing, users must ensure they subtract the grant amount. Octane appropriately accounts for the Grant Funds—there is a difference in the grant amount between AUS funds required for closing and Octane’s Cash to/from the Borrower.

The user must use the following steps to ensure AUS runs properly and Cardinal can sell the loan to the applicable agency.

1. From the left menu in Octane, navigate to the **Assets** screen.
2. Select the **Grants** tab.
3. Click **Add Grant**.



Assets

Assets | Funds for Closing | **Grants**

Program	Amount
<p>No Grants</p> <p>To add a grant click Add Grant or use the Alt-G keyboard shortcut. Note grants are only applicable to down payment assistance programs that provide assistance as a grant with no repayment (not a community second).</p>	

Add Grant

4. In the **Program** field, use the drop-down menu to select the applicable grant program.
5. In the **Grant Amount** field, enter the grant amount provided by the Housing Authority.
6. Click **Save**.

Assets > Grants > TSAHC (Texas State Affordable Housing Corporation)

Program: TSAHC (Texas State Affordable Housing Corp)

Grant Amount: \$5,852.04

Donor Type: State Agency

Donor Name: Texas State Affordable Housing Corporation

Donor Phone: 512-477-3561

Donor Address: 2200 E. Martin Luther King Blvd, Austin, TX 78702

Program EIN: 74-2746185

Buttons: Cancel, Delete Grant, Save

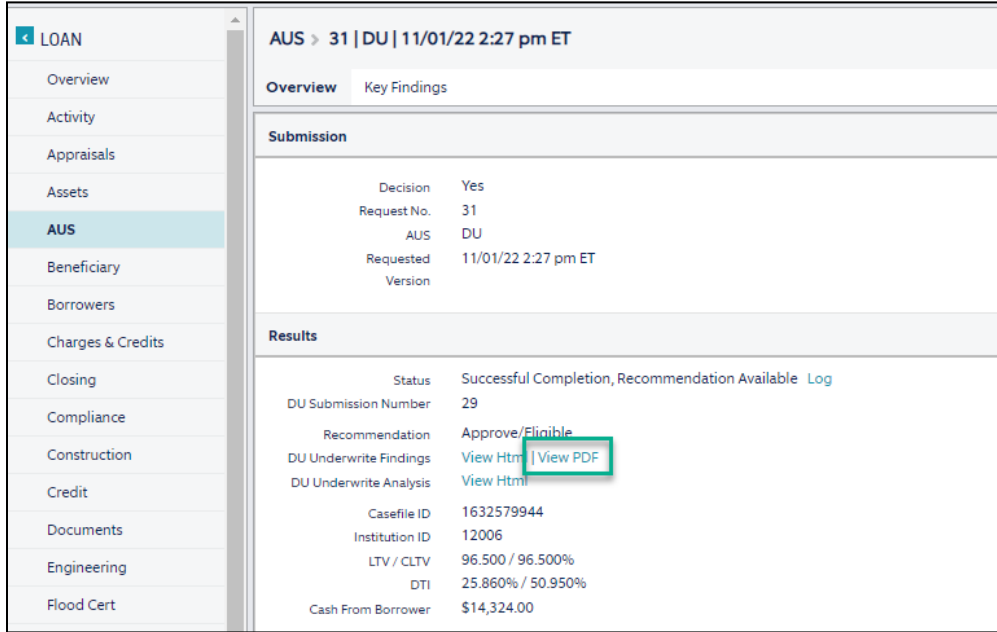
Understanding a Grant Fund - Example

For this example, the borrower receives \$5,852.04 from the Texas State Affordable Housing Corporation (“TSAHC”). AUS states the required funds for closing are \$7,368.00; therefore, the borrower owes \$1,516.02 at closing in Octane.

1. From the left menu in the loan, navigate to the **AUS** screen.
2. In the **Track/Submit** tab, select the most recent **AUS Decision** (indicated by a green checkmark).

AUS										
Track / Submit										
Date & Time	No.	AUS	Loan Amount	Rate	LTV / CLTV	DTI	Who	Result	Decision	
11/01/22 3:42 pm ET	32	LPA	\$137,464	6.250%	96.50 / 96.50	26.000 / 51.000	System	Accept / Accept / 000 Freddie Mac Ineligible	No	
11/01/22 2:27 pm ET	31	DU	\$137,464	6.250%	96.50 / 96.50	25.860 / 50.950		Approve/Eligible	Yes	
11/01/22 12:21 pm ET	30	LPA	\$137,464	6.250%	96.50 / 96.50	26.000 / 51.000	System	Accept / Accept / 000 Freddie Mac Ineligible	No	
11/01/22 12:09 pm ET	29	DU	\$137,464	6.250%	96.50 / 96.50	25.860 / 50.950		Approve/Eligible	No	

3. Select the **Overview** tab.
4. In the **Results** section, click **View PDF** to access the AUS findings.



AUS > 31 | DU | 11/01/22 2:27 pm ET

Overview | Key Findings

Submission

Decision	Yes
Request No.	31
AUS	DU
Requested	11/01/22 2:27 pm ET
Version	

Results

Status	Successful Completion, Recommendation Available	Log
DU Submission Number	29	
Recommendation	Approve/Eligible	
DU Underwrite Findings	View Html View PDF	
DU Underwrite Analysis	View Html	
Casefile ID	1632579944	
Institution ID	12006	
LTV / CLTV	96.500 / 96.500%	
DTI	25.860% / 50.950%	
Cash From Borrower	\$14,324.00	

5. Locate the **Required** funds in AUS.



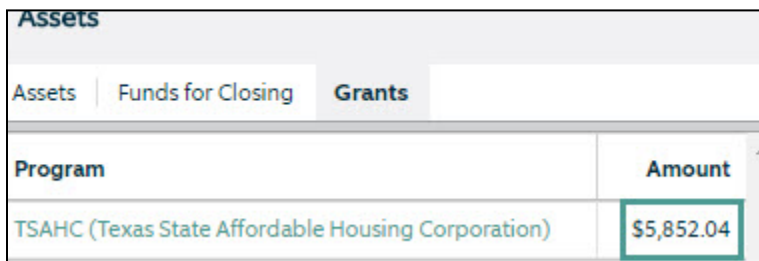
FUNDS			
Required	\$7368.00	Net Cash Back	\$0.00
Available	\$11298.25	Reserves	\$3930.00
Cash Back	\$0.00	Months Reserves	2

The recommendation for this case is: Approve/Eligible

Copyright (c) 1994-2018 Fannie Mae

6. From the **Assets** screen in Octane, select the **Grants** tab.

7. Locate the **Amount** for the applicable **Program**.



Assets

Assets | Funds for Closing | **Grants**

Program	Amount
TSAHC (Texas State Affordable Housing Corporation)	\$5,852.04

- Use the following equation to determine the amount of cash due.

$$\$7,368 - \$5,852.04 = \$1,515.96$$

Note: The amount will be roughly \$1 off as AUS rounds.

- Verify the amount of cash due in Octane by reviewing the **Cash from Bor** field in the loan ribbon.

Announcements		Notices		Recent		Loan Search				
Eff. Funding	LTV / CLTV	96.500 / 96.500%	Mo. Pymt	\$1,350.73	Lock	Loan No.				
06/15/18	DTI	22.081 / 37.243%	Cash from Bor	\$1,516.02	Od					
	FICO	634	APR	7.240%						

Handling Mortgage Credit Certificates

A Mortgage Credit Certificate (“MCC”) is a certificate issued by a certain state or local government that allows a taxpayer to claim a tax credit for some portion of the mortgage interest paid during a given tax year.

As a holder of the MCC, borrowers receive the credit each year as the mortgage loan is paid off. MCCs increase a family’s annual income by providing larger tax benefits. Actual savings experienced by a homeowner depend upon the mortgage interest paid on the home loan.

Follow the below steps to add the eligible MCC to the loan, which serves as a qualifying household income.

- From the left menu in Octane, navigate to the **Income** screen.
- Click **Add Income**.
- Click **Other Income**.
- Click **Create**.
- Enter the following information into the appropriate fields.
 - In the **Income Type** field, use the drop-down menu to select **Mortgage Credit Certificate (MCC)**.

- b. In the **Source Name** and **Housing Authority** fields, use the drop-down menu to select **MCC Issuer**.
6. Click **Save**. The Lock Desk manually reserves the MCCs.

Note: Once the MCCs are reserved, the appropriate department enters the reservation and commitment numbers:

- For Community Second Programs, the Lock Desk enters the information.
- For MCCs added to standalone first lien programs, the Underwriter enters the information

Completing the Lock Process

Locks are requested through Octane and then processed by the lock desk, where they are registered and locked with the entity.

1. From the left menu in Octane, navigate to the **Terms** screen.
2. Click **Get Rates**.
3. Choose the appropriate program information you or the borrower would like to see.

Terms > Get Rates		
1st Loan		
Include Rates: <input type="text" value="All"/>	Type: <input type="text" value="Conventional"/>	Prepay Penalty Schedule: <input type="text" value="None"/>
Lock Term Days: <input type="text" value="45"/>	Amort. Term: <input type="text" value="30 Years"/>	Buydown: <input type="text" value="No"/>
Non-Conforming: <input type="text" value="Exclude"/>	Amortization: <input type="text" value="Fixed"/>	MI Payment Payer: <input type="text" value="Borrower - Single Premium"/>
Community Lending: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Payment: <input type="text" value="Fully Amortized"/>	Doc Level: <input type="text" value="Full Doc"/>
2nd Loan		
Include Rates: <input type="text" value="All"/>	Type: <input type="text" value="Conventional"/>	Prepay Penalty Schedule: <input type="text" value="None"/>
	Amort. Term: <input type="text" value="15 Years"/>	Buydown: <input type="text" value="No"/>
	Amortization: <input type="text" value="Fixed"/>	Community Second: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
	Payment: <input type="text" value="Fully Amortized"/>	

4. Click **Find Rates**. All available rates populate.

5. Search for the Community Lending rates, including the first and second, if applicable. The Housing Authority's name is listed under the Program ID.

FHA30GCPTHDA5 (FHA 30 Year Fixed Rate Great Choice Plus 5%)
<input type="radio"/> FHA30GCPTHDA5

2ND30GCPTHDA (2nd Mortgage 30 Year Great Choice Plus)
<input type="radio"/> 2ND30GCPTHDA

Note: If the second lien or grant was added correctly, the loan ribbon shows the Housing Authority Program.

Purp	Lien	Amount	Rate & Program
P	1st	\$161,029	2.750% FHA30GCPTH...
PR	2nd	\$6,000	0.000% 2ND30GCPTH...

Note: The Lock Desk registers the loan and reserves the funds with the Housing Authority when they receive the request to lock the loan.

References

Reference List
Consumer Direct - Products - The Hub
Executive Resources - The Hub
Loan Assets
Loan Terms
Loan Product Request
Product Development Portfolio - Matrix
Retail - Products - The Hub

[The Hub](#)

Revision History

Revision History is to be used as a reference only and will only provide a summary of document changes. For complete versioning, refer to the Google Docs versioning functionality, which is the system of record. Versioning has been captured as of 10.1.20.

Date	Version	Description	Approver
12.11.23	V7	Document Certification <ul style="list-style-type: none"> Added new screenshots and steps throughout the document to ensure workflow accuracy. Provided grammatical and formatting updates to fit P&P standards. Deleted the Reservation of Funds section. 	Leticia Dalton Erica Price
8.14.23	V6	Off-cycle request. <ul style="list-style-type: none"> Added a new paragraph to the end of the Overview section. Made minor grammatical and formatting updates throughout the document 	Leticia Dalton Erica Price
12.13.22	V5	Off-cycle request. Grammatical and Formatting updates were made along with other immaterial changes.	Ellen Clayson Erica Price
7.22.22	V4	Immaterial change removing the link to the New Loan Product Request Form, as it no longer exists.	Marlo Taylor
2.2.22	V3	Off-cycle update: Added sentence about Cardinal being unable to change a standalone lien to a piggyback lien after the file has been disclosed. Updated Octane screenshots.	Erica Price
10.20.21	V2	Updated the process for submitting new product requests and clarified verbiage throughout the document.	Erica Price
9.28.21	V1	Off-cycle update - Retail Committee added as approver for new product requests	Erica Price
2.4.20	-	See Google Version History for previous updates	Erica Price