



NEW MEXICO MORTGAGE FINANCE AUTHORITY RESERVATION and COMPLIANCE REVIEW PROCEDURES June 2011

The purpose of these Reservation and Compliance Review Procedures (the "Procedures") is to provide lenders with the procedures by which they may obtain funds MFA has made available through the MFA Single Family Programs. Eligible Mortgage Lenders ("Mortgage Lenders") which have executed a Homeownership Programs Master Agreement with the MFA and have been approved by MFA's designated Master Servicer may begin promoting the MFA Single Family Programs, taking applications and processing them once they receive the Notice of Availability of Funds for a particular Bond Issue or Program (available on line). Once a borrower has executed a purchase agreement on a property and the Mortgage Lender has taken an application, the Mortgage Lender may make an On-Line Reservation Request according to these Procedures.

Definitions; Capitalized Terms

Unless defined herein, the capitalized terms used in these Procedures, are defined in Section I of the Homeownership Programs Master Agreement.

Reservation Request

An Eligible Mortgage Lender may make a Reservation Request by reserving the Mortgage Loan via MFA's web site www.housingnm.org. (The On-Line Reservations System is a secure site requiring passwords.)

1. Lender must obtain a sign on password for the On-Line Reservation System. Employee requesting password must have authorization in writing from branch manager sent to MFA Homeownership Department. The password will then be e-mailed to the branch manager or the employee for future reservations.
2. Subject to availability of funds, MFA will accept Reservations on a first-come, first-served basis. MFA will accept Reservation Requests 24 hours a day via the On-Line Reservation System. The lender will confirm the Reservation by printing an MBS Compliance Agreement (as amended from time to time) via MFA's On-Line Reservation System.
3. Copy of the completed initial loan application (FNMA Form 1003 or equivalent) signed by all borrowers and the lender's representative (which may or may not be an Authorized Officer of the Mortgage Lender) and a copy of the residence Purchase Agreement signed by all buyers and sellers must be in the file prior to reserving the loan on-line. These documents may be inspected during a Quality Control (QC) review conducted by MFA.

4. If a Second Mortgage needs to be reserved it may be reserved at this time immediately after the First Mortgage has been reserved via the On-Line Reservation System or at a later date by retrieving the First Mortgage MFA loan number via the On-Line Reservation System.
 - a. There are exceptions to the rule that a First Mortgage does not need to be reserved on the System if the Lender has been approved (*this is not common practice*). The lender is approved through a process; example of lender is USDA Rural Development.

Reservation Errors

Errors received in reserving loans via the On-line Reservation System are the full responsibility of the lender. If the loan contains wrong information or is reserved in the wrong allocation (Bond Issue, Program, targeted area) the lender will be required to make the appropriate corrections prior to the closing. If funds are not available in the appropriate allocation, the lender must cancel the loans. In cases where the loan has already been reviewed for compliance, closed or purchased, and funds are not available in the appropriate allocation, the lender must portfolio or re-purchase the loan.

Reservations in a Targeted Area or a Section 184 Indian Housing Loan

When reserving a property in a Targeted Area or when using the Section 184 Indian Housing Loan the lender is required to notify MFA to obtain the lowest rate in the last 12 months from the reservation date and for a waiver from the First Time Homebuyer policy.

MBS Compliance Agreement and Mortgage Purchase Agreement

The MBS Compliance Agreement (“Agreement”) and Mortgage Purchase Agreement (“Agreement”) will specify the borrower, the property, the loan terms and the acquisition pool (Bond Issue or Program) in which the funds are reserved. **This may or may not be the same acquisition pool from which the Mortgage Lender requested funds in its Reservation Request, at MFA’s discretion. Lender will be notified of any change, if applicable.**

1. The Agreement will also notify the Mortgage Lender of the expiration date of the Reservation; usually 45 days after funds are reserved. MFA may extend Reservations on a case by case basis, however, a fee may be charged to the Mortgage Lender to extend a Reservation (see fee schedule). The Reservation is only valid for the borrower, the property and loan terms as specified in the Agreement.
2. The Agreement will also notify the Mortgage Lender of the final delivery date of the closed loan. MFA may extend the final delivery date on a case by case basis; however, a fee may be charged to the Mortgage Lender (see fee schedule).
3. Any changes in the terms of the transaction must be reflected on the Agreement a new Agreement must be printed either by the Mortgage Lender or by MFA and sent to the Mortgage Lender.

Obtaining a Commitment (First Mortgage)

The Mortgage Lender must obtain a Commitment (Compliance Approval) for every loan. It is the Mortgage Lender’s responsibility to ensure that the loan meets all guidelines and is a purchasable loan.

1. The Mortgage Loan must be approved by the Mortgage Lender for credit and collateral prior to sending the file for Compliance Approval.
2. The Mortgage Loan File will be submitted to MFA's Master Servicer or MFA, for a determination of eligibility for a Commitment, according to MFA's guidelines. The items to be included in the Mortgage Loan File are described on the Compliance Review Check List provided by the Servicer. The Mortgage Loan Compliance File will be delivered per the below Master Servicer's schedule:
 - a. US Bank – *File must be Underwriter Certified through E-Housing web-site prior to closing*
 - b. US Bank – *deliver Compliance file after closing with the closed loan package*
3. Upon the Master Servicer's or MFA's determination that the transaction appears to be eligible for a Commitment, the Master Servicer or MFA will provide an approval letter with any prior to purchase conditions. If the Master Servicer or MFA determines that a file is incomplete or the transaction is not eligible for the Program the Master Servicer or MFA will provide a suspense or rejection letter to Mortgage Lender. The lender will be given sufficient time to clear such deficiencies prior to the loan being cancelled.

Obtaining a Commitment (Second Mortgage)

The Mortgage Lender is responsible for checking the Program Guidelines that the second mortgage is reserved to determine whether the file is delivered to the Master Servicer or to MFA. It is the Mortgage Lender's responsibility to ensure that the loan meets all guidelines and is a purchasable loan.

1. The Mortgage Loan must be approved by the Mortgage Lender for credit and collateral prior to sending the file for Compliance Approval.
2. The Mortgage Loan File will be submitted to MFA's Master Servicer or MFA, for a determination of eligibility for a Commitment, according to MFA's guidelines. The items to be included in the Mortgage Loan File are described on the Compliance Review Check List provided by the Servicer. The Mortgage Loan Compliance File will be delivered per the below Master Servicer's schedule:

Mortgage Booster and HERO DPA Programs

- a. MFA: *Deliver Compliance file to MFA prior closing*

Payment\$aver and Helping Hand Programs

- a. MFA: *Deliver Compliance file to MFA prior to closing.*
3. Upon MFA's determination that the transaction appears to be eligible for a Commitment, the MFA will provide an approval letter with any prior to purchase conditions. If the MFA determines that a file is incomplete or the transaction is not eligible for the Program the MFA will provide a suspense or rejection letter to Mortgage Lender. The Mortgage Lender will be given sufficient time to clear such deficiencies prior to the loan being cancelled.

Closing (First Mortgage)

US Bank is the Master Servicer, the Mortgage Lender will ensure that the Mortgage Loan meets all guidelines (performs Underwriter Certification prior to closing) and agrees that the Mortgage Loan will be Compliance Reviewed at the same time the Closed Loan Package is reviewed.

The Mortgage Loan must be closed according to the terms specified in the MBS Compliance Agreement and the MBS Delivery Package delivered to the Master Servicer prior to the Final Mortgage Loan Delivery Date as specified on the MBS Compliance Agreement. The Delivery Checklist outlines the documents that must be submitted by the Mortgage Lender. Failure by the Mortgage Lender to submit the required documentation prior to the delivery date may result in MFA's determination that the loan is not eligible for the Program or MFA may charge a fee to the Mortgage Lender for an extension or late delivery (see fee schedule). In either case, MFA will not be obligated to authorize the Master Servicer to purchase the loan.

In addition, if at the time the closed loan package is reviewed the Mortgage Loan is found to be ineligible MFA will not be obligated to authorize the purchase of the loan.

Closing (Second Mortgage)

Once the Mortgage Lender has received performed the Underwriter Certification through E-Housing website (loan meets all guidelines and agrees that the Mortgage Loan will be Compliance Reviewed at the same time the Closed Loan Package is reviewed) and MFA has approved the second mortgage for compliance the Mortgage Lender may proceed to close the loan.

The Mortgage Loan must be closed according to the terms specified in the Mortgage Purchase Agreement and the Second Mortgage Delivery Package Checklist. These documents must be delivered to the Master Servicer or MFA prior to the Final Mortgage Loan Delivery Date as specified on the Mortgage Purchase Agreement. Failure to deliver these documents may result in MFA's determination that the loan is not eligible for the Program or MFA may charge a fee to the Mortgage Lender for an extension or late delivery (see fee schedule). In either case, MFA will not be obligated to authorize the purchase of the corresponding first mortgage loan or second mortgage loan. The corresponding First Mortgage Loan may not be purchased until the second mortgage is deemed eligible to purchase. In addition, if at the time the closed loan package is reviewed the Mortgage Loan is found to be ineligible MFA will not be obligated to authorize the purchase of either the first mortgage loan or the second mortgage loan.

Cancellations

The Mortgage Lender must notify MFA of its determination that funds subject to a Reservation will not be used for whatever reason.

1. The Mortgage Lender will submit a Cancellation of Reservation Request, (as amended from time to time) to MFA and state the reason for cancellation on the form. OR
2. The Mortgage Lender will call a member of the Homeownership Staff and request the cancellation and state the reason for cancellation. Or
3. The Mortgage Lender may cancel the reservation via the On-Line Reservation system stating the reason for cancellation.

A borrower whose Reservation is cancelled may be prohibited from obtaining a Reservation, at MFA's sole discretion, for up to six months. MFA may also deny future participation in the MBS Program

or other MFA Programs to Mortgage Lenders who fail to notify MFA of cancelled Reservations in a timely manner, whose rates of cancellations are excessive or who otherwise fails to abide by the terms of the Program Documents.

MFA reserves the right to suspend or discontinue the acceptance of Reservation Requests at any time, to amend these Procedures from time to time and to waive any provision of these Reservation Procedures to the extent the MFA deems it necessary to effectuate the purposes of the Programs.