

Affordable Housing Program and Secondary Financing Virginia Housing Certification of Eligibility

Secondary Financing Agency / Local Government Affordable Housing Agency: _____

Borrower(s): _____ Originating Lender: _____

Property Address: _____ / _____
Street Address City State Zip

The undersigned representative of the secondary financing provider and/or that of the local government affordable housing program and the lender's underwriter hereby acknowledge, represent, warrant and covenant the following:

Deed Restrictions/Resale Restrictions (Affordable Dwelling Units and Secondary Financing)

1. Any terms, restrictions, covenants, or ordinances related to affordable housing programs or secondary financing must conform to FHA requirements. In the event the deed/resale restrictions do not comply with FHA guidelines and the loan program requested is conventional financing, contact Virginia Housing for exception consideration.
2. Legal Documents: Virginia Housing's Deed of Trust shall at all times be in first lien position and the rights and remedies provided to Virginia Housing in its Deed of Trust shall at all times be superior to the rights and remedies of any affordable housing program restriction, covenant, ordinance or rights and remedies of the second lien holder.
3. All restrictions on transfers and conveyances contained in the second deed of trust or the affordable housing program restrictions, covenants or ordinances must terminate upon foreclosure, deed-in-lieu of foreclosure, assignment to the insurer or guarantor of Virginia Housing's mortgage loan and cannot prohibit the transfer of "good and marketable" title.
4. Shared Equity: Provisions must conform to the applicable insurer requirements and in addition must be approved in advance by Virginia Housing.

Secondary Financing

1. Qualifying: The monthly payment for secondary financing must be included in the total proposed housing expenses for determination of payment to income ratios.
2. Maximum Loan to Value: The first mortgage when combined with the second mortgage (including any secondary liens) may not exceed (i) the lesser of sales price or appraised value plus (ii) standard closing costs, discount points and prepaids. Secondary financing may not be used to finance the gap between the sales price and appraised value.
3. Eligible Providers: Secondary financing providers must be a Federal, state or local government or a non-profit organization administering funds for such an entity or an employer through an employer assisted program. Secondary financing provided by interested party in the transaction (including Seller or Realtor) is not acceptable without prior approval of Virginia Housing.
4. Prepayment Penalty: The secondary financing must permit prepayment in whole or in part without penalty.
5. Terms: The interest rate of the secondary financing will not be greater than the interest rate of the first mortgage. Balloon payments are not allowed. The secondary financing must be fixed rate and fixed payment with no negative amortization. The source, amount and repayment terms of the secondary financing shall be disclosed to and acknowledged by the applicant and all final closing documents submitted with the loan package.
6. Automated Underwriting Decisions: Lenders using automated underwriting systems for loan approval (Desktop Underwriter or Loan Prospector) must follow the secondary financing guidelines for that particular agency in accordance with the loan decision.

Agency Representative Name: _____

Signature: _____

Date signed: _____

Originating Lender Underwriter Name: _____

Signature: _____

Date signed: _____