

## MINIMUM LOAN AND LENDER REQUIREMENTS

Southeast Texas Housing Finance Corporation (SETH) has requirements for First Mortgage Loans accepted into our down payment and closing cost assistance program. All Mortgages must be:

1. A Conventional (conforming or non-conforming), Portfolio, FHA, VA or Rural Development (RHS) mortgage loan.
2. Fixed Interest Rate loans for the life of the loan are preferred but they may be allowed for life of the second lien and the life of the recapture period.
3. Buyer's Housing Costs cannot exceed 33%, based on SETH Income calculation not lenders.
4. Originator can not charge more than 2% in upfront Fees, regardless of who pays.
5. No Prepayment Penalties will be allowed.
6. All Buyers must contribute at least \$500 of their own money.
7. Loan Terms must be 10 to 30 years.
8. Assets listed on 1003 Loan Application may be counted as Assets of buyer and calculated as Income for SETH calculation.
9. Buyers with Liquid Assets in excess of two times amount of assistance applied for are not eligible. This includes gifts listed as assets on 1003 and will be counted as assets in income calculations.
10. SETH will not subordinate its lien.
11. SETH's lien must be in a second lien position.
12. Gift Programs in combination with our funds are allowed but discouraged, proof of 501 c 3 status will be required.
13. If Buyer is requesting more than one assistance program, written approval from SETH is required.
14. Seller contribution can be up to 6%, but buyer cannot receive fund at closing.
15. SETH does not allow same person to act as both Real Estate Agents and Lender in same transaction.
16. "Homebuyer Assistance Fees" can not be charged regardless of it is considered a Lender or Real Estate Fee.

With minor exceptions, SETH works with all lenders lawfully practicing in the State of Texas. SETH is not a private nonprofit, but an instrumentality of local government. There are some clear distinctions and underwriting requirements for our down payment assistance programs.

At SETH's discretion loans may not be accepted for the following reasons:

- a) Loan overcharge
- b) Non utilization of risk factors such as credit scores to determine fees and interest rates
- c) History of fraud by Lender or Buyer
- d) Improper Disclosures
- e) Improper past dealings with SETH.

SETH does allow sub prime loans if the payment is affordable to the Buyer. SETH has no requirement on credit score or credit issues or performs any financial underwriting. All of the above requirements must be met in order to fund the assistance and are intended to benefit the buyer.