

Community Lending Programs and Products

Procedure

TABLE OF CONTENTS

Document Information	2
Overview	2
Identifying and Selecting the Liability Type	3
Agency Funded	4
Lender Funded	6
Grants	9
Grant Funds Example	10
Mortgage Credit Certificates (MCCs)	11
Lock Process	12
New Product Requests	13
References	15
Revision History	15

Document Information

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

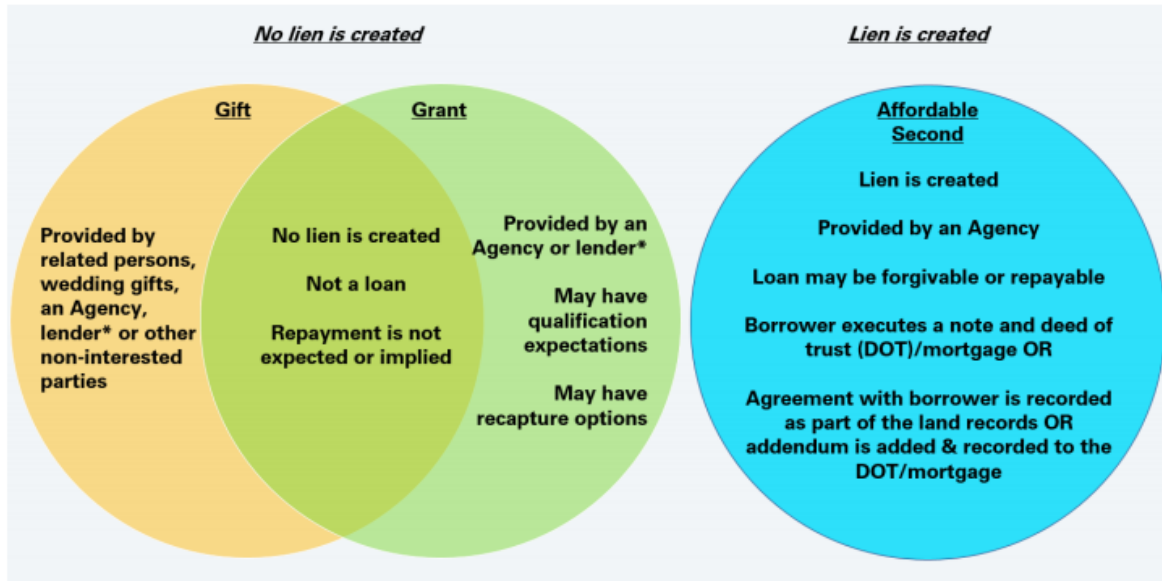
Overview

Cardinal Financial permits approved Housing Authority programs that provide grants, community loans, and mortgage credit certificates. We separate our support of these programs into Cardinal-funded (also known as lender-funded) and agency-funded programs. All community lending, grants, or mortgage credit certificate programs must be approved through our Product Development Program, at which time they will be listed on our list of supported programs as either lender funded or agency funded, which will delineate between the level of support and lender participation required. We require approval for all grants, community lending providers, and mortgage credit certificate providers, as there are significant legal documentation, tax keeping, and other critical steps that are required regardless of the entity's requirements for lender approval.

For an active list of supported investors, community lending products and programs, and products and enhancements coming soon, please check out our Product Development Portfolio - Matrix on the HUB [here](#). Our Coming Soon products and community lending products are located on this same matrix and will help identify any products, programs, or community lending offer that is approved and just pending rollout and provide an estimate of the date 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](#).

Identifying and Selecting the Liability Type

Down payment assistance can be funded in one of two ways: agency funded or lender funded. If the program is funded by the community lending agency where the funds will be supplied at the time of closing, then the program will not require a product code and will be added in Octane as a new Community Second liability on the Credit screen. See [Agency Funded](#).

If the funds are supplied by Cardinal Financial, where Cardinal will be reimbursed upon the purchase of the loan by the investor, the program must be added to the loan by selecting the specified product terms. See [Lender Funded](#) for proper loan setup.

Note: You will only need to complete the process for [Agency Funded](#) or [Lender Funded](#). Do not complete both processes. Please see the [Product Development Portfolio - Matrix](#) to verify if the program is lender or agency-funded.

Agency Funded

1. Navigate to the **Credit Screen > Liabilities** tab.
2. Click on the **Add Liability** action button.
3. Input the following information:
 - a. Liability Type: **Community Second**
 - b. Lien: **2nd**
 - c. Property: Select the Subject Property
 - i. Ensure the city, state, and ZIP code are entered
 - d. Disposition: **New**
 - e. Third-Party Community Second Program: Click **Choose** to 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. Please contact Support for further assistance.
 - f. Balance & Credit Limit: Input the assistance amount, which will create the new loan/liability
 - i. The assistance amount needs to be placed 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 <input type="text"/>
State & Zip Code <input type="text" value="Select..."/>	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"/>

4. Navigate to the **Assets** Screen and click on the **Funds for Closing** tab.
5. **Allocate the assistance amount** in the correct column for the Community Second.
 - a. Ensure the assistance populates in the applicable column.
 - b. Ensure 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

Lender Funded

Note: Ensure all program parameters are set to obtain accurate pricing. Review this [product snapshot](#) for more information about the correct loan structure and pricing.

1. Navigate to **Terms**.
 - a. Select **Structure > Piggyback**.

Terms

Terms Locks Lender Concessions

General

Loan Purpose Purchase ▼

Property Use Primary Residence ▼

Doc Level Full Doc

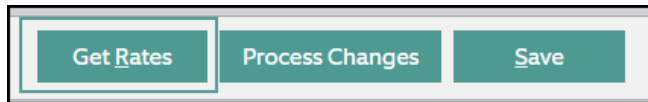
Structure Piggyback ▼

Lead Source Retail_4

- b. Enter the **Base Loan Amount** for the first and second loans.

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, MIR, 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: <input type="text" value="\$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

- c. Click **Save**.
- d. Click **Get Rates**.



- e. Ensure the following are completed for the 1st Loan Terms:
 - i. Select applicable **Type**.
 - ii. Select applicable **Term/ Amortization**.
 - iii. Select applicable **MI Payment Payer**.

1. If the program offers a No MI option, select “Not Applicable”.

Note: Do not select “Lender - Single Premium”

1st Loan			
Include Rates: <input type="text" value="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: <input type="text" value="None"/>
Lock Term Days: <input type="text" value="45"/>			Buydown: <input type="text" value="No"/>
Non-Conforming: <input type="text" value="Exclude"/>			MI Payment Payer: <input type="text" value="Borrower - Monthly"/>
Community Lending: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			Doc Level: <input type="text" value="Full Doc"/>

- f. 2nd Loan Terms
 - i. Check all applicable **Terms**.

2nd Loan			
Include Rates: <input type="text" value="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: <input type="text" value="None"/>
			Buydown: <input type="text" value="No"/>
			Community Second: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

- g. To display all community lending options, toggle to **Yes** for Community Second.

2nd Loan			
Include Rates: <input type="text" value="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: <input type="text" value="None"/>
			Buydown: <input type="text" value="No"/>
			Community Second: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

- h. Select **Find Rates**.
- i. Choose corresponding first and second loan pricing.
Note: Both first and second mortgage products must be selected.
- j. Click **Choose Selected**.

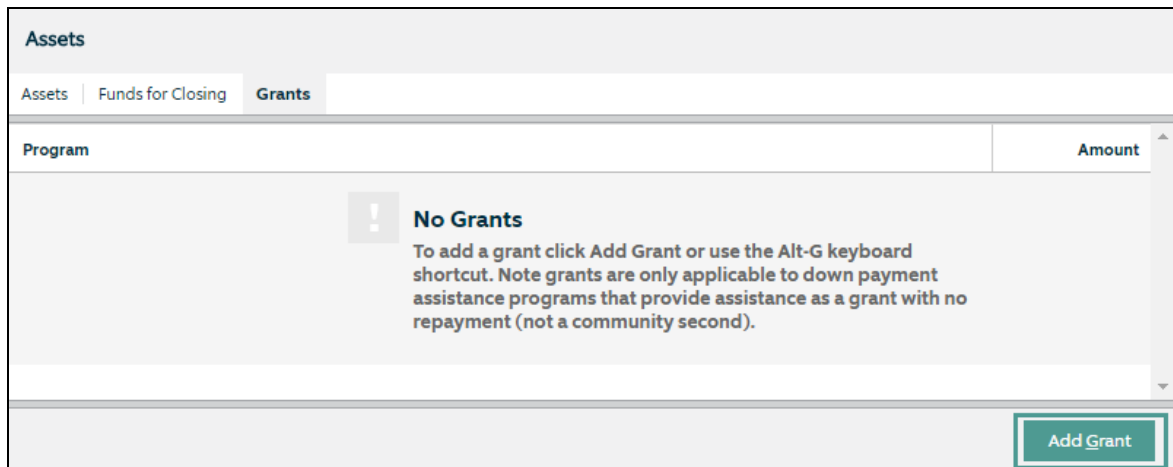


Grants

AUS will calculate the grant as a gift; however, it will not be subtracted from the funds required for closing. When you are reviewing AUS for the assets required for closing, ensure you are subtracting the amount of the grant. Octane will appropriately account for the Grant Funds—there will be a difference in the grant amount between AUS funds required for closing and Octane's Cash to/from Borrower.

To ensure Automated Underwriting Systems (AUS) runs properly and we are able to sell the loan to the applicable agency, take the following steps.

1. Add the grant to the **Assets Screen > Grants** tab.
2. Select **Add Grant**.

A screenshot of a software interface titled "Assets". At the top, there are three tabs: "Assets", "Funds for Closing", and "Grants", with "Grants" being the active tab. Below the tabs is a table with two columns: "Program" and "Amount". The table is currently empty, displaying a message: "No Grants. 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)." At the bottom right of the interface, there is a green button labeled "Add Grant".

3. Program: Select the applicable grant program from the dropdown menu.
4. Grant amount: Enter the amount of the grant provided by the Housing Authority.
5. 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

Grant Funds Example

The borrower will be receiving \$5,852.04 from TSAHC. The borrower’s cash due at closing in Octane is \$1,516.02, and AUS is stating the required funds for closing are \$7,368.00.

$\$7,368 - \$5,852.04 = \$1,515.96$ (Note: this will be roughly \$1.00 off as AUS rounds)

- AUS funds required: \$7,368.00

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			

- Octane grant: \$5,852.04

Assets		
Assets	Funds for Closing	Grants
Program	Amount	
TSAHC (Texas State Affordable Housing Corporation)	\$5,852.04	

- Octane funds required: \$1,516.02

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%			

Mortgage Credit Certificates (MCCs)

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 will receive this credit each year as the mortgage loan is paid off. MCCs increase a family’s annual income by providing larger tax benefits, and actual savings experienced by a homeowner will depend upon the mortgage interest paid on the home loan.

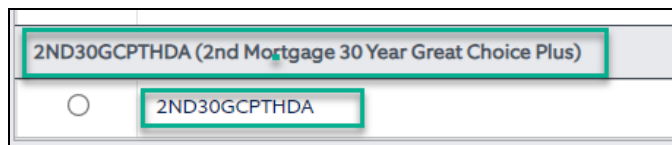
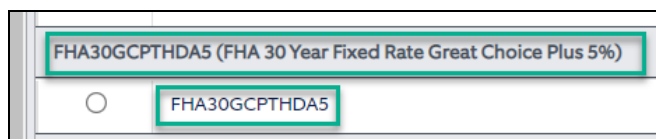
1. Navigate to the **Income** toolbox.
2. Click on the **Add Income** action button.
3. Select **Other Income**.
4. Select the **Create** action button.
5. Input the following information.
 - a. Select **Mortgage Credit Certificate (MCC)** in the Income Type drop-down.

- b. Source name: **MCC Issuer** (should also be the Housing Authority)
- 6. Click **Save**.
- 7. The Lock Desk manually reserves the MCCs.
- 8. Once the MCCs are reserved, the Lock Desk fills in the reservation number and expiration date.

Lock Process

All locks will be requested by indicating a lock request through Octane, and the lock desk will register and lock with the entity.

- 1. Navigate to the **Terms** toolbox.
- 2. Click on the **Get Rates** action button.
- 3. Click on the **Find Rates** action button.
- 4. All available rates will populate.
 - a. Search for the Community Lending rates, including the first and second if applicable. The Housing Authority name will be listed under the Program ID.



Note: If the second lien or grant was added correctly, the loan ribbon will show 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 will register the loan and reserve the funds with the Housing Authority when they receive the request to lock the loan.

New Product Requests

Branch managers may submit a request for a new product through their Retail Account Manager. 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.

To ensure senior management has all the information to make an informed decision, complete the [Request for New Product Form](#) and include the following information with the request:

- 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, program contact information, program EIN, program guidelines, and other supporting documentation
- Whether this product is for a niche market

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

The purpose of this procedure is to provide instructions on how to properly 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 critically important 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 may 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

Note: Please ensure that if you are stacking assistance types, you are completing all steps that apply for each assistance type or amount.

Important: Once the structure for a Standalone product is disclosed, a Piggyback loan cannot be used and a new loan must be started. Additionally, we are unable to support canceling locks with existing community lending providers at this time. Once a loan is disclosed or locked with a piggyback, the loan structure cannot change to remove the piggyback, a new loan must be started.

References

Reference List
Loan Assets
Loan Terms
New Loan Product Request Form
Product Development Portfolio - Matrix

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.

Date		Description	Approver
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