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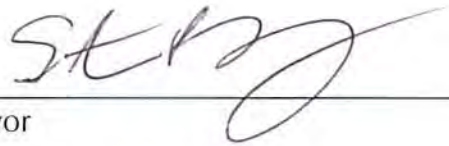
RESOLUTION NO.: R-2012-099

*Adopting City of Columbia Community Development Department
Housing Program Rules and Regulations Manual*

BE IT RESOLVED this 16th day of October, 2012, that the Mayor and City Council of the City of Columbia, South Carolina hereby adopts the Community Development Department Housing Program Rules and Regulation Manual, dated August, 2012 attached hereto. This manual replaces and supersedes all previous rules and regulation manual heretofore used by the City.

Requested by:

Community Development Director



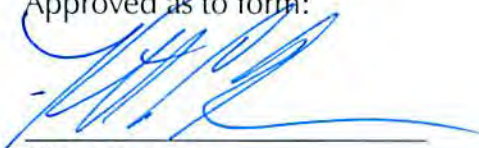
Mayor

Approved by:



City Manager

Approved as to form:



City Attorney

ATTEST:



City Clerk

Introduced: 10/16/2012
Final Reading: 10/16/2012



We Are Columbia

2012

COMMUNITY DEVELOPMENT DEPARTMENT- HOUSING PROGRAM Rules and Regulations MANUAL



Community Development Department Housing Program Rules
August 2012

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Community Development Department
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**DRAFT
COMMUNITY DEVELOPMENT
HOUSING PROGRAMS RULES AND REGULATIONS**

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**CITY OF COLUMBIA
COMMUNITY DEVELOPMENT
HOUSING PROGRAMS RULES AND REGULATIONS**

HOUSING / HOUSING-PURCHASE REHABILITATION LOAN PROGRAM

The purpose of the Home Loan Purchase or the Housing-Purchase Rehabilitation Program is to assist residents with the acquisition of a home and if necessary provide additional funds to rehabilitate that home in the City of Columbia. For details (See Appendix A)

EMERGENCY REHABILITATION LOAN PROGRAM

(HELP) - Housing Emergency Loan Program – The purpose of the Emergency Rehabilitation Loan Program is to assist homeowners that are disabled or 62 years of age or older with emergency repairs on their homes in the City of Columbia. For details (See Appendix A)

I. GENERAL

- A. The purpose of this lending policy is to provide guidelines and assistance to the staff of Community Development (CD) and its loan committee. Persons using this policy should recognize these guidelines and directives are to be adhered to at all times. However, if through its good judgment, the loan committee waives any requirements; all members present must justify, document and sign off on the exception.
- B. The senior loan officer will review the loan policies and procedures annually to make necessary updates or additions with the approval of the loan committee.
- C. The areas serviced are all locations that fall within the corporate city limits of Columbia, S.C, unless otherwise directed by City Administration.
- D. Loans through City of Columbia’s Community Development Department are intended to encourage homeownership and to improve the residential areas of Columbia. The program requires homeownership classes and credit counseling for all applicants to ensure that all awardees have a positive homeownership experience and are able to improve their economic standing.

- E. First Citizens Mortgage is the servicing agent for loans through this program and payments are made to the following address:

First Citizens Mortgage
Attn: Customer Service
P.O. Box 11757
Columbia, SC 29211

II. AUTHORITY AND DELEGATION OF RESPONSIBILITIES

A. **Loan Committee:** The loan committee has final authority in all matters regarding the approval or denial of loans through the Community Development Department and only the loan committee may revise those decisions. The loan committee will also approve loan applications from the City of Columbia's Development Corporations as well as other entity's requesting loans for residential development in accordance with HOME, CDBG, and the City's General Fund requirements.

B. **Structure and Responsibilities of Loan Committee Members:** The loan committee is a three member committee that assumes the responsibility for final approval or denial of all loan applications that meet the minimum underwriting guidelines, and may grant waivers of program guidelines for hardship cases, provided that the necessary documentation is presented. The loan committee shall consist of the following members or their designee:

- City Manager
- Assistant City Manager for Community Programs and Economic Development
- Finance Director

1. **Terms of Service:** Loan Committee Members shall serve for three year terms with terms being staggered. Loan committee members can serve two consecutive three year terms after which they must retire from the committee. Newly appointed members are required to attend four loan committee meetings with current members to observe the structure of meetings and learn the Housing Policy and Procedures.

2. In carrying out its responsibilities, the loan committee will exercise its judgment in approving, modifying or denying loan requests or changes to loans for the promotion of homeownership in the corporate city limits of Columbia or otherwise specified area, as approved by the loan committee and city administration. The loan committee will review the requests presented by the loan officer, then concur or decline the request. If the loan meets all requirements, the committee will make the final decision, taking into account the loan officer is presenting the loan in good faith based on the approved

underwriting guidelines.

3. If during the life of the loan a request is made by a loan recipient who can prove financial hardship (i.e. loss of job, death of spouse, etc.), the request must be presented to the loan committee for consideration of any changes to the loan's current repayment structure. The servicing bank will assist with providing the necessary documents for consideration. The servicing bank contacts the loan recipient and collects and verifies all financial documents to determine if modification is admissible.

4. All loan requests will be thoroughly vetted by staff before being presented to the loan committee. The loan committee has the authority to use its judgment to waive any requirements as long as it does not result in the violation of any HUD guidelines or any federal, state, or local laws. Those waivers must be documented and signed for by the loan committee members.

C. Responsibilities of Loan Officer: The loan officer's primary function is to gather the loan applicant information and determine if the applicant meets program guidelines as well as to provide continuing Homebuyer Education to loan recipients.

- a. To ensure the loan officer is complying with the Real Estate Settlement Protection Act (RESPA), the loan officer is required to provide each applicant with RESPA documents. These documents must be provided within three business days of the submission of the application. The documents must fully disclose in writing the terms and conditions of the mortgage, including the Annual Percentage Rate (APR) and other charges.
1. The loan officer will be responsible for marketing the loan programs. The loan officer will leverage new and existing relationships to grow the City of Columbia's housing loan portfolio with the goal of increasing homeownership.
 2. The loan officer will perform a credit and financial analysis to ensure that the applicants have the capacity to repay the loan. Once the loan officer determines that the applicant is creditworthy, he/she will prepare the pre-approval form along with all supporting documents and present the loan request to the loan committee for pre-approval.
 3. The loan officer will ensure the loans are structured according to HUD guidelines as well as the Housing Loan program guidelines. The loan officer will collect all supporting financial documents to support the loan request and confirm the purchase request with a signed purchase contract and appraisal. He/she must thoroughly review all supporting documents to solidify the loan request. After review and verification of the borrower's capacity to repay the loan as well as review of the

appraisal and condition of the home for verification of collateral. The loan officer must present the borrower's loan request for final approval to loan committee members in order to move forward to closing.

4. The loan officer will be responsible for all documents and preparation as well as ensuring that all pre-closing documents, funds, and other requirements are prepared and submitted to the closing attorney on time to accommodate closing schedule.
 5. Maintain designation as a certified Housing Counselor through the necessary exams and required continuing education.
 6. The loan officer will monitor the progress of existing loans to ensure that all loans remain in compliance with program guidelines.
- D. **Conflicts of Interest:** (A) No public official, public member, or public employee may knowingly use his official office, membership, or employment to obtain an economic interest for herself/himself, a family member, an individual with whom he is associated, or a business with which he is associated. This prohibition does not extend to the incidental use of public materials, personnel, or equipment, subject to or available for a public official's, public members, or public employee's use that does not result in additional public expense.
- B) No public official, public member, or public employee may make, participate in making, or in any way attempt to use his office, membership, or employment to influence a governmental decision in which he, a family member, an individual with whom he is associated, or a business with which he is associated has an economic interest. A public official, public member, or public employee who, in the discharge of his official responsibilities, is required to take an action or make a decision which affects an economic interest of herself/himself, a family member, an individual with whom he is associated, or a business with which he is associated shall:
- (1) prepare a written statement describing the matter requiring action or decisions and the nature of his potential conflict of interest with respect to the action or decision;
 - (5) if he is a public member, he shall furnish a copy to the presiding officer of an agency, commission, board, or of a county, municipality, or a political subdivision thereof, on which he serves, who shall cause the statement to be printed in the minutes and shall require that the member be excused from any votes, deliberations, and other actions on the matter on which the potential conflict of interest exists and shall cause such disqualification and the reasons for it to be noted in the minutes.
- (C) Where a public official, public member, or public employee or a member of his immediate family holds an economic interest in a blind trust, he is not considered to have a conflict of interest with regard to matters pertaining to that economic interest, if the existence of the blind trust has been disclosed to the appropriate supervisory office.
- 570.611 Conflicts of Interest. Federal:** Conflicts prohibited. The general rule is that no persons described in paragraph (c) of this section who exercise or have exercised any functions or responsibilities with respect to CDBG activities assisted under this part, or who are in a position to participate in a decision-making process or gain inside

information with regard to such activities, may obtain a financial interest or benefit from a CDBG-assisted activity, or have a financial interest in any contract, subcontract, or agreement with respect to a CDBG-assisted activity or with respect to the proceeds of the CDBG-assisted activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for one year thereafter. For the UDAG program, the above restriction shall apply to all activities that are a part of the UDAG project, and shall cover any such financial interest or benefit during, or at any time after, such person's tenure.

(c) Persons Covered. The conflict of interest provision of paragraph (b) of this section apply to any person who is an employee, agent, consultant, officer or elected official or appointed official of the recipient, or of any designated public agencies, or of Subrecipient that are receiving funds under this part.

(d) Exceptions. Upon the written request of the recipient, HUD may grant an exception to the provisions of paragraph (b) of this section on a case-by case basis when it has satisfactorily met the threshold requirements of (d) (1) of this section, taking into account the cumulative effects of paragraph (d) (2) of this section.

(1) *Threshold requirements.* HUD will consider an exception only after the recipient has provided the documentation:

(i) A disclosure of the nature of the conflict, accompanied by an assurance that there has been public disclosure of the conflict and a description of how the public disclosure was made; and

(ii) An opinion of the recipient's attorney that the interest for which the exception is sought would not violate State or local law.

(2) *Factors to be considered for exception.* In determining whether to grant a requested exception after the recipient has satisfactorily met the requirements of paragraph (d) (1) of this section, HUD shall conclude that such an exception will serve to further the purposes of the ACT and the effective and efficient administration of the recipient's program or project, taking into account the cumulative effect of the following factors, as applicable:

(i) Whether the exception would provide a significant cost benefit or an essential degree of expertise to the program or project that would otherwise not be available;

(ii) Whether an opportunity was provided for open competitive bidding or negotiation;

(iii) Whether the person affected is a member of a group or class of low-or moderate-income persons intended to be the beneficiaries of the assisted activity, and the exception will permit such person to receive generally the same interest or benefits as are being made available or provided to the group or class;

(iv) Whether the affected person has withdrawn from his or her functions or responsibilities, or the decision making process with respect to the specific assisted activity in question;

(v) Whether the interest or benefit was present before the affected person was in a position as described in paragraph (b) of this section;

(vi) Whether undue hardships will result either to the recipient or the person

affected when weighed against the public interest served by avoiding the prohibited conflict; and
(vii) Any other relevant considerations.

III. ASSET MANAGEMENT

A. Credit Standards

1. **General**: The loan officers are to solicit and originate loans to applicants meeting standards of credit worthiness and ability to repay the loan, while targeting individuals with low to moderate incomes.
2. **Eligible Applicants**: Individuals or households meeting the income, credit, and employment guidelines who desire to purchase a single family house within the city limits of Columbia as their primary owner-occupied residence.
3. **Secured Lending**: All loans through the City of Columbia Community Development Department are to be collateralized through a valid mortgage or deed of trust. The collateral securing the loan should provide a legitimate SECONDARY repayment source throughout the life of the loan (Primary repayment source should be the borrower's household income).

All first or junior mortgage real estate loans must be closed by a South Carolina licensed attorney.

4. **Lien Position**: All loans funded through Community Development for Purchase or Rehabilitation must be in first or second lien position. If the new loan does not fall in first or second lien position the loan officer must provide specific documentation to support the City Of Columbia interest will be completely collateralized. The loan committee members must approve the loan request with extended loan position before proceeding with loan request.
5. **Insurance**: The loan officer is responsible for ensuring that loans are adequately protected through insurance coverage and to ascertain and see that adequate coverage is maintained and that The City of Columbia is shown as additionally insured on hazard insurance policies throughout the term of the loan.

B. Credit Documentation and Administration

1. **Information Intake**: The loan officer will complete an application utilizing the Calyx Loan Automation system. Loan officer must have the applicant sign the application once completed and printed from Calyx. Loan officer is responsible for gathering the proper documentation from the borrower.

Once all required documents are available, the loan officer will complete all due diligence of the applicant, the request, as well as the subject property. Completion of this due diligence should be thorough and should include all information relevant to making the credit decision.

2. **Credit Files**: The maintenance of complete credit files on all borrowers is essential. The origination of these files is fundamentally the responsibility of the loan officer. It is the responsibility of the each loan officer to ensure that all necessary documents are included in the closed credit files per their program specific checklist.

C. **Loan Review and Criticized Loans**

1. **Loan Modifications**: A loan modification may be offered as an option on any existing loan to assist the borrower in bringing the loan current as well as assist the borrower in paying the loan, according to the loan agreement or modification. The borrower must provide documentation to substantiate his/her capacity to repay the loan. Final modification approval is required by the Loan committee. The Servicing Bank will assist with providing supporting financial documents from the applicant to endorse the modification request.
2. **Subordination**: The City will support the borrowers with refinancing their first mortgage with an agreement to subordinate the second mortgage, as long as the refinancing transaction is benefiting the borrower by lowering their monthly mortgage payments or consolidation of expenses. The refinancing transaction must not include cash out. If the borrower has a third mortgage, the third mortgage must be paid off either from the refinancing transaction or the borrower from out of pocket resources. The City will not subordinate the third mortgage. A fee will be assessed for this service.
3. **Delinquency**: First Citizens Bank is the servicing agent for all Housing loans originated through the City of Columbia's Community Development Department. The Senior Loan officer will review the monthly delinquency report as it is received from the servicing Bank. The senior loan officer will work closely with the collectors at the servicing Bank to determine the status of the borrower. Once a borrower is 90 days past due and isn't responding to the collection efforts, the senior loan officer will notify the Director of Community Development.
4. **Default**: The Director of Community Development, with concurrence of the City Manager and City Attorney, has been given authority to take any action necessary to commence the process to collect on loans which CD administers and deem to be in default, including the authority to retain collection counsel. All loans 120 days past due will be deemed to be in default and collection action will begin by legal counsel.
5. **Environmental**: The loan officer is required to complete the Certification of Categorical

Exclusion (not subject to 58.5) document on all loans. Loan officer should work with Compliance Officer to finalize the document prior to closing loan.

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IV. DETAILED LOAN PROCESS

The following is a detailed explanation of the loan process from inception to closing. It is imperative that this process is followed and that all original documents are collected to ensure the protection of the City of Columbia's assets and its loan position.

- 1) Initial meeting with interested loan candidate(s). The candidate(s) has either set up the appointment by phone, walk-in, center of influence or referral by a partner bank.

Prior to the appointment, the potential homebuyer will have been provided a list of required documents that is necessary for their first scheduled appointment. This information is required for all adult members 18 years and older in the household: (Exception for students up to the age of 24)

- a. Driver's license
 - b. Social Security Card
 - c. Most recent year's state and federal tax returns (additional years may be required if a potential homebuyer is self-employed or had 1099 income)
 - d. Most recent year's W-2 statements
 - e. Most recent three pay stubs from current job
 - f. Last two months of bank statements
 - g. Proof of any additional household income, if any
- 2) Complete the loan application on Calyx Loan Automation System (Fannie Mae Form 1003). Based upon the information gathered for the application and credit history, the appointment will fall into one of three categories:
 - a. Credit counseling only—this means the candidate is not immediately ready to purchase a home based upon insufficient credit scores. The candidate is informed as to what needs to be addressed in order to proceed with the purchase of a home. The loan officer will assist the candidate by providing

several options concerning budgeting issues as well as discussing his/her credit in depth. Based upon the commitment of the borrower, the Loan officer will set up a new profile utilizing EFannie Mae Online House Counseling System. The system will allow loan officers to track all activities and budgeting to help keep applicants on a continuous tracking system to help gauge readiness. Applicants are also required to participate in the Community Development Dept. Financial Literacy Workshops that are offered every other month.

- b. Pre-approval—this means the candidate’s employment and credit is in good standing and has met the minimum required qualifications. The applicant’s information is presented to the Loan Committee members for pre-approval to purchase a home based upon the specified mortgage program and meeting the guidelines of that program. Once a pre-approval is granted, the borrower is allowed to move forward with the home purchase. At this point applicants are given the Genworth Financial Homebuyer Study Guide with required work sheets. Loan officers also determine income qualifications to assign the applicant to a particular loan program. It is the loan officer’s responsibility to ensure the property the applicant is purchasing is zoned for the City Of Columbia. The loan officer will maintain borrower information in an active file for 90 days waiting for a signed purchase contract.
- c. Completion of Homebuyer Education— the applicant has previously met with the loan officer and has been deemed “pre-qualified”. The loan officer thoroughly reviews the completed workbook and worksheets. Once the applicant has successfully completed the workbook and has a great understanding of the home buying process, a completion certificate is issued. A minimum of eight hours should be spent on this process.

A report is generated quarterly. Loan officers are required to track all credit counseling, pre-approval, and homebuyer follow up appointments they have had in that given quarter.

- 3) If the candidate is pre-qualified and has completed the Home Buyer Education (HBE) he/she can move forward with a contract on a home. The applicant must also agree to the Housing Disclosures in order to proceed with the City’s Housing Program.
 - 4) Once the applicant(s) places a contract on a home, the Loan officer can refer them to one of the partner banks. The candidate’s information is forwarded to the partner bank’s loan officer to be vetted for approval and the bank’s commitment.
- Sales Agreement Contract:** must include the following- *“All loose, flaking, or peeling paint inside and outside will be repaired prior to closing on all homes built prior to 1979”. Allow at least 45 days, from the date of the contract to the date of closing.*

- 5) The loan officer is required to verify the property is in the city limits of Columbia by utilizing the tax map and by contacting the City's Zoning Division for final verification. The loan officer is required to document the date and time as well as the person they spoke with for verification.
- 6) Once a contract is finalized, signed by all parties, and contains the above clauses, the loan officer assigns the borrower to the next partner bank in rotation, subsequent to their underwriting guidelines.
- 7) The loan officer sends the partner bank the following documents:
 - Copy of the Fannie Mae Form 1003 application with the applicants information
 - Copies of the most recent three pay stubs on file
 - Last three bank statements on file
 - Last year's state and federal tax returns
 - Last year's W-2 statements
 - Copy of the potential homebuyer's driver's license and social security card
 - Information showing what loan the potential homebuyer is eligible for and a breakdown of that loan using the sales price of the selected property
 - A copy of sales agreement contract signed by all parties
 - A copy of the potential homebuyer's Homebuyer Education certificate of completion
- 8) The loan officer schedules an appointment with the borrower to sign preliminary disclosures for the City's Loan. The following are the disclosures:
 - a. Borrower's Affidavit—to verify who will be living in the home and what the total annual household income is. Must be filled out *entirely* in the borrower's handwriting.
 - b. Occupancy Disclosure—makes the borrower aware of the 2nd Mortgage Rider which will be signed at closing.
 - c. Good Faith/Truth-in-Lending—confirms the loan amount, the interest rate and APR, when the first payment is due, finance charges, and the total amount of payments.
 - d. Selection Disclosure—the borrower selects his/her own attorney and insurance group (must be in their handwriting).
 - e. Lead-Based Paint Disclosure & Housing Standards Guide—borrower receives the booklet on paint and signs the last page of the Standards Guide.

- f. Borrower is given the information to provide to their insurance agent regarding the City's mortgagee clause informing them of the City's second mortgage on the property so the City can be listed as additionally insured.
- 9) Once the application (Fannie Mae Form 1003) comes back from the partner bank, the Loan officer can then review the application for conformity with previously gathered information and begin to assemble the loan for the loan committee. Loan officer will use partner bank property appraisal and title work to support required City Of Columbia second mortgage loan application. Once the appraisal is completed the Loan officer reviews it to ensure it supports the loan amount.
The loan officer must receive documentation from Partner Bank signifying the approval of the bank loan in conjunction with the City's second mortgage.
- 10) The loan officer contacts the attorney *at least two weeks* before closing to make sure they know there will be a second mortgage held by the City of Columbia and that we require a survey that is no more than 10 years old. Also get the point of contact's name (the paralegal) and email address to send the closing package.
- 11) The loan officer will visit the property to inspect the home to ensure there is no "loose, flaking, or peeling paint inside or outside". If any of this is present it must be repaired prior to closing. (A full completed appraisal would be sufficient to replace the loan officer's inspection)
- 12) The loan officer assembles the loan package and presents it to the loan committee. This includes getting the environmental completed and signed off by the compliance officer. This is done as soon as the appraisal and final approval from the bank are received to ensure the funds are wired in timely manner. Finance will be provided with a copy of the HUD Settlement Statement as well as all supporting approval documentation. A date will be provided to finance as to when the funds need to be wired to meet the closing date.
- 13) Once the loan is approved, the loan officer then creates the closing package and makes arrangements to deliver package to the closing attorney at least 48hrs before scheduled closing.
- 14) The attorney must send all required documents (as outlined in the closing instructions) back to the loan officer within 24hrs. Once the loan officer has received and reviewed all documents for final completion; signed loan docs are placed in the customer file.
- 15) Loan officer is required to prepare closing documents based upon the servicing Bank Shipping Checklist to be forwarded for servicing within 48hrs of closed loan.

FINAL LOAN APPROVAL:

In order to submit a loan to Loan Committee, the Loan officer requests the following from the partner bank:

- Copy of appraisal
- Because of the turnaround time for closing checks it is acceptable for a loan officer to bring a file before the Loan Committee without the appraisal or signed bank application. The Loan Committee approval form will notate that final approval is contingent upon a satisfactory appraisal and final approval from partner bank.
- The loan officer can also estimate taxes and insurance based on market knowledge if they do not have that information verified at the time of presenting the loan to the Loan Committee.

- The loan officer will prepare a loan committee form for approval to present to the loan committee with the following information:
 - a) Name of potential homebuyer
 - b) Potential homebuyer employment information
 - c) Property address
 - d) Closing Attorney
 - e) Sales price
 - f) Type of loan the potential homebuyer will be receiving
 - g) Name of Loan officer Presenting Loan request
 - h) Verified source of funding
 - i) Break down of the sales price based on the type of loan they are receiving showing the City of Columbia's portion as well as the name of partner bank participating
 - j) Interest rates from bank and city loan with estimated payments for each loan
 - k) Down payment-Payment of principle and interest, taxes and insurance, second mortgage, HOA (homeowner association)payment, total mortgage payment, total of existing debt and total of mortgage with existing debt
 - l) Potential homebuyers credit scores from all three credit bureaus
 - m) Potential homebuyer's annual income
 - n) Potential homebuyer's monthly income
 - o) Percentage of AMI

- p) Potential homebuyer's front end and back end ratios
 - q) Potential homebuyer household size
 - r) Potential Buyer current rent payment
 - s) Name of presenting loan officer as well as signature and date
 - u) Names of all members of Loan Committee with places for their signatures indicating the loan was approved or denied
- The Community Development Director will review the loan committee approval form and all documentation prior to the loan officer's presentation to the committee.
 - The loan officer will present the information to the loan committee pointing out the items relevant to the accepted Underwriting Guidelines and address any questions or concerns by the loan committee members in reference to the loan request.
 - If the loan is approved, a copy of the approval along with a Preliminary HUD -1 from closing attorney is given to the person that is responsible for ordering the check to close the loan. A copy of the approval or an approval letter is forwarded to the partner bank and the original approval is placed in applicant's file.

CLOSING:

- Once the loan is approved the loan officer generates a closing package to be sent to the attorney that has been selected by the potential homebuyer. The closing package will include:
 - a) Mortgage for each city loan
 - b) Note for each city loan
 - c) Truth in Lending for each city loan
 - d) Mortgage Rider for each city loan
 - e) Borrower's Affidavit
 - f) Mortgage Servicing Transfer Disclosure
 - g) Closing Instructions
 - h) Request for a survey
- The loan officer must request to review the following documents from the closing attorney 24 hours before the closing is scheduled to take place:
 - a) Copy of the Note for the first mortgage from partner bank

- b) Copy of the Mortgage
- c) HUD settlement statement
- d) Survey
- e) Copy of the title work
- f) Proof of homeowner's insurance showing the City of Columbia as additionally insured
- g) CL100- Termite Inspection Report-(Official SC Wood Infestation Report)

- If all items are accounted for and correct, the CD Loan officer can release the funds to close. If items are not completed or correct, the CD Loan officer will alert the closing attorney to this fact and wait for the documents to be corrected prior to the loan being funded.

POST CLOSING:

- After the loan has successfully closed, the Loan officer receives a package from the closing attorney. Closing Package is reviewed for the following items:
 - a) Original signed Notes for each city mortgage
 - b) Copies of signed Mortgages for each city mortgage
 - c) Copy of signed note and mortgage from partner bank
 - d) Signed Truth in Lending statements for each city mortgage
 - e) Signed Mortgage Servicing Agreement
 - f) Signed HUD Settlement statement
 - g) Signed, executed, and notarized Borrower's Affidavit
 - h) Title of Real Estate
 - i) Signed copy of the homeowner's insurance
 - j) Signed copy of the CL100 – Termite Inspection Report-(Official SC Wood Infestation Report)
 - k) Affordable Housing Mortgage Rider

- Once the loan officer receives these documents, the file is shipped to the servicing Bank for servicing. This package must be shipped at least 20 days before the first payment due date. Included in the shipping are:
 - a) First Citizens cover sheet indicating block codes and funding sources

- b) Copy of the signed Note
 - c) Copy of the signed Mortgage
 - d) Copy of the signed HUD
 - e) Copy of the homeowner's Driver's License and social security card
- Once the package is shipped the file is moved to the "Closed, Need Documentations" drawer in the secure file room. Once the "clocked in copies" of all Mortgages are received from the closing attorney, the file can be rotated to permanent filing and notated as such on the filing system.

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V. LOAN MONITORING PROCESS

1. Payment/Balance History:

All payments are made to the servicing bank. The balance history on any loan can be garnered from the servicing bank at any given time. The servicing bank sends a monthly payment report to the City Of Columbia's finance department as well as a copy to the CD department.

2. Satisfied Loan Procedures

In the event that the borrower makes the final payment, the following tasks should be completed by the Loan officer:

- a. After receipt of the letter from the servicing bank, the loan officer is responsible for ensuring that loan file is presented to the Department Director of Community Development so that mortgage and note from the loan file can be stamped Satisfied and Paid in Full by the Director with two witness signatures. The stamped mortgage and note is forward to servicing bank, First Citizens for final execution of the paid off mortgage.

3. Quarterly Reporting

Reports will be completed by the Loan officer and submitted to the Compliance Officer in Community Development. Reports should consist of the number and type of appointments seen each month, bank commitments, type of loans closed and demographics – (Requirement for all federal funds).

VI. PRIVACY PROTECTION POLICY

The City of Columbia Community Development Department collects sensitive information from individuals in order to complete the loan process, which means that the City of

Columbia Community Development Department must comply with certain requirements of the Fair and Accurate Credit Transactions Act of 2004 (FACTA). The following are policies and procedures that the City of Columbia Community Development Department must adhere to in order to ensure that it protects the identities and information of the borrowers.

1. Application Procedures

- When receiving an application, the Loan officer must verify the identity of the individual submitting the application.
- A copy of the applicant's driver's license and social security card must be in the file.
- Verify that all addresses and telephone numbers are consistent among all identification cards and documents.
- Address any Red Flags with the applicant and report any items or issues that the applicant cannot or will not explain or any indications of fraud or illegal activity.

2. Securing Sensitive Documents

- There is to be no sensitive information saved on local computers. Loan officer will utilize FocusIT to store all sensitive documents as server back up for Calyx Loan Software.
- Loan officers will log off the computer or lock the computer screen while away during breaks and when leaving the office for the day.
- Loan officers are required to lock office doors when leaving for the day if they have files in office.
- Loan officers do not share passwords or allow anyone to log on to your computer under their username and password.
- Loan officers will put away any sensitive documents when leaving their desk. Do not leave these documents out when meeting with visitors or while away from your desk.
- Loan officers do not send any documents through mail, fax, electronic mail, or any other form of transfer that has social security numbers attached to it. If the document that will be sent has a social security number attached it must be completely removed or redacted.
- When disposing of documents that contain sensitive information, the document must be shredded to make it unreadable or undecipherable. At no time should a sensitive document be put in the garbage or recycle bin without first being sent through the shredder.

- All files must be securely stored in an environment where only authorized employees including CD department administration, loan officers and loan processors should have access.

3. Disclosing Information to Outsiders/Other Departments

- Under no circumstances are loan files to be disseminated to the public or internally without first being directed through the Legal Department.
- If the City receives a Freedom of Information Act (FOIA) request, files are not to be provided without clearance from the Legal Department. This request is to be forwarded to the Legal Department who will then provide instructions.
- If cleared through the Legal Department, all personal identifying information must be redacted from the documents before disseminating it to the public or outsiders.

These policies and procedures should be followed at all times. Any actions inconsistent with these policies and procedures may put an individual's information at risk of fraud or identity theft.

VII. LOAN PROGRAM GUIDELINES FOR UNDERWRITING

Eligible Applicants: Individuals or households meeting the income, credit, and employment guidelines who purchase a single family house within the City limits of Columbia as their primary owner-occupied residence.

Income/Asset Limits: For City Lender I program maximum income is 80% of Area Median Income (AMI) adjusted for family size as calculated and distributed yearly by HUD. For City Lender II programs maximum income is 150% of HUD guidelines. Income of each adult family members living in the property must be included in the income limit calculation. Assets would be reviewed prior to approval. Applicant(s) can not own any improved property at the time of closing.

Loan Term: 30 year fixed rate, however, a short term can be considered, based upon debt to income guidelines

Assumption: Not assumable.

Mortgage Insurance: Not required.

Prepayment Penalty: None

Demand Feature: Property must be owner-occupied as primary residence and cannot be used, in part or in whole, as rental property as long as the City of Columbia holds a mortgage on property. (See Occupancy Disclosure).

Late Fee: 5% after 15 days

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Maximum Loan:

\$200,000 (Zoned for the City) for City Lender I Program
\$250,000 (Zoned for the City) for City Lender II Program
\$150,000 (Zoned for the City) for Affordable Housing Program
\$200,000 (Zoned for the City) for City of Columbia L.I.F.E. Program
\$400,000 (Zoned for the City) for Employee Loan Program
\$200,000 (Zoned for the City) for Purchase Rehabilitation Program
\$5000 (Zoned for the City) for H.E.L.P Program

Property Types: Single family detached dwellings, townhomes, and FNMA/FHLMMA/FHA approved condos. No mobile, modular, or manufactured homes.

Occupancy Owner-occupied only (non-occupant, investment borrowers are not permitted).

Requirements: Occupants must be US Citizen, permanent resident alien and non-permanent resident alien with documentation evidencing lawful residency status.

Loan to Value (LTV): Loan to value shall never exceed 100% of the appraised value of the home.

Partner Bank Loans: 80% partner bank/ 20% city financing

Down Payment Asset: For City Lending I loans, individuals will receive a \$5,000 Deferred loan after 361st month at 0% percent interest rate. This will be inclusive of the City's 20% financing.

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Down Payment:	Down payment ranges from \$500-\$2,000 depending on the program.
Qualifying Ratios:	33% / 41%
Required Credit Score:	100% for City Financed Programs require Middle Score no less than 600 Derived from all three Credit Bureaus on all applicants. (Bank Participating Loans) - Applicants must meet credit scoring requirement from bank and qualifying ratios for the City Loan Programs for approval requests.
Refinancing:	Not allowed-purchase loans only.
Escrow:	Required regardless of LTV.
Seller:	Seller can pay all closing costs.
Borrower:	Must pay all prepaid, document preparation fees and credit report fees for City Loan Programs.
Contribution:	Seller cannot pay off borrower's credit obligations.
Appraisal:	Standard FHLMC/FNMA/FHA. Condos must meet FHA/FNMA/FHLMC guidelines.
Survey:	A new survey is required if the existing recorded survey is more than 10 years old.
Origination Fee:	None on City loans, however, maybe implemented with Loan Committee Approval.
Document Preparation:	Fee is collected at closing
Credit Report Fee:	Fee is collected at closing
Homeownership	Homeownership counseling is required. An agency certificate (dated

- Counseling:** within the past 24 months) indicating that the borrower has completed a homeownership counseling course is acceptable from the City of Columbia, community colleges, private mortgage insurance companies, classes instructed by bank personnel or self-study supervised by bank or City of Columbia personnel.
- Source of Funds** Gifts can be obtained from a family member or employer but must be documented and resources verified.
- To Close:** Fees collected for the appraisal and credit report are not considered credit toward the down payment requirements.
- All sources of funds to close should be documented according to FHA/FNMA/FHLMC standards: sale of an assets, gifts, personal deposit accounts, etc.
- Documentation required when funds are provided from the sale of a mobile home includes: a copy of the mobile home title showing transfer of ownership, a copy of the check and a copy of the deposit slip evidencing receipt of the proceeds or a loan settlement sheet a copy of the settlement statement does not show evidence of transfer of title).
- No limit on seller contribution to pay closing costs. Seller cannot pay off borrower's credit obligations.
- Other Sources Of Funds:** The City loan program will be used in conjunction with a participating bank's loan in a purchase or purchase/rehab transaction only. A copy of the bank's approval letter must be included in the City loan file when submitting loan request to the Loan Committee for approval.
- Reserves:** One month reserves of mortgage payments. Borrower must provide sufficient documentation of saving reserves before closing. Applicant is required to have one full month of estimated mortgage payment in savings after closing fees are satisfied.
- Qualifying Income:** Alternative documentation can be used for applicants receiving regular compensation on an hourly, weekly, bi-weekly, semi-monthly, or monthly basis such as a Letter on company letterhead from Payroll Director. Standard required documentations are paystubs for the most recent consecutive 30 day period, most recent year's W-2s, and copies of the most recent state and federal tax returns.

Bonus, overtime or commission must be averaged for the past two years and YTD. If received for less than two years, but more than one year, an average of the actual months must be used. This income must be likely to continue in order to use income for qualifying.

Alimony/child support may be used in qualifying if it is likely to continue for three years and has been received for the past six months. Adequate documentation, including a recorded separation agreement, to evidence receipt of such income is required i.e. canceled checks, bank statements, tax returns, Clerk of Court documents. A recorded separation agreement or equivalent document must be obtained in order not to use a spouse's income for the qualifying income calculation.

A one year history of part time income is required when the borrower has part time income along with a primary job. However, an established work history of at least twelve months for the primary job is still required with a verifiable two year work history. The exception to the verifiable two year work history requirement is for a recent graduate who is employed in the area of his/her degree.

Seasonal employment must be likely to continue and verified for the past two years and continues year to date.

Full documentation is necessary when using other income such as: social security, long term disability, retirement, pension, VA compensation, public assistance, dividends, interest, and note receivable and trust income.

Nontaxable income can be grossed up 25%, if necessary, to assist in qualifying.

Unacceptable incomes include: Unemployment, VA educational benefits, retained earnings in a company, rent from boarders, or income that cannot be verified.

**Compliance
Income:**

Compliance income should not exceed 80% of AMI, as calculated by HUD for Citi Lender I programs and 150% of AMI for City Lender II programs. Compliance income includes all income from adult members of the household 18 years of age and over (full time student excluded). A recorded separation agreement or equivalent documentation must be obtained in order to disallow use of a spouse's income for the compliance income calculation. Compliance income is not the same as qualifying income. Qualifying income must be properly verified and used to calculate qualifying ratios.

Credit History:

The credit score evaluation method applies on all City funded loans with the exception of the H.E.L.P. loan. Participating banks have their own credit score requirements and may require a merged credit report. City funded purchase loans require an average or middle score of 600 from all applicants.

Average or Middle Score among applicants – Loan officer can take the average score for all applicants to obtain a minimum score of 600. This score is acceptable as long as client can produce a satisfactory non-traditional credit history for 12 months consecutive having no late pays within the last 6 months and 24 months employment history with same employer.

All debt must be current for the past 6 months.

No thirty (30) days late payments on rent or mortgage payments in the past 12 months. Rent payments must be verified directly with a participating bank's VOR since in-file credit reports do not provide landlord references.

Derogatory credit must be satisfied. Third party documentation will be necessary to show satisfaction of delinquent debt in order to establish credit worthiness.

The borrower's credit history for the past 2 years should be evaluated to determine the borrower's willingness to repay prior to referral to a participating bank.

Outstanding collection, tax liens, and judgments must be paid in full. Collections, tax liens, and judgments originated in the past six months are considered recent delinquent credit.

A bankruptcy must be discharged for at least 2 years and credit re-established. Written explanation from the borrower must be obtained documenting the reason for the bankruptcy and must be acceptable to the participant bank. Bankruptcy petition, schedule of debts, and discharge documents are required.

Repossessions over one year old acceptable with any deficiency balance paid in full and with credit re-established.

When trade lines are not available on the in-file credit report, the participating bank may require verifiable **non-traditional credit** references from sources such as auto insurances, rental insurance, furniture stores, grocery stores, car dealerships, and/or utility companies. Non-traditional credit references must include: Name of creditor, type of account, date account opened, payment amount, repayment terms, and payment history for the past 12 months, current balance, high balance, and the account rating.

Employment:

Borrower must have continuous source of verifiable income or employment for twelve months in same job and have a work history for the past two years, not necessarily in the same line of work. Employment of less duration may be considered with documentation of recent completion of education in the same field as current employment.

Gaps in employment extending beyond one month must be explained. Gaps in employment should be analyzed to determine stability and continuance of employment.

If the borrower is employed by the property seller, the realtor, a relative or closely held family business, signed copies of the borrower's complete federal and state tax returns for the most recent two years are required in addition to the VOE and Business Ownership Certification, as required by the participant bank. If it is determined that the borrower owns 25% or more of the business, then the borrower is considered "self-employed" and the YTD financial statements (profits & loss/balance sheet) and two years' tax returns must be obtained.

Interest Rates: The Community Development Director will make a recommendation to the loan committee based on market conditions. Interest Rates not to exceed a 1% spread below current market rates.

Special Notes: All City of Columbia Building Code requirements and Housing Standard Guideline will be enforced where applicable.

All HUD requirements will apply when utilizing Federal funds.

All rehabilitation loans utilizing City funds must be done by a contractor meeting the minimum criteria as set by the City and all policies and procedures must also be adhered to.

The Loan Committee has the authority to modify, waive, and/or extend all program requirements.

VIII. HOUSING LOAN PROGRAMS

1. **CITY LENDER I LOAN** - provides loan purchase assistance to residents who meet the income requirements of 80% and below of the Area Median Income (AMI) as published annually by HUD. Requires bank participation, the City's 20% includes \$5,000 as down payment assistance in the form of a deferred third mortgage; due at the 361st month, or when the home is refinancing of a superior lien, or the sale of the property. (Must meet underwriting guidelines)
2. **CITY LENDER II LOAN** - provides loan purchase assistance to residents who meet the income requirements of 80%-150% of the AMI as published annually by HUD. Requires bank participation, the City's participation will not exceed 20%. (Must meet underwriting guidelines)
3. *****AFFORDABLE HOUSING LOAN** - provides 100% loan purchase assistance to residents who meet the income requirements of 80% and below of the AMI as published annually by the HUD. The loans can be made in designated redevelopment areas as defined in the Consolidated Plan. This loan can also be applied to homes owned by the City of

Columbia, Columbia Development Corporation, Eau Claire Development Corporation and Columbia Housing Development Corporation. (Must meet underwriting guidelines)

- 4.*****CITY OF COLUMBIA LOAN INCENTIVE FINANCING ENHANCEMENT (L.I.F.E.) PROGRAM**
- provides loan purchase assistance toward the purchase of a home, to residents who meet the income requirement of 80%-150% of the AMI as published annually by HUD. Properties must be in designated areas of the City's redevelopment areas defined in the Consolidated Plan. This loan may also apply to homes owned by the City of Columbia, Columbia Development Corporation, Eau Claire Development Corporation and Columbia Housing Development Corporation, as approved by City Administration and the Housing Loan Committee. Requires bank participation and the City's participation will not exceed 30%. (Must meet underwriting guidelines)
- 5.**EMPLOYEE LOAN** - provides loan purchase assistance to all City of Columbia employees with twelve months of employment with the City with no income restrictions, and property must be within the City of Columbia corporate city limits. Requires bank participation, the City's participation will not exceed 25%. (Must meet underwriting guidelines)
- 6.*****PURCHASE REHABILITATION** - provides 100% loan purchase assistance to residents, seeking to purchase and rehabilitate a home. These loans are provided to individuals with incomes up to 80% of the AMI as published annually by HUD. The city will provide financing for the purchase and up to \$75,000 for rehabilitation. Total loan must not exceed 100% LTV. Maximum loan amount is \$200,000. The loans must be made in designated redevelopment areas as defined in the Consolidated Plan. (Must meet underwriting guidelines)
- 7.**H.E.L.P. LOAN** – provide loan assistance to support the residents who are disabled or 62 years old or older. The loan is to provide emergency repairs defined as, an unexpected occurrence or combination of events calling for immediate action, and categorized unsafe or life-threatening such as roof, heating and air, plumbing, electrical or structural problems. The maximum loan amount is \$5,000

***In conjunction with the presentation of the Annual Plan, the Community Development Director will recommend three targeted areas within the designated redevelopment areas to concentrate efforts for rehabilitation of neighborhoods.

**** All City of Columbia Loan Programs are based on the availability of funds. ***

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Appendix I
City of Columbia Office – Housing Loan Programs

PROGRAMS	CITY LENDER I	CITY LENDER II	AFFORDABLE HOUSING	CITY OF COLUMBIA L.I.F.E.	EMPLOYEE LOAN	H.E.L.P LOAN	PURCHASE REHAB
Housing Program Requirements	Single Family homes within City of Columbia Corporate city limit	Single Family homes within City of Columbia Corporate city limit	Single Family homes within City of Columbia Corporate city limit- <u>Applies only toward special projects designated by CDD -</u>	Single Family homes within City of Columbia Corporate city limit- <u>Applies only toward special projects designated by CDD -</u>	Single Family homes within City of Columbia Corporate city limit	Owner occupant must be at least 62 years of age or older or disabled City of Columbia Corporate city limit	Single Family homes within City of Columbia city limit- <u>Applies only toward special project designated by CDD</u> City of Columbia Corporate city limit
Down Payment Requirements	\$1000	\$2000	\$500	\$1000	\$500-\$1000	None	\$500
Max Loan Amount	\$200,000	\$250,000	\$150,000	\$200,000	\$400,000	\$5000	\$200,000
Income Requirements	80% and below Average AMI	Up to 150% Average AMI	80% and below Average AMI	Up to 150% Average AMI	No Income Restriction	Household Income can't exceed 50% AMI	Up to 80% Average AMI
Bank Participation Requirements	80% funded by Partner Bank & 20% funded by City- <u>\$5000 as Down Payment Asst. Third Mortgage due at 361st month (0% interest rate)</u>	80% funded by Partner Bank & 20% funded by City	100% City Funded Loan	70% funded by partner bank & 30%City Funded Loan	75% funded by Partner Bank & 25% funded by City	100% City funded loan	100% City funded loan
Collateral Required	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Interest Rate	Based Upon Market Conditions	Based Upon Market Conditions	Based Upon Market Conditions	Based Upon Market Conditions	Based Upon Market Conditions	Zero Interest	Based Upon Market Conditions
Repayment Term (standard but can vary)	30 year	30 year	30 year	30 year	30 year	30 year	30 year