



SC State Housing Finance & Development Authority

SC Housing Homebuyer (BOND) Program Manual

February 02, 2026

THIS MANUAL IS NOT FOR USE WITH PALMETTO HOME ADVANTAGE LOANS
PLEASE CONSULT LAKEVIEW LOAN SERVICING
FOR SPECIFIC UW AND DELIVERY REQUIREMENTS

Contents

- Introduction and Lender Basic’s 4
 - Lender Regulatory Compliance..... 4
 - TILA – RESPA Integrated Disclosure Requirements (TRID) 5
 - Electronic Signatures 5
 - Quality Control/Audit Requirements..... 6
 - Repurchase of Mortgage Loans 7
 - Early Payoff 8
 - Early Payment Default 8
 - Lender Online Access 8
- General Loan and Borrower Eligibility Requirements 8
 - Loan Purpose/Type/Occupancy..... 8
 - Homebuyer Eligibility Requirements 9
 - Income and Sales Price Limits..... 10
 - Down Payment Assistance..... 10
 - Loan Reservation and Rate Lock..... 11
 - Loan Interest Rate/Term..... 11
 - Rate Lock Expiration – Existing Properties 11
 - Extended Rate Lock– New Construction Only 11
 - Rate Lock Extensions..... 12
 - Rate Lock Cancelations and Substitutions 12
 - Fees and Costs 12
 - Homebuyer Education 12
- Eligible Properties, Standards and Inspection Requirements 13
 - Appraisal 13
 - Property Standards and Inspection Requirements..... 15
- Underwriting and Eligibility Review..... 17
 - Underwriting Responsibility..... 17
- General Underwriting Requirements 17
 - Credit Score..... 17
 - Debt to Income (DTI) Ratio 17
 - Bankruptcy and Foreclosure 17

Collections and Judgements	17
Automated Underwriting.....	18
Asset Documentation	18
Employment Documentation.....	18
Federal Tax Return/Transcript Requirements	19
Tax Liability	20
Mortgage Insurance.....	20
Compliance Underwriting Requirements	20
Compliance File Submission Procedures	21
Changes Prior to Closing	21
Compliance Underwriting - Household Income	22
Income Included in Household Income	22
Income Excluded from Household Income.....	23
Computing Household Income	24
Recapture Tax	28
Loan Closing and Delivery Requirements	29
SC Housing Certificate of Eligibility	29
Closing Conditions.....	29
Re-verification of Employment.....	29
Flood Certification.....	29
Fees and Costs	29
Property Tax.....	30
Insurance Requirements.....	30
Closing Documentation Requirements.....	31
Name Affidavits.....	32
Mortgage and Riders.....	32
Title	32
Survey.....	33
Closing with Power of Attorney	34
Delivery and Review of Closed Loan Funding Package.....	34
Age of Note at Time of Purchase	35
Uniform Closing Dataset (UCD) Requirements.....	35

Late and Incomplete Delivery 36
Funds to Lender from Servicer at Purchase..... 36
Fees to Servicer from Lender – Net Funding 36
Servicing Package..... 37
Final *Documentation*..... 37
Contact Information..... 38

Introduction and Lender Basic's

SC Housing offers Conventional, FHA, USDA and VA mortgage loan programs through our Single-Family Programs Division. The SC Housing Homebuyer Program assists low-to-moderate income families and individuals obtain homeownership by offering a competitive fixed interest rate with down payment assistance to qualified first time homebuyers.

This manual is designed to provide our lending partners with program specific information, and documentation needed to facilitate the origination, processing, underwriting, closing and delivery requirements of loans to SC Housing. These requirements are outlined in the applicable program guide and manual. This manual should be used in conjunction with the respective program guide and announcements published by SC Housing. In addition, lenders should refer to the most current guidelines and published materials provided by Fannie Mae, Freddie Mac, Federal Housing Administration (FHA), Department of Veterans Affairs (VA) and the United State Department of Agriculture Rural Development (USDA/RD).

SC Housing reserves the right to amend this guide from time to time, as necessary, and will provide notification via announcement and by subsequent update of modifications to the manual located in Lender Online.

Lender Regulatory Compliance

Any mortgage loan transaction originated and submitted to SC Housing must comply with all applicable federal, state, local and governing regulatory agency laws, rules and regulations including, but not limited to:

- Fair Housing Act
- Graham-Leach-Bliley Act (GLBA) – Regulation P
- Fair Credit Reporting Act (FCRA) – Regulation V
- Equal Credit Opportunity Act (ECOA) – Regulation B
- Home Mortgage Disclosure Act (HMDA) – Regulation C
- TILA-RESPA Integrated Disclosure Rule – (TRID)
- Real Estate Settlement Procedures Act – Regulation X
- Mortgage Acts and Practices – Advertising rules (MAP) – Regulation N
- Homeowners Protection Act (HOPA)
- Appraiser Independence Requirements (AIR)
- Secure and Fair Enforcement for Mortgage Licensing Act (SAFE Act)
- Bank Secrecy Act (BSA)
- Dodd-Frank Wall Street Reform Act – to include Prohibition of Unfair, Deceptive, or Abusive Acts or Practices (UDAAPs)

TILA – RESPA Integrated Disclosure Requirements (TRID)

Lender is responsible for assuring that all first mortgage loans delivered for purchase to SC Housing have been disclosed in accordance with all the requirements outlined under TRID.

Down Payment Loans are not subject to TRID, but are subject to RESPA. However, SC Housing requires that both the first mortgage and the DPA lien be disclosed with a Loan Estimate (LE) and a Closing Disclosure (CD). Both liens must be closed and serviced in the lender’s name until purchased.

- For loan estimates provided within 3 days of loan application, and reflects Rate Lock “NO” - the date of rate lock needed for the Loan Estimate is the date the loan is reserved by the borrower with the lender, **not SC Housing**. In the event that the reservation date with SC Housing is made prior to the date the borrower locks with the lender, a copy of the rate lock agreement or email confirmation must be in the loan file.
- DPA (2nd mtg) Only the Initial LE and any Change of Circumstance Re-disclosure and the final CD are required. Since the DPA lien is not subject to TRID no ICD is required. On the DPA lien even though escrows are not collected on the DPA lien the total amount of escrows reflected on the first mortgage LE/CD must be reflected on the DPA lien disclosures, with the IN ESCROW – marked NO
- Re-disclosed LEs, along with the appropriate changed circumstance documentation, must be submitted with the loan file for purchase.
 - Once a CD has been issued and a correction to a LE has been requested, lender may provide corrections on the Closing Disclosure
- The only allowable closing costs for the DPA loan is the fee required to record the mortgage.
- The final Closing Disclosure must be signed by all parties at closing.

Electronic Signatures

The use of e-signatures is voluntary. SC Housing will purchase loans with documents that have been delivered and signed in compliance with UETA, ESIGN and agency guidelines, including those established by the Federal Housing Administration (FHA), USDA’s Rural Housing Service (RHS), and the U.S. Department of Veteran’s Affairs (VA), Fannie Mae and Freddie Mac, in addition to SC Housing’s requirements listed below:

- The lender must obtain the advance, written consent of the borrower to receive and sign documents electronically;
- Evidence of such written authority must be maintained by lender;
- Lenders cannot permit borrowers to sign blank or incomplete documents;
- E-signatures and the accompanying dates must be clearly visible on all e-signed documents;
- Loan documents containing e-signatures must contain watermarks or serial numbers (or be accompanied by the LOS transaction log) and must be generated from a LOS/e-

signature vendor that is compliant with UETA and ESIGN. Lenders are responsible for vetting their e-signature vendor.

- Lenders shall not divulge personally identifiable information (PII).
- Any document transmitted electronically must be in-compliance with all federal and state privacy statutes and regulations as well as SC Housing privacy policies.

Allowable E-Signature Documents

Lenders may submit the following documents containing e-signatures:

- Initial Loan Application and Addendums
- Loan Estimate and other early disclosures
- Sales Contract
- FHA Real Estate Certification
- Amendatory Clause
- Appraisal
- Conditional Commitment (form HUD-92800.5B)
- Final Loan Transmittal (form HUD 92900-LT or Fannie Mae 1008)
- Final Loan Application and Addendums (LENDER ONLY) – This includes system generated electronic signatures
- SF-021 Declaration of Citizenship Status
- SF-025 Borrower Affidavit
- SF-026 Seller Affidavit
- Any Letter of Explanation (LOX)

Non-Allowable E-Signature Documents

SC Housing **will not** accept e-signatures for **any party** on the following documents:

- Closing Documents – **wet signatures are required on all closing documents**, including
 - Note
 - Mortgage
 - Deed
 - Closing Disclosure and all addendums
- Power of Attorney - for either the borrower or seller
- Documents that require notary or witness signatures
- IRS and Social Security Administration documents
- Any document with a voice or audio signature

Quality Control/Audit Requirements

Lenders utilizing e-signatures must review their quality control plans to ensure they meet all SC Housing requirements and must ensure adequate oversight of their e-signature process. Lenders are required to audit their e-signature process annually and provide the findings to SC Housing in the annual lender recertification package. A lender's e-signature authority may be subject to suspension if the lender fails to comply with SC Housing's e-signature requirements.

Repurchase of Mortgage Loans

At any-time it is determined that a purchased loan is no longer eligible to remain in the agency portfolio by SC Housing or its Master Servicer, SC Housing may request that the lender repurchase any Mortgage Loan sold to the Authority. SC Housing may request the lender repurchase any Mortgage Loan sold to the Authority and/or reimburse the Authority for any and all claims, demands, actions, damages, suits and liabilities arising out of or related to a Mortgage Loan at any time upon the occurrence of any of the following events:

- (a) Any false statement, misstatement, or act of omission of material fact contained in the Mortgage Loan documentation resulting from Lender's negligence or failure to exercise due diligence; or
- (b) Lender fails to obtain insurance or guaranty within sixty days of loan closing, including if such insurance or guaranty lapses or for any reason becomes unavailable, as a result of any negligent act or omission by Lender; or
- (c) The Authority is required to repurchase any Mortgage Loan it sold to or securitized by any investor, and the Mortgage Loan has been determined to be ineligible for purchase, securitization, or not of acceptable quality either by investor demand, quality control review or indemnification demand; or
- (d) Any representation or warranty made by Lender under the Lender Agreement or its applicable manuals with respect to any Mortgage Loan shall, in the reasonable opinion of the Authority, be, in whole or in part and with or without knowledge of Lender, false at the time when made by Lender or become false upon the occurrence of subsequent events; or
- (e) Any material fraud, misrepresentation or act of omission with respect to the information submitted on a particular Mortgage Loan is determined to exist by the Authority or another investor. This includes, but is not limited to, Mortgagor or other third-party fraud or misrepresentation, and any misrepresentation of Mortgagor's income, funds on deposit, or employment, or of the occupancy status of the Mortgaged Property; or
- (f) Lender's breach of any covenant or obligation to the Authority under this Agreement or the applicable manuals with respect to a Mortgage Loan.

The repurchase price for any Mortgage Loan that Lender is required to repurchase from the Authority shall be an amount equal to its then unpaid principal balance of the Mortgage Loan on the date of repurchase, plus accrued interest, any servicing release premium paid, any Down Payment Assistance, if applicable, and direct expenses (including attorney's fees) incurred by the Authority for any actions taken by it concerning, as a result of, or in connection with, any of the events or circumstances set forth herein as cause for repurchase.

Early Payoff

For any Mortgage Loan that is prepaid in full on or before 120 days following the Authority's Purchase Date, the Lender agrees to refund to the Authority, within 30 days after the Authority notifies the Lender of the prepayment, an amount equal to the Servicing Release Premium paid for such Mortgage Loan.

Early Payment Default

In the event that any of the first three (3) scheduled Monthly Payments due and payable to the Authority after the date of purchase of the Mortgage Loan by the Authority are not paid within 30 days of the due date and such default is not cured within 90 days following such default, then within 30 days after the Authority notifies the Lender of such uncured default, Lender shall, in the Authority's sole discretion, repurchase the loan in accordance with Section 5 above.

Lender Online Access

All SC Housing approved lenders will have access through SC Housing's online portal Lender Online. Lending Partners will have the ability to view loan pipelines, pull reports, review daily rates, reserve a loan or review program materials (announcements, forms, guides and manuals). Each lender should assign a Lender Online Administrator within their own company to manage their employees' access.

Lender Online may be accessed by logging in directly at <https://lol.schousing.com>.

The following sections of the manual will cover both Program Eligibility (MRB tax code) and specific SC Housing Underwriting requirements for the SC Housing Homebuyer program. Unless otherwise stated, the proceeding sections, lenders will be required to meet all the items outlined in addition to those established by the applicable insurer (Conventional, FHA, USDA and VA).

General Loan and Borrower Eligibility Requirements

Loan Purpose/Type/Occupancy

All SC Housing Homebuyer loans are delivered to and serviced by SC Housing. Any loan delivered to SC Housing for eligibility determination and/or purchase must be used for the purchase of a principal residence and be either a purchase money transaction (Conventional, FHA, USDA or VA) or a Take-Out Loan (FHA and Conventional ONLY) -(Property must be new construction, not previously occupied and less than one year old and the original construction loan term cannot exceed 24 months.)

Borrower must take ownership of and occupy the property as a full-time, principal residence within 60 days after loan closing. Borrower must notify the lender and SC Housing, if he/she ceases to occupy the property as a full-time, principal residence.

Credit Qualifying Assumptions of existing SC Housing (**FHA ONLY**) liens are permitted however, the DPA must be paid off. In cases where an existing occupant borrower is assuming the debt/obligation, SC Housing will permit assumption of the DPA for the remaining term.

For purposes of program eligibility, SC Housing does not permit the following

- Purchases for use as a rental, recreational, seasonal, vacation or second residence are not permitted.
- Provide, permit or purchase construction/permanent (one-time closing), refinance, or FHA 203K transactions under our SC Housing Homebuyer Program.
- Credit Qualifying Assumptions of existing SC Housing (FHA ONLY) liens – DPA must be paid off unless existing occupant borrower is assuming debt/obligation
- No refinance or modifications allowed

Homebuyer Eligibility Requirements

All borrower(s) must meet credit and underwriting criteria established by HUD/FHA, Department of Veterans Affairs (VA), USDA/RHS, Fannie Mae or Freddie Mac. In addition, borrowers must meet specific First Time Homebuyer Eligibility requirements to be eligible to participate in the program. For properties awarded in a court ordered divorce decree to the ex-spouse, regardless of insurer guidance for credit qualifying purposes, title to the marital home and the existing mortgage debt must be discharged.

Borrowers purchasing property in the following non-targeted counties **must not** have had an ownership interest in any other residence within the three years prior to loan closing, other than a mobile home that is not attached to real property.

Aiken	Greenville	Lexington	Richland
Anderson	Greenwood	Oconee	Spartanburg
Charleston	Lancaster	Pickens	York

A one-time waiver of the First-Time Homebuyer requirement for non-targeted counties is available for veterans.

Veteran - Must have served on active duty in the U.S. Armed Forces (other than active duty for training), received a discharge other than dishonorable and not previously utilized a waiver to receive a bond funded loan.

Borrowers purchasing properties in any county not listed above, a targeted county, may have had an ownership interest in another principal residence within the three years prior to the loan closing.

Ownership in unimproved land is allowed.

Ownership in heirs or inherited property through Deed of Distribution is allowed, if borrower has not occupied the subject property as a primary residence.

Anyone that will be a borrower or hold title to the subject property cannot have an ownership interest in another principal residence, second home or investment property at the time of loan closing.

Borrower(s) and all household occupants must be

- US citizens
- Permanent Resident Aliens – **MUST HAVE A CURRENT AND ACTIVE GREEN CARD and a SOCIAL SECURITY CARD. Green Card Applications, approvals awaiting issuance of the green card, DACA recipients, or those with any form of a VISA are not eligible** - A copy of the front and back of Green Card must be included in the file. For borrowers holding a “Green Card”, the loan is eligible under the same guidelines/terms as a loan made to a US citizen.

In addition, the borrower must also meet the following requirements which are based on applicable federal and state regulations.

- Borrower must be an individual only (SC Housing will not permit loans in the name of an LLC, Corporation or trust of any kind)
- Borrower must have a Social Security Number, a Tax ID Number is not acceptable
- Borrower(s) must meet insurer and AUS requirements for credit and employment history.
- **Non-Occupant co-borrowers** are not permitted, regardless of insurer.

Income and Sales Price Limits

Compliance Income used for program eligibility is based on total income for anyone 18 and over that is listed on the loan application and/or holding title to the property at closing. Income and Sales Price limits must meet program and investor requirements. Limits are county-specific and are subject to change without notice.

Borrower must meet Sales Price and Income Limits. These limits are county and program-specific. Household Income and Sales Price Limits are subject to change. SC Housing will announce any change prior to the effective changes in the Sales Price and Income Limits. Refer to the **SC Housing Homebuyer Sales Price and Income Limits** that can be found in **Lender Online**.

Down Payment Assistance

Down Payment Assistance (DPA) is available in conjunction with a first mortgage and may be used for down payment, closing costs and/or prepaid items. Single Premium MI (Conventional) can now be paid with proceeds from the down payment assistance. DPA cannot be used to pay any government mortgage insurance premium (FHA, USDA or VA),

appraisal gap or real estate commission. Borrower(s) must meet all program and insurer first mortgage requirements. Lenders should consult specific program guides for terms.

- If the borrower sells the property before the end of the applicable fifteen (15) year period, the **entire** DPA balance must be paid in full at the time of sale.
- DPA must be paid in full upon sale, refinance, or if property is no longer the borrower's primary residence prior to maturity.
- If the borrower owns but no longer occupies the property during the term of the DPA note and mortgage, the borrower is required to notify SC Housing of the change in occupancy status immediately and the balance must be paid in full no later than 30 days after notice is given to the borrower.

SC Housing does not allow subordination of the DPA note and mortgage. In the event of refinance before the maturity, the balance must be paid in full.

Loan Reservation and Rate Lock

Reservations/Rate Locks will be accepted by SC Housing from **10:00 AM to 6:00 PM ET, Monday thru Friday**, excluding state-recognized holidays, and days that the U.S. financial markets are closed for business. Interest rates are subject to change without notice. Lenders must rate lock loans, including SC Housing down payment assistance subordinate loans prior to loan submission, using Lender Online SC Housing's online portal. Reservations/Rate Locks should not be made until after a sales contract has been executed between the buyer and seller. SC Housing does not permit To Be Determined (TBD) applications.

Loan Interest Rate/Term

SC Housing offers a fixed rate 30-year term mortgage. Buydowns (temporary and permanent) are not offered

Rate Lock Expiration – Existing Properties

SC Housing offers a **60-day** lock for existing properties. Loans must close within 60 days of reservation/rate lock.

Extended Rate Lock– New Construction Only

SC Housing offers an Extended Rate Lock of **120-day** on new construction properties. Loans must close within **120 days** of reservation/rate lock.

A float down option is available on **new construction only at a cost of .250% of the loan amount**. The Float-Down Option allows the borrower to float down to SC Housing's current rate ONE TIME ONLY during the construction period. The Float Down can be requested anytime during the lock period, **up to 15 days prior to closing**. The interest rate will not automatically be reduced when SC Housing's rates change.

Rate Lock Extensions

Rate locks may be extended prior to expiration, subject to an extension fee. **If the rate lock expiration date falls on a weekend or official SC Housing holiday, the expiration date becomes the next business day.**

- **Lenders must request via email in writing via email to lockdesk@schousing.com Extension fees for all first mortgage loans will be net funded at the time of purchase by SC Housing**
- Extension fees may be charged to the borrower or seller, fees cannot be charged in the form of a discount. Lenders must follow TRID requirements
- Rate locks for subordinate loans reserved with a SC Housing first mortgage are automatically extended at no cost when the first mortgage is extended
- SC Housing will extend a rate lock period for a maximum of 60 days from the original rate lock expiration date

Rate locks may be extended at the discretion of SC Housing, subject to the following extension fees – **EFFECTIVE WITH LOANS RESERVED 04/15/2025 AND AFTER**

All property types	
Extension Period	Fee
7 days	.125%
15 days	.250%
30 days	.500%

Rate Lock Cancelations and Substitutions

Loan Reservation and Rate Locks that are cancelled by the lender or the borrower **cannot be relocked on the same property for a period of 60 days from the date of cancelation.** For reservations where a contract may be terminated due to various issues including, but not limited to seller unwilling to make necessary repairs, problems that arise preventing perfection of title on subject property, etc., the lender will be allowed to update existing reservation and rate lock with a new property address.

Fees and Costs

See Program Guide for allowable fees to include origination and SRP.

- SCH does not allow the lender to charge discount points of any kind.
 - SCH does not charge any LLPA's on an individual loan.

Homebuyer Education

Participation in a homebuyer education program helps potential homebuyers navigate the homebuying process by covering topics related to qualifying for your mortgage, budgeting, credit, homeownership and maintaining your home repairs. Homebuyer Education is required on all loans delivered under the Homebuyer Program and must meet the following requirements:

- Must meet the National Industry Standards for Homeownership and Counseling, or be provided by a HUD-approved counseling agency.
- Can be either classroom or online based instruction
- Regardless of insurer (Fannie Mae, Freddie Mac, FHA, USDA, VA)
 - Lenders have the option of using Fannie Mae's "Framework or HomeView", Freddie Mac's "Credit Smart" or any MI Company HBE that is HUD Certified or any in person HUD Certified Program
- Completed by at least one borrower regardless of previous homeownership.
- Completed within the last twelve (12) months

The presence of a disability, lack of internet access, or other issues may indicate that a consumer is better served through other education methods (e.g., in-person classroom, telephone conference call, etc.). In these situations, consumers should be directed to a HUD-approved counseling agency that can meet their needs. The counseling agency that handles the referral must provide a signed certificate of completion to be included in the loan file.

Eligible Properties, Standards and Inspection Requirements

Properties must meet both insurer and program eligibility requirements. Properties must be an owner occupied, single family property located in South Carolina. Eligible property types are identified in the Property section of the SC Housing Homebuyer Program Guide.

Appraisal

A full appraisal with all applicable addendums and color photos are required. Regardless of insurer acceptance, SC Housing does not except any Exterior-Only appraisals **nor any Fannie Mae Property Inspection Waiver (PIW) issued in DU Findings or Freddie Mac Automated Collateral Evaluation Waiver (ACE) issued in LPA findings.**

All appraisals must be performed in compliance with the requirements of the Appraisal Independence Rule (AIR), established under FIRREA (Financial Institutions Reform, Recovery, and Enforcement Act) of 1989 and be UAD compliant. Lender must furnish evidence that all appraisers are licensed and have the appropriate approvals from the applicable mortgage insurer. Lender is responsible for uploading all appraisals to the applicable insurer portal and agree to provide evidence of such, if requested.

In addition, all properties are subject to the following:

- All properties must be supported by comparable sales used in the appraisal report. Size of the subject property should not exceed **5** acres in size. Full value of the land may be financed by the Loan only if documentation is provided verifying that such land is needed to reasonably maintain the basic livability of the residence and does not provide a source of income to the mortgagor.

- Properties must be within an acceptable commuting distance not to exceed 60 miles to the borrower(s) workplace and should not create a hardship to the borrower. Distances of more than 60 miles may be considered on a case by case basis involving borrower(s) who work remotely.
- Manufactured Housing, other than off-frame modular are not eligible for delivery to SC Housing under the SC Housing Homebuyer program.
- **Properties cannot contain multiple land parcels - any properties containing more than one parcel in the sales contract or appraisal must be combined into and taxed as one parcel prior to closing**
- Properties cannot have an accessory dwelling unit on the property.
- Property may not be used as an investment property, second residence, and no more than 15% of the square footage may be used in a trade or business. The movement of people and/or materials onto the property is indicative of the property being used as a trade or business.
 - Examples of residential property business use which are not acceptable include:
 - car repair;
 - child care;
 - hair styling;
 - merchandise distribution
 - farming
 - Home-based businesses may be acceptable. Examples of acceptable homebased businesses include:
 - Sales positions requiring some record keeping and telephoning at the home; but no storage or distribution of goods; and
 - Production of craft items involving only a small area in the house.
- Properties with solar panels as an alternative energy source are acceptable under the following circumstances;
 - Property must meet all applicable insurer requirements
 - Property must be free of all UCC liens as evidenced in the title commitment/binder/policy – **Lender must obtain and submit at the time of eligibility review**
 - Any current or previous financing arrangement **must be satisfied prior to the issuance of the Certificate of Eligibility**
- **Condominiums** - Lenders are required to comply with AUS and respective insurer requirements to warrant and provide project approval. SC Housing does not perform any part of the review process. Lender must submit evidence of the lenders final project approval at the time of underwriting submission. Lenders are not required to submit any of the supporting review documentation in the eligibility file.
 - Conventional - Fannie Mae or Freddie Mac approved. All Fannie Mae condo projects must meet all AUS and applicable project review requirements. In the event that AUS requires submission through Fannie Mae Condo Project Manager system, evidence of submission and acceptance must be provided.

- FHA – Condominium project must be HUD Approved. **SC Housing does not allow SPOT APPROVALS of any kind.**
- USDA(RHS) – Must be fee simple title and approved by HUD, VA FNMA or Freddie Mac
- VA - Must be fee simple title and approved by HUD or VA

Property Standards and Inspection Requirements

All loans purchased by SC Housing must be secured by property that is safe, decent, sanitary, structurally sound and functionally adequate to meet the present and foreseeable housing needs of the applicant.

- The subject property condition rating provided in the appraisal should not exceed a rating of **C-4**.
- Property should be compatible with surrounding properties and should not pose a specific physical or environmental risk, which could endanger the health and or safety of the occupants.
- The home must contain an adequate and functioning heating source acceptable to insurer guidelines and must contain a fully functioning cooking source (Stove/Oven).
- SC Housing reserves the right to request additional information and/or repairs for any item(s) deemed appropriate for deferred maintenance and those that pose a safety and soundness issue, even in cases where the property appraisal has been completed in “**AS-IS**” condition or whether the insurer requires the items to be repaired or replaced.

Private Wells – If the subject property has a private well as its water source and reference is made in the appraisal report to issues concerning water quality, SC Housing will require that the lender obtain an inspection from a local or county health inspector as to the safety and adequacy of the water source. This certification must be dated within 30 days of closing. This test must comply with all the requirements of the mortgage insurer.

Septic Systems - If the subject property is on a private or public septic system and a reference is made in the appraisal report to issues concerning the quality of the system or possible contamination, SC Housing will require that the lender obtain an inspection.

If the property is new construction, served by a private septic system and reference is made to issues concerning the quality, the system must be tested by a licensed plumbing contractor or local government health or building inspector. The inspector must certify to the adequacy and proper functioning of the septic system as of the date of inspection and that it does not contaminate the water source to the subject property.

For existing properties, the septic system must be tested by a licensed plumbing contractor or local government health or building inspector prior to Loan approval, if:

(i) the appraiser suggests that problems may exist with the septic system, and/or (ii) the property is guaranteed by USDA/RD. The inspector's certification as to the adequacy of the septic system must be dated within 30 days of the Lender's Underwriting approval.

Swimming Pools – Properties with indoor pools are not eligible. All outdoor swimming pools must be **fully functional at the time of closing** and documented by the appraiser. SC Housing may require that a licensed pool contractor perform an inspection of the condition and functionality of the pool and its equipment, regardless of insurer requirement.

Repair/Final Inspection

A repair inspection may be requested by SC Housing to assure completion of repairs required for items deemed necessary. A condition will be placed on the Certificate of Eligibility when needed or if required by the appraisal.

For all New Construction where the appraisal is completed Subject to Completion per Plans and Specs, a Certificate of Occupancy issued by the appropriate county is not acceptable, regardless of insurer acceptance. SC Housing will require a FINAL INSPECTION with photos reflecting completion by the original appraiser or acceptable inspection service.

- **For all FHA/USDA(RHS) New Construction** properties subject to completion, the following must be included in the Closed Loan File
 - HUD 92544 Warranty of Completion of Construction
 - HUD 92541 Builder's Certification
 - Builders Permit and Certificate of Occupancy or 10-year warranty
 - **Final Inspection by appraiser**
 - Termite Report/Wood Destroying insect report/Soil Guarantee

Termite Inspection/Soil Treatment

The property securing the loan must have been inspected for termites in accordance with the requirements of the mortgage insurer. **Any damage or recommended repairs must be addressed prior to purchase and evidence of completion provided.**

- A **clear CL-100** is required on all existing homes and must be completed/dated within **45** days of closing.
- Soil Treatment Certification is required for all new construction

HVAC Inspection

An HVAC inspection must be provided only if required by the appraisal or sales contract.

Underwriting and Eligibility Review

Underwriting Responsibility

For all loans delivered to and serviced by SC Housing, the lender has full delegated underwriting authority and is responsible for all underwriting related to credit quality and insurer requirements. Lenders will originate, process, underwrite, close and insure mortgages in accordance with the SC Housing Mortgage Purchase Agreement (“Agreement”), as may be amended from time to time.

Although borrower eligibility related to Household Income and other program-specific guidelines (Compliance Underwriting) is determined at the sole discretion of SC Housing, lenders are required to review all borrower eligibility requirements and make a good-faith effort to submit only eligible applications. The lenders underwriter must issue a final loan approval before submitting a loan for eligibility review to SC Housing.

General Underwriting Requirements

The following are general underwriting requirement that apply to all Programs delivered to and serviced by SC Housing. All loans must be underwritten in accordance with applicable insurer and AUS requirements, as well as for program eligibility (Compliance Underwriting). Please refer to the applicable program guide for available loan types and program-specific guidelines.

Credit Score

Each borrower must meet a minimum credit score requirement. Lender must consult applicable program guide for current minimum score requirement. In addition, borrower(s) must meet insurer and AUS requirements. **For borrower(s) that *has 3 scores available, use the middle; borrower(s) has 2 scores available, use the lowest.* SC Housing will allow borrowers with only one credit score.**

Debt to Income (DTI) Ratio

Maximum Debt to income (DTI) ratio for all programs offered under the SC Housing Homebuyer program is the lesser of 45.00% or AUS approval.

Bankruptcy and Foreclosure

- Comply with insurer timing requirements
- **ANY BORROWER who has a previous foreclosure on an SC Housing loan is ineligible to participate again in any SC Housing program.**

Collections and Judgements

SC Housing will follow Insurer (**FHA/VA/USDA/FNMA/FHLMC**) and AUS requirements for the repayment of collection accounts.

- Any outstanding judgment or tax lien (Federal or State), other than a permitted tax liability, must be **satisfied in full prior to or at closing**. If satisfied at closing - copy of payoff statement and evidence of payment reflected on the Closing Disclosure.
- SC Housing will allow an established tax payment plan meeting applicable insurer requirements; provided that a minimum of 3 monthly payments have been paid in the month due and does not have a balance exceeding a cumulative total of \$5,000 for all years owed.

Automated Underwriting

- Conventional loans must be underwritten in compliance with Fannie Mae automated underwriting requirements and receive an Approve/Eligible through DU or through Freddie Mac automated underwriting requirements and receive an Accept Risk class recommendation through Loan Product Advisor (LPA).
- Conventional (Fannie Mae) loans must be run utilizing Desktop Underwriter as a “HFA Preferred” loan and Conventional (Freddie Mac) should be run utilizing Loan Product Advisor as a “HFA Advantage” loan.
- FHA loans must be underwritten in compliance with HUD/FHA automated TOTAL Scorecard requirements and receive an Approve/Eligible recommendation through Desktop Underwriter (DU) or an Accept Risk class recommendation through Loan Product Advisor (LPA)
- VA loans must be underwritten in compliance with Department of Veterans Affairs (VA) automated underwriting requirements and receive an Approve/Eligible recommendation through Desktop Underwriter or an Accept Risk class recommendation through Loan Product Advisor (LPA).
- USDA/RHS loans must be underwritten in compliance with all USDA/RHS automated underwriting requirements and receive an Accept/Eligible recommendation through Guaranteed Underwriting System (GUS).

SC Housing does not permit manual underwriting of any kind even those where AUS approval is obtained and allows for the UW to downgrade to a manual.

Asset Documentation

SC Housing will follow insurer and AUS requirements for asset verification. Only provide what AUS advises. Periodic non-payroll deposits exceeding \$500.00 will require explanation. Underwriter may condition for borrower(s) to provide additional verification or statements, especially to validate the consistency of child support or as warranted.

Employment Documentation

Lender must follow AUS and insurer requirements for verification of both current and previous employment. Borrower(s) must be actively employed and currently active. Those who are on short-term disability, any form of leave from current position, whether receiving income or not, must return to work in an active status, prior to purchase of the closed loan. **Paystubs provided for current employment must be within 45 days of the most recent AUS.** Any letters of

explanation regarding gaps of employment 30 days or more must be signed and dated by borrower.

- Borrowers leaving a second job to program qualify must have done so prior to application.
- Borrowers changing employment (ex. salaried to self-employed) must have done so at least six months prior to application in order for SC Housing to exclude previous income from compliance income calculation
 - Recent college graduates must provide evidence of enrollment with a transcript to cover the gap.

Federal Tax Return/Transcript Requirements

As part of the General and Compliance Underwriting requirements, IRS tax transcripts are required for **all borrowers and any other person(s) who is expected both to live in the residence being financed and to be secondarily liable on the mortgage.**

Lender must provide the most recent 3 years transcripts for properties located in Non-Targeted counties. For properties located in targeted counties, lender must provide the most current year transcript. **SC Housing WILL NOT accept extensions filed with the IRS in lieu of current or ANY PREVIOUS year's transcript or tax return.**

Transcripts for the previous tax year are generally not available from the IRS until 60 days after the date of filing. If a loan application is received by SC Housing after June 15th, but before the transcript is available from the IRS, SC Housing will accept a copy of the previous year's federal tax return along with evidence that the return has been filed and evidence provided that the tax transcript for that year is not yet available. This applies to **both the borrower(s) and any other person(s) who is expected both to live in the residence being financed and to be secondarily liable on the mortgage.**

In all cases, SC Housing reserves the right to request federal tax returns in addition to transcripts or vice versa.

Lender should submit only Federal returns and all applicable schedules, all applicable W-2's, 1099's and K-1's. PLEASE DO NOT SUBMIT worksheets used to complete the return. All figures must match. Any tax returns submitted in lieu of transcripts, must be signed and dated. (Electronic Signatures not permitted) If a **borrower or any other person(s) who is expected both to live in the residence being financed and to be secondarily liable on the mortgage** was not required to file a tax return in any applicable year, a signed Affidavit of Non-Taxpayer is required. In some cases, the Zero Income Affidavit may be requested also.

In the event of any discrepancies \$5,000 or greater, SC Housing will require that the borrower(s) file an amended return to satisfy any liabilities due.

Tax Liability

Any borrower, spouse, or other interested party who will hold title to the property, who has **unpaid, unsatisfied, and/or unreleased federal or state tax liabilities** (either unpaid balances or liens) are ineligible for SC Housing Programs. Any tax lien must be satisfied prior to loan purchase and evidence to support the satisfaction or release of the lien must be included in the loan file.

SC Housing will require ONE of the following to evidence payment of a tax liability;

- SC Housing will accept established IRS installment agreement on files with A CUMULATIVE TOTAL of unpaid tax liability for all tax years, up to \$5,000.00, with evidence of at least a three-month timely payment history made in the month due and in accordance with insurer requirements.
- Payoff statement from the IRS for the total amount due (including all interest and penalties) through the closing date and paid on the Final Closing Disclosure. In the event that the IRS payoff statement cannot be obtained, a screenshot from IRS.gov reflecting the cumulative balances dues may be provided in lieu. Funds sent directly from the borrower account to satisfy will require evidence the funds have been accepted and cleared the borrower's account.
- Statement of account obtained from the IRS reflecting a ZERO balance for the applicable tax year(s).

Mortgage Insurance

- Conventional loans MI can be borrower paid monthly or Single Premium and must be issued by an approved MI Company. **See program guide for approved companies and coverage requirements.**
- FHA loans must be Direct Endorsement (DE) approved and HUD/FHA insured.
- VA loans must be VA Automatic Approved (LAPP/SAR) and insured by the Department of Veterans Affairs (VA).
- USDA/RHS loans must have a Conditional Commitment and Loan Note Guarantee issued by USDA/RHS.

Compliance Underwriting Requirements

There is a clear distinction between credit and compliance underwriting. *Credit* underwriting evaluates a borrower's ability to repay the loan, while *compliance* underwriting evaluates whether a borrower meets applicable State and/or Federal requirements, such as maximum limits on Household Income and Sales Price.

Compliance File Submission Procedures

Lenders are required to submit all loans to SC Housing for Eligibility Determination. Files will be submitted for review using eDocs via our web portal Lender Online.

Prior to submitting files to SC Housing, the lender should verify the following:

- Lender Request for Determination of Eligibility (SF-022) has been completed and all items listed on the form have been included in the file. Please do not provide additional documentation not listed on the applicable checklist.
- **File must be stacked according to the checklist and submitted in one upload to Lender Online. The appraisal may be uploaded separately.**
- Lender's underwriter has fully approved the loan.
- Data reported on the HUD Form 92900-LT, 1008, VA Loan Analysis, AUS findings, must all agree with credit report and final application. All should be accurate and corresponds with all documentation in the loan file.
- All forms that require signatures have been signed, dated and notarized where appropriate.
- Lender must calculate Compliance Income, in accordance, with the Compliance Household Income section of this manual.
- All IRS transcripts and/or tax returns as required by SC Housing for borrowers and **any other person(s) who is expected both to live in the residence being financed and to be secondarily liable on the mortgage** have been included.
- Lender has uploaded the complete appraisal to the appropriate insurer portal and obtained the appropriate delivery confirmation. Additional Submission Information:
- Files received with missing documents or those that contain multiple errors or uploads may be returned to the lender for correction and resubmission.
- SC Housing does not accept files without the electronic color appraisal.
- SC Housing makes every effort to review all files within acceptable time frames. Files are reviewed on a first-come, first-serve basis. Timeframes may be extended during periods of high volume.

Changes Prior to Closing

It is the lender's responsibility to notify SC Housing of any changes to the loan that take place after initial application and reservation. This includes changes that occur following SC Housing loan approval, but prior to loan closing.

Any change is subject to review and prior approval by SC Housing.

Changes requiring review include, but are not limited to:

- Changes (increase) in the loan amount.
- Subject property address changes other than those required to correct clerical errors are not permitted.

- Changes in marital status. If the borrower marries, separates or divorces prior to loan closing, the spouse's income must be added to or deleted from Household Income, as applicable. The lender must obtain this information prior to closing and submit documentation to SC Housing. Increased Household Income cannot exceed the Program income limitations. Household Income that has decreased must still meet lender guidelines for mortgage qualification. (See "*Compliance Underwriting – Household Income*" section of manual for more information.)
- An increase in the PITI that results in a change of DTI occurs after SC Housing has issued loan approval.

Compliance Underwriting - Household Income

For program purposes the borrower must meet credit qualifying income requirements as well as household income requirements (Compliance Underwriting). The methods used to calculate Household Income for compliance are different from those used to calculate income for credit underwriting. Household Income is generally the current or **projected gross income from all sources** and includes the income of **the borrower and any other person(s) who is expected both to live in the residence being financed and to be secondarily liable on the mortgage**. Borrowers must meet Household Income limits.

The following are guidelines to aid in the computing of Household Income for compliance with Program Household Income limits. These guidelines apply to all loans delivered to and serviced by SC Housing. SC Housing may revise the Household Income that was calculated by the lender after a complete analysis of the income is performed.

Income Included in Household Income

Lenders should ask borrowers to disclose all sources of income for all **borrowers and any other person(s) who is expected both to live in the residence being financed and to be secondarily liable on the mortgage** at the time of closing or within the 12-month period immediately following loan closing. This includes, but is not limited to, the following:

- All forms of income from current full-time or part-time jobs
- Alimony
- Annuities
- Auto Allowance
- Bonus
- Business Income
- Child Support
- Commission
- Disability or Death Benefits
- Dividends and Interest
- Education Benefits Used for Subsistence
- Inheritance Received on a Regular, On-going Basis

- Insurance Benefits Received on a Regular, On-going Basis
- Monetary Contributions Received from Persons not Living in the Property on a Regular, On-going Basis
- Overtime
- Pensions
- Public Assistance (Welfare, Food Stamps, AFDC or other forms)
- Rental Income
- Royalties
- Severance Pay
- Separate Maintenance (required by Separation Agreement)
- Shift Differential
- Sick Pay
- Social Security Benefits
- Special Pay and Allowances from the Armed Forces (excluding hazardous duty pay)
- Tips
- Trusts
- Unemployment Benefits
- VA Compensation
- Worker's Compensation - if received on a regular, on-going basis

Income Excluded from Household Income

The following types of income can be excluded when determining Household Income:

- Educational scholarships paid directly to the student or to the educational institution
- Amounts paid by the federal government to a Veteran for use in meeting the costs of tuition, fees, books and equipment
- Amounts that are specifically for reimbursement of business and/or educational expenses
- One-time sign-on bonuses
- Lump sum additions to family assets, such as inheritance, insurance payments (including payments under health and accident insurance and workmen's compensation), capital gains, and settlement for personal or property losses
- Payments received for the care of foster children
- Sporadic or irregular gifts
- Amounts that are specifically for, or in reimbursement of, medical expenses

Temporary or one-time income may be excluded if the income was earned during the current year only, there is no prior history of the earnings and the earnings will not continue after loan closing. A statement must be obtained from the employer confirming that the income will not continue.

Computing Household Income

Compliance Income is the total of **all borrowers and any other person(s) who is expected both to live in the residence being financed and to be secondarily liable on the mortgage** gross annual Household Income at time of application, plus any additional income from alimony, annuities, auto allowance, bonuses, child support, commission, disability or death benefits, dividends, education benefits used for subsistence fees, interest, income received from business activities or investments, income received from trusts, inheritances, insurance policies, net rental income, overtime, pensions, public assistance, recurring monetary contributions regularly received from persons not living in the unit, royalties, severance pay, shift differential, sick pay, social security benefits, special pay and allowances of a member of the armed forces (excluding hazardous duty pay), tips, unemployment compensation, Veterans Administration (VA) compensation, and workers compensation. **This includes any income from any source for all borrowers and any other person(s) who is expected both to live in the residence being financed and to be secondarily liable on the mortgage.**

Any changes in the employment or earnings status of occupants between the time of application and the time of loan closing must be reported to SC Housing. **Borrowers leaving a second job to program qualify must have done so prior to loan application.**

Borrowers changing employment (**ex. salaried to self-employed**) must have done so **at least six months prior to application** in order for SC Housing to exclude previous income from compliance income calculation.

The lender should review all employment verification documentation (e.g., IRS federal tax transcripts, tax returns, W-2s, paystubs, etc.) to substantiate income calculations from all sources of income. When there are inconsistencies between current income, year-to-date or past income, the lender must document and explain the inconsistencies so that the income which *most* accurately represents the occupant's income can be used to project income for the 12-month period following loan closing.

When an occupant has not been employed for a total of 12 months during the past year, income should be averaged by the applicable number of months. If an occupant has changed jobs, received an increase or decrease in rate of pay, or change in pay structure, it may be necessary to calculate compliance income using only year-to-date income. These types of exceptions to compliance income guidelines must be noted and documented. **In cases where borrowers and any other person(s) who is expected both to live in the residence being financed and to be secondarily liable on the mortgage, current income cannot be used to qualify for financing, it should be verified and considered for inclusion in Household Income.**

I. Salaried Income

The lender must include all **borrowers and any other person(s) who is expected both to live in the residence being financed and to be secondarily liable on the mortgage** current income (full-

time and part-time) from all sources when calculating Household Income. Standard FHA, RHS and Fannie Mae income documentation may be used.

NOTE: SC Housing reserves the right to request additional documentation to clarify income, up to and including a full written Verification of Employment.

For the benefit of the borrower and for qualifying purposes, the lender and SC Housing underwriting may calculate income in one of the following methods;

- a. If an employer verifies on VOE, a specific hourly rate and a specific number of hours worked per week, or provides a monthly salary, then those figures should be used to calculate current base income if supported by past year and year-to-date earnings. If the employer does not verify a specific hourly rate and/or a specific number of hours worked per week, and that information cannot be obtained from the occupant's pay stub, the current income should be calculated by averaging past year and year-to-date earnings from the same employer.
- b. In the event that a borrower has income from multiple sources (i.e.; base, OT, shift differential, bonus, vacation, sick, holiday, etc.) Lender may take from the borrower/occupant's pay-stub, the current YTD total earnings and calculate by averaging past year and year-to-date earnings as long as they are from the same employer.

Lenders and UW are encouraged to take the most conservative approach when calculating income for salaried borrowers.

II. Commission Income

Commission income for an occupant who earns greater than 25 percent of total earnings as commission (or a "guaranteed" draw) should be calculated as it is for a self-employed occupant, by averaging the past two years and year-to-date income. (See Section VII. Self-Employment Income).

Commission income for an occupant who earns less than or equal to 25 percent of his total earnings as commission, should be calculated by averaging the past year plus year-to-date commission income and adding it to the occupant's base earnings.

III. Bonus and Overtime Income

Current income for an occupant who earns bonus and overtime income should be calculated by averaging the past year and year-to-date income.

IV. Dividends and Interest Income

Current dividend and interest income should be calculated by averaging the past year and year-to-date dividend and interest income. Tax transcripts and 1098's may be used to verify dividend

and interest income received for the prior year. The occupant should furnish copies of bank statements or other documentation to substantiate year-to-date dividend and interest income.

V. Child Support and Alimony Income

A copy of the occupant's Order of Separate Maintenance and Support, Separation Agreement, Divorce Decree, Court Order or Administrative Order (child support) should be submitted and the amount of child support and/or alimony indicated in the legal document should be included in Household Income.

In the event there is no legal document verifying child support, or the payments received have been variable and do not adhere to the legal document ordering payment, the issue of child support must be explained in writing and signed/dated. **In the event the explanation is coming from a non-borrowing spouse or significant other, a HUD 1010 warning may be requested.** An email explanation is not acceptable. The occupant should furnish documentation of the actual amount of child support received for the past 12 months with bank statements, court records or agency records. The actual amount of child support received during the past 12 months should be averaged to determine child support.

VI. Social Security Income

Social Security income should be verified based on the benefit letter from the Social Security Administration. Social Security income includes payments received by adults on behalf of minors for their own support. Social Security Income cannot be grossed up for SC Housing program compliance purposes, however if the insurer allows the lenders to gross up for credit underwriting purposes, lender may do so.

VII. Self-Employment Income - IRS Tax Transcripts/Federal Tax Returns

The guidelines below address IRS tax transcript and federal tax return requirements for the calculation of self-employed income. In general, IRS tax transcripts are required rather than tax returns. However, transcripts for the previous tax year are generally not available from the IRS until 60 days after the date of filing. If a loan application is received by SC Housing after June 15th, but before the transcript is available from the IRS, SC Housing will accept a copy of the previous year's federal tax return along with evidence that the tax transcript is not yet available. SC Housing will not accept extensions filed with the IRS in lieu of the previous year's transcript or tax return.

When tax returns are submitted they must be dated and signed by all borrowers and must include all schedules, W-2s, 1099s and K-1s. If a borrower **or any other person(s) who is expected both to live in the residence being financed and to be secondarily liable on the mortgage** was not required to file a tax return, an Affidavit of Non-Taxpayer must be in the file. **In all cases, SC Housing reserves the right, for any reason, to request federal tax returns in addition to transcripts.**

If a borrower indicated at the time of application that he was not currently self-employed, but the federal tax return or transcript from the past year indicates that the borrower was previously self-employed, the borrower must provide a signed statement certifying the date that he was last self-employed.

VIII. Self-Employment – More Than 2 Years

Tax transcripts for the past two years must be submitted. Income for an occupant who has been self-employed for more than two years will be calculated by averaging the net income reported on the previous two years’ federal income tax returns and year-to-date net income. Depreciation and depletion are to be added back to net income. Year-to-date income must be documented by a profit and loss statement that is current through the most recent quarter. A profit and loss statement will not be required if no more than three months have passed since the end of the last fiscal year reported on the most recent tax return. Year-to-date profit and loss statements must be signed by all taxpayers. The profit and loss statement must reflect the business name, address, tax ID and period covered. The profit and loss statement may be self-prepared.

EXAMPLE:

2021 net earnings (plus depreciation) from Schedule C (12-month period)	\$ 33,000.00
2022 net earnings (plus depreciation) from Schedule C (12-month period)	+ 38,000.00
2023 net YTD earning (plus depreciation) from P&L (9 months)	+ 36,000.00
\$33,000 + \$38,000 + \$36,000	= \$107,000.00
\$107,000.00 divided by 33 months	= \$3,242.00
\$3,242 x 12 months = annual income of	\$38,904.00

NOTE: If the self-employed income calculation is a negative income figure, the lender should treat the sum as a \$0 for the purpose of calculating Household Income. Negative income cannot be used to reduce total Household Income.

IX. Self-Employment Income - Less than 2 years

A tax transcript for the previous year must be submitted. Borrowers changing employment (ex. salaried to self-employed) must have done so at least six months prior to application in order for SC Housing to exclude previous income from compliance income calculation. Income for an occupant who has been self-employed for less than two years will be calculated by averaging the reported net income from the previous year and year-to-date net income. Depreciation and depletion are to be added back to net income.

The year-to-date income must be documented by a profit and loss statement that is current through the date of application or with both a current P&L and previous year W-2 when the change from salaried to self-employment is less than six (6) months. The year-to-date profit and loss statement must be signed by all tax payers. The profit and loss statement may be self-prepared.

NOTE: If the self-employed income calculation is a negative income figure, the lender should treat the sum as a \$0 for the purpose of calculating Household Income. Negative income cannot be used to reduce total Household Income.

X. Self-Employment Income – Partnership or Corporation

In addition to personal tax transcripts, two years' partnership or corporate IRS tax transcripts must be submitted if the occupant owns a 25% or greater share of a partnership or corporation. A year-to-date profit and loss statement will be required if more than three months have passed since the end of the last fiscal year reported on the most recent tax return. The profit and loss statement for a partnership or corporation may not be self-prepared and must be signed and dated.

NOTE: For partnerships and S-Corps, the total depreciation and/or depletion to be added back will be calculated based on the number of partners or percent of ownership. Depreciation and/or depletion should be divided among the partners or owners to determine the amount to be added back to income.

XI. Future Income

If an occupant has accepted future employment that is scheduled to begin after the loan closing, the income should be verified and included in Household Income. All future income must begin within 60 days of closing. **SC Housing will require that the lender obtain from the borrower; post-closing and prior to purchase from the lender, a verbal verification that the borrower has started employment and any required document requested per insurer and AUS.**

Examples:

- A teacher who has received a contract and will begin employment in the new school year (or who has accepted a teaching position mid-year)
- A full-time student not employed at the time of application, but who has received and accepted an offer of employment.
- A physician who will begin residency after the date of loan closing.

Recapture Tax

Please consult the applicable Program Guide to determine whether or not the federal law commonly known as the “recapture tax” law applies to a particular loan Program. Federal **Recapture only applies to the first mortgage lien.** Loans that are subject to recapture – a notice will be provided at the time of eligibility determination and issuance of the Certificate of Eligibility, that will require acknowledgement of receipt from the borrower at the time of loan closing and returned in the closed loan file. Homebuyers should be advised to consult a tax advisor concerning Federal Recapture.

- The recapture tax requires some mortgagors to repay the government a portion of their gain upon the sale of their home. This provision is administered by the Internal Revenue Service (IRS).

- Any recapture tax due upon the sale of the home is payable to the IRS.
- SC Housing will reimburse any recapture tax a borrower is required to pay to the IRS.

Loan Closing and Delivery Requirements

SC Housing Certificate of Eligibility

Once Eligibility Review and approval is complete, SC Housing will issue an approval referred to as the “Certificate of Eligibility”. Upon receipt of the SC Housing Certificate of Eligibility, the lender may close the loan in accordance with the terms and conditions stated on the Certificate of Eligibility. **Both the first and second mortgage (DPA) must be closed in the name of and funded by the lender**, prior to the rate lock expiration date stated on the reservation and on the Certificate of Eligibility.

Changes to any of the loan terms reflected on the Certificate of Eligibility not in the borrower(s) favor, must be approved by SC Housing before loan closing. Failure to obtain prior approval **may** result in SC Housing refusing to purchase the loan.

Closing Conditions

All conditions listed on the Certificate of Eligibility must be submitted in the final loan delivery package to SC Housing.

Re-verification of Employment

The lender must perform a verbal Verification of Employment on all **borrowers and any other person(s) who is expected both to live in the residence being financed and to be secondarily liable on the mortgage**, no more than **10 calendar days** prior to closing, or a time period prescribed by insurer. **VVOE, can be obtained prior to or any time after closing but prior to funding by SC Housing. A VOE obtained within 10 calendar days of closing does not need re-verification.**

Flood Certification

All loans delivered to SC Housing must contain an acceptable Life of Loan Flood Certification and a Notice of Special Flood Hazard Area, whether in or out, signed by the borrower. If a property is located in a Special Flood Hazard Area and requires flood insurance an acceptable insurance application/binder must be included in the final loan delivery file. The lender must also provide evidence that the flood certification was transferred to SC Housing at closing.

Fees and Costs

See Program Guide for origination, SRP and allowable fees for first mortgage transactions. Only those Recording fees for the DPA may be collected on DPA loans.

Cash Back to Borrower at Closing

Cash back to borrower at the time of loan closing cannot exceed the borrower's documented contribution (e.g., earnest money deposit, credit report fee, appraisal fee). In addition, **SC Housing will allow the lender to make an additional principal reduction on the first mortgage not to exceed one-month PITI.**

In the event that cash back to borrower at the time of settlement exceeds both the documented contribution and the principal reduction of one-month PITI, lender must reduce the first mortgage amount by the difference.

Property Tax

The amount used to determine the subject property's annual tax amount should be documented on a tax information certificate provided by the closing attorney. If the taxing authority has issued the current year's billing, usually beginning in November for most counties, those taxes must be paid at the time of closing regardless of the due date. The closed loan file must contain evidence of payment, either by a paid receipt from the county or evidence of payment on the closing disclosure.

For new construction, taxes for credit qualifying/underwriting purposes should be based on the full value of the property as indicated by the appraisal or the purchase agreement, whichever is less.

In the event that the lender pays the property taxes from the borrower's escrow account, evidence of payment must be reflected on the payment history provided.

Insurance Requirements

The lender must document that the borrowers have sufficient property insurance coverage for Homeowners, Wind/Hail, Flood and HO-6, as required by HUD/FHA, VA, USDA/RHS or Fannie Mae or Freddie Mac. Insurance Documentation provided in the closed loan file must include:

- In the event that the Hazard Insurance Policy does not contain coverage for Wind/Hail loss – a separate policy must be obtained
- Borrower's Name and Subject Property Address
- The policy must cover a 12-month period from the closing date - Effective Date of the Policy, including any amendments - must be on or before the closing date, not to exceed 10 days prior.
- Premium Amount – must match the premium shown on the final Closing Disclosure (or on the paid receipt)
- Minimum Dwelling Coverage – The minimum acceptable amount must be the lesser of;
 - The outstanding principal balance of all mortgages at the time of closing or;
 - The maximum insurable value per the appraised value less the land value per the URAR

- Loss Payee Clause – must reflect the originating lender – SC Housing will update the loss payee at the time of purchase

Insurance Deductibles

Lender must ensure that all property insurance coverage and deductible limits comply with those established by SC Housing or those required by GSE, if lower:

Coverage Type	Max. Deductible
Hazard Insurance, Wind/Hail, Flood and “Walls-In” (HO-6)	The maximum allowable deductible for all perils (to include wind/hail and flood) is 5% of the face amount of the policy, unless a lower amount is required by the insurer.

Condominiums and attached townhomes must have a separate HO-6 Policy if walls-in coverage is not included in the Master Policy. The minimum HO-6 dwelling coverage allowed is 20% of the appraised value of the property.

Closing Documentation Requirements

The lender must assure that the loan is closed in accordance with all applicable federal and state regulations. This includes use of the most current mortgage documents in place at the time of loan closing. SC Housing requires that the borrower(s) names are consistent throughout the entire closing package.

- Borrower(s) typed names must be consistent on the note, mortgage, transfer deed, title commitment/binder/policy.
- **Signatures on the note, mortgage and applicable riders must be signed exactly as typed. (eg: Borrower typed name on document is JOHN DAVID DOE and the documents are signed by the borrower as JOHN DOE, will require correction, and any re-recording cost associated will be at lender/attorney expense).**
- **Lenders should be reminded that only those parties who are borrowers to the transaction are permitted to hold title to the subject property.**
- SC Housing does not accept the use of a name affidavit to cover any variation in a borrower(s) signature.

In the event there is any variation in the name and/or the signature, SC Housing will require correction prior to purchase of the closed loan file. Any additional cost associated with such correction will be at the lender’s expense.

Name Affidavits

All loans require a Name Affidavit for each individual who will hold title to the property. The affidavit should include all variations of the mortgagors' names that are of record, including any variations listed on the credit report. ***(SC Housing does not permit Name Affidavits to cover name/signature variations on the Note or Mortgage)***

- Must be notarized
- Must indicate that the individual is known by more than one name or variation
- Must identify the property address
- Must be signed
- Must be included in the loan file

Mortgage and Riders

First Mortgage Transactions

- Loan must close in the name of MERS as nominee for the Lender on applicable MOM documents

SC HOUSING HOMEBUYER PROGRAM (BOND LOANS ONLY) FHA, VA, RHS and conventional loans require that the "Tax Exempt Rider" be signed by all parties on title and be recorded with the **first mortgage only.** Any tax-exempt rider recorded with the DPA mortgage will be sent back to the lender to have the rider removed and re-recorded at lender's expense.

DPA Mortgage Transactions

- Loan must close in the name of MERS as nominee for the Lender and transferred at the time of purchase to SC Housing in MERS (MERS ORG ID - 1008745)
- **Mortgage must close on the SC Housing DPA note and mortgage forms located in Lender Online**
 - Lender must review the Note and Mortgage once generated by Lender Online to assure that the all information matches the deed. Lender should assure that the names generated are the same as those provided on the deed. Any document that has and variation will require a need to be corrected and re-recorded at lender's expense.

Title

Lender must ensure that the borrower has clear and acceptable title to the subject property secured by the mortgage. Borrower(s) are not permitted under the provisions of the SC Housing Homebuyer program to hold title under a 1031 Exchange, Life Estates or Trusts of any kind including, but not limited to, revocable and irrevocable trusts. **Parties not listed as a borrower on the loan application is not permitted to hold title on any SC Housing BOND loan. This includes mortgage and deed.**

This does not impact how title is currently held by the seller in the transaction.

The title commitment/binder must be issued within 60 calendar days of closing by an acceptable title company and must reflect the following:

- Borrower(s) name – **names must match exactly on Note, Mortgage and any riders, the title commitment/binder/policy and the deed – ANY ONE OTHER THAN BORROWERS LISTED ON LOAN APPLICATION AND THE MORTGAGE NOTE CAN HOLD TITLE.**
- Subject property legal description, address and TMS parcel number
- Mortgagee Clause – Lender Name, ISAOA, ATIMA or South Carolina State Housing Finance and Development Authority, ISAOA/ATIMA, Attn: Mortgage Servicing, 300-C Outlet Pointe Blvd., Columbia, SC 29210 (**SC HOUSING IS NOT ACCEPTABLE**)
- Policy and Insured Amounts
- All loans must be a first lien with fee-simple title
- Any encumbrances must be acceptable under insurer guidelines
- All required ALTA endorsements (**all loans must contain ALTA 8.1 and ALTA 9 endorsements**; ALTA 5 endorsement for PUD; ALTA 4 endorsement for Condo; when applicable)

Survey

SC Housing will only require a current property survey if the following apply:

- If the final Closing Disclosure indicates the cost of a survey being ordered/paid
- If exceptions as to matters of the survey are taken on the commitment and/or title policy and the policy does not provide affirmative coverage over such
- If the appraiser stipulates that one is required
- or, an ALTA 9 (comprehensive endorsement) was not included with the commitment or policy

Closing with Power of Attorney

Borrower(s) may designate an attorney-in-fact to use a Power of Attorney (POA) to sign documents on their behalf at closing, including the security instrument, note, and final loan application, to include the 92900-A (HUD Addendum to the URLA) and any other document required to secure the mortgage transaction.

The POA must be **“Specific”** to the transaction being delivered for purchase.

Any of the following affiliated parties to the transaction may not be assigned or act in this capacity on any loan delivered to SC Housing:

- The lender;
- Any affiliate of the lender;
- Any employee of the lender or any other affiliate of the lender;
- The loan originator;
- The employer of the loan originator;
- Any employee of the employer of the loan originator;
- The title insurance company providing the title insurance policy or any affiliate of such title insurance company (including, but not limited to, the title agency closing the loan), or any employee of either such title insurance company or any such affiliate; or
- Any real estate agent with a financial interest in the transaction or any person affiliated with such real estate agent.

Any file submitted to SC Housing, utilizing a Power of Attorney must meet all of the following:

- The borrower(s) must have signed the initial loan application and HUD Form 92900-A, unless the borrower(s) is active duty military under current military orders
- Fully executed, notarized and “Specific” to the mortgage transaction
- Recorded with the Security Instrument and must be included in the purchase file
- May not expire prior to execution of loan documents
- The closing attorney or title company must insure a valid POA exists prior to execution of closing documents and Title Policy may not take any exceptions based on the use of such
- The appointed POA must sign the closing documents as follows: “Jane Doe by John Doe, Her Attorney-in-Fact” or “John Doe, Attorney-in-Fact for Jane Doe

SC Housing will allow a seller to close under Power of Attorney.

Delivery and Review of Closed Loan Funding Package

After the loan is closed, in accordance with the SC Housing’s Whole Loan Delivery for Purchase checklist, the lender should review, assemble and submit to SC Housing electronically utilizing the e-Docs Portal located in Lender Online. Lenders are asked not to submit any additional

documentation not requested and upload as a single submission. All loans must be closed by lock expiration and delivered as soon as possible, but no later than 15 days after closing.

The closed loan package will be reviewed for the following:

- All items requested on the SC Housing Certificate of Eligibility.
- The Lender's Certifications section at the bottom of the SC Housing SF-020 – BOND Loan Delivery for Purchase checklist was signed and dated by a lender representative and the representative's title was noted. The signature must be a wet signature.
- All closing documents were signed, dated and notarized on the day of closing in South Carolina.
- All DPA notes and mortgages are closed on forms provided by SC Housing and must be closed in the name of MERS as nominee for the lender and transferred at the time of purchase to SC Housing (MERS ORG ID - 1008745)

All Original Notes and/or Allonges for both the first and second (DPA) loans must be endorsed to **South Carolina State Housing Finance and Development Authority** and delivered via overnight mail as follows:

SC Housing
Attn: Mortgage Production
300-C Outlet Pointe Blvd
Columbia, SC 29210

Please refer to Rate Lock Expiration, Loan Delivery and Purchase section of the manual for more detail.

Age of Note at Time of Purchase

The original note **cannot** be older than **90 days** from closing at the time of purchase. SC Housing has the right to refuse purchase of any loan that does not meet this requirement.

Uniform Closing Dataset (UCD) Requirements

Due to upcoming Uniform Closing Dataset (UCD) requirements, each loan sold to Fannie Mae with a note date on or after September 25, 2017, must be accompanied by a UCD XML file as mandated by Fannie Mae. The UCD XML file must represent the most recent and accurate agreed-upon terms on the loan. SC Housing will require that all loans submitted for purchase with notes dated on or after September 25, 2017, conform to the UCD requirement.

Prior to submitting a loan to for purchase, lenders must successfully submit a loan delivery XML file with UCD data through the GSE web portal. After validating the files, the GSE will provide a feedback certificate as evidence of a successful upload. Within every imaged loan file submitted for purchase, SC Housing will require that each conventional loan includes the UCD feedback certificate as proof of successful delivery to the GSE. The data on the UCD XML file must match the data on the Closing Disclosure. Although seller Closing Disclosures will not be required by the GSEs until Q3 2018, the GSEs recommend including both the seller and borrower Closing Disclosures in the XML file, if available.

Late and Incomplete Delivery

The loan file must close before lock expiration and is due within 15 days of the loan closing, regardless of lock expiration date. Once the closing file has been received SC Housing will provide the lender with a list of outstanding conditions, if any, needed for purchase. Lenders are encouraged to provide all requested trailing documentation as quickly as possible to expedite purchase.

Lenders are given 15 days from the date conditions are issued to clear them. In the event this time frame is exceeded, penalties will be assessed. Penalties will be charged regardless of lock expiration date and are equivalent to the fees reflected in the Rate Lock Expiration, Loan Delivery and Purchase section of this manual. All fees are calculated using the first mortgage balance and will be deducted from the net purchase proceeds.

Once the file has been approved for purchase, a breakdown of the net funding will be provided several days prior to loan funding. Any discrepancies should be directed to SC Housing immediately upon receipt.

Funds to Lender from Servicer at Purchase

- First Mortgage
 - 100% of the principal balance on the day of purchase
 - Servicing Release Premium based on the principal balance at the time of closing
 - Accrued interim interest up to the day of purchase
- Second Mortgage (DPA)
 - 100% of the balance on the day of purchase

Fees to Servicer from Lender – Net Funding

- Funding Fee
- Tax Service Fee
- Penalties for late delivery
- All escrow deposits
- Extension Fees, if applicable

See applicable Program Guide for fees associated with specific Programs.

Servicing Package

The lender must submit the Servicing Package to SC Housing within 20 days of purchase using the Servicing Package Checklist (Form SF-050) as a guide and cover letter.

Subordination

SC Housing does not allow subordination during the term of the Down Payment Assistance (DPA) Note and Mortgage.

Final Documentation

The lender must submit all final mortgage loan documentation for the first mortgage and any DPA mortgage purchased by SC Housing. All final mortgage documentation must be delivered to SC Housing within 120 days of loan closing.

Documentation required consists of the following documents:

- Recorded Mortgages – 1st and 2nd with all applicable riders - **All mortgages must be closed on MERS AS ORIGINAL MORTGAGEE (MOM) DOCUMENTS (Each mortgage must contain a unique MIN Number)**
 - All DPA loans must be closed in the name of MERS as nominee for the Lender and must be closed on the DPA forms provided in Lender Online. **(DPA LOANS CANNOT CLOSE IN THE NAME OF SOUTH CAROLINA HOUSING)**
- Final Title Policy with all required ALTA endorsements
 - (Alta 8.1 and Alta 9 are mandatory on all loans)
- Mortgage Insurance Certificate (MIC) – FHA only
- Loan Guarantee Certificate (LGC) – VA Only
- Loan Note Guarantee (Form RD 3555-17) – USDA/RHS only
- Lender must provide evidence that the Servicing and Beneficial Rights have been transferred to SC Housing in the MERS after purchase.
- Lender must provide evidence that the Holder and Servicer of Record have been updated in FHA Connection to reflect SC Housing.

Final Documents not delivered within **120 calendar days** of closing may be assessed a late delivery penalty of **\$50.00** per document, per month. The fees assessed will be cumulative, month to month, until the document is received and the fee is paid.

Any final documentation that remains outstanding beyond **180 calendar days** from the loan closing **may be** subject to repurchase. Management may grant additional time for delivery in cases of extenuating circumstances. If a loan is required to be repurchased for outstanding final documentation, any outstanding fees may be included by the agency.

ALL FINAL DOCUMENTATION MUST BE DELIVERED VIA OVERNIGHT MAIL

All final documentation should be delivered as follows:

SC Housing
Attn: MP – FINAL DOCUMENTS
300-C Outlet Pointe Blvd
Columbia, SC 29210

Contact Information

Lender Help Desk 803.896.2211

General Questions/Mortgage Production Help Desk
mortgageproduction@schousing.com

Loan Reservation Changes and Lock Extensions
lockdesk@schousing.com

Underwriting Questions/File Submission and Status Update - (Loan File Specific)
Please provide SC Housing reservation number with all inquiries
underwriting@schousing.com