

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**

**HOME EQUITY WITH REQUIRED OCCUPATION (HERO)  
DOWN PAYMENT AND CLOSING COST ASSISTANCE PROGRAM  
("HERO DPA Program")**

**NOTICE OF AVAILABILITY OF FUNDS-2008D BOND ISSUE**

**Revised September 15, 2008**

The New Mexico Mortgage Finance Authority ("MFA") currently has funds available under its Home Equity with Required Occupation (HERO) Down Payment and Closing Cost Assistance Program ("HERO DPA Program"). To participate in the HERO DPA Program, your institution must have been approved by MFA as an Eligible Mortgage Lender and have executed a Homeownership Programs Master Agreement with MFA. MFA approval as an Eligible Mortgage Lender is evidenced by the issuance to your institution of MFA's "Notice of Approval." If you have not been approved to participate in the mortgage-backed security (MBS) or HERO DPA Programs you may submit an "Application for Approval" to MFA's Homeownership Department. Other Eligible Lenders include Rural Housing Services and Habitat for Humanity of New Mexico.

Funds available to purchase loans for down payment and closing cost assistance ("HERO DPA Loans") will be reserved as described in MFA's Reservation Procedures. Eligible Lenders may begin making reservation requests upon receipt of this HERO Down Payment and Closing Cost Assistance Program Notice of Availability of Funds ("Notice").

MFA's purchase of HERO DPA Loans is subject to the execution of a Mortgage Purchase Agreement for each HERO DPA Loan. Each HERO DPA Loan delivered to the Master Servicer or MFA for purchase must conform to all of the applicable terms and conditions of the related HERO DPA Mortgage Purchase Agreement.

The terms, conditions and descriptions applicable to HERO DPA Loans to be purchased by the MFA are as follows:

**1. Eligible HERO Loans**

MFA's HERO DPA Program is available only to households in which at least one person is a teacher, safety worker, health care worker or a member of the United States Armed Forces according to the following definitions:

- **"Teacher"** is defined as an employee of an accredited or state recognized private or public school; a certified teacher or administrator in an education agency; or an employee of a post secondary level educational institution.
- **"Safety Worker"** is defined as an employee of a law enforcement agency or fire department administered by an agency or subdivision of a state or local government; or a sworn law enforcement officer responsible for crime prevention and detection, law enforcement, or criminal incarceration; or a sworn member of a fire department

involved in the fire suppression or prevention, emergency medical response, hazardous materials response, or management or response to terrorism..

- **“Health Care Worker”** is defined as a certified, accredited, or licensed health care worker who is a medical resident or fellow; a nurse, nursing assistant, pharmacist, pharmacy technician, physician’s assistant or medical technician, technologist, or therapist.
- **“Member of Armed Forces”** is defined as a current member of the United States Armed Forces (Active or Reserve).

HERO DPA Loans may only be used to finance the down payment and eligible closing costs in conjunction with a 30-year fixed rate, privately insured (Fannie Mae MyCommunity<sup>tm</sup>) mortgage loan. Buyer pre-paid closing costs may be included in the loan amount.

**2. Eligible Borrowers** To become eligible for a HERO DPA Loan the Current Annual Household Income of the borrower must be below the applicable income limit identified in Exhibit A as HERO Program Income Limits.

**3. Property Eligibility** The first mortgage amount cannot exceed the mortgage limits as prescribed by the underlying first mortgage (*e.g.*, Fannie Mae MyCommunity).

Properties located in Native American Trust Lands are eligible to use the program.

**4. Interest Rate and Terms** The interest rate to be charged on all HERO DPA Loans will be a fixed interest rate priced the same as the HERO First Mortgage Loan interest rate. (The rate will change with each new MFA bond issue.)

**The HERO DPA interest rate for 2008D bond issue is 6.00%**

The maximum term of a HERO DPA Loan is thirty (30) years, paid in equal monthly installments of principal and interest. HERO DPA Loans do not carry a prepayment penalty.

**5. Maximum Loan Amount** The maximum amount for a HERO DPA Loan is 8% of the sales price of the home. The maximum combined loan-to-value ratio (CLTV) under the HERO DPA Program is 105%.

**6. Fees** The Mortgage Lender may charge an origination fee equal to one hundred dollars (\$100.00) at closing. Other allowable charges include recording fees and premiums for the required mortgagee policy of title insurance for the first mortgage. No other fees may be charged in conjunction with a HERO DPA Loan.

**7. Purchase Price** The MFA will purchase HERO DPA Loans at a purchase price of one

hundred percent (100%) of the outstanding principal balance of the HERO Loans (plus accrued interest thereon, if any).

**8. Delivery**

Each HERO DPA Loan shall be delivered to the MFA for purchase when the HERO First mortgage loan delivery package is sent to the Master Servicer.

**9. Reservation of Funds**

Eligible Lenders shall reserve funds via the on-line reservation system found on MFA's website: [www.housingnm.org](http://www.housingnm.org).

**10. Counseling**

A prospective HERO DPA Loan borrower must be able to demonstrate that he or she has successfully completed a homebuyer counseling course prior to the closing of the HERO DPA Loan **if the borrower is a First time home buyer**. The course must be one developed by a non-profit or participating partner agency with an established and recognized counseling program in place. The agency must be acceptable to FNMA, a private mortgage insurance provider, or MFA, and must provide a certificate at completion of the homeownership counseling.

A prospective HERO DPA Loan borrower that **is not a first time home buyer is not required to complete a homebuyer counseling** course prior to the closing of the HERO DPA Loan.

If a qualified housing counseling agency is not participating in the area, MFA will suggest alternative homebuyer counseling solutions.

**11. HERO DPA Loan Closing**

Mortgage Lenders may only close a HERO DPA Loan upon receipt of a compliance approval letter for such Mortgage Loan. The compliance approval letter will be issued in conjunction with the HERO first mortgage loan.

If a HERO Loan is closed in an amount inconsistent with the loan amount set forth in the executed HERO DPA Mortgage Purchase Agreement, the MFA will be under no obligation to purchase the HERO DPA Loan.

**12. Servicing**

The Master Servicer will service HERO DPA Loans originated in conjunction with HERO First Mortgage Loans (*i.e.*, non-Mortgage Saver loans).

### **13. Repurchase**

If the Mortgage Lender is required to repurchase the first mortgage loan under MFA's Homeownership Programs Master Agreement and corresponding agreements into which it has entered with MFA's Master Servicers, the Lender shall repurchase the associated HERO DPA Loan as well.

Upon written notice from MFA, in its discretion, Mortgage Lender shall repurchase the HERO DPA Loan upon (1) the default and repurchase of the related HERO First MBS Program Loan, (2) upon default in the timely payment of the first installment of the HERO DPA Loan or the related HERO First MBS Program Loan or (3) delinquency in payment of any installment within the first nine months of origination of either the HERO DPA Program Loan or the related HERO First MBS Program Loan, in accordance with the requirements of the Notice of Funds Availability and the agreement between Mortgage Lender and Master Servicer (Homeownership Programs Master Agreement).

### **14. Mortgage Insurance**

- The first mortgage loan must be a HERO First Mortgage Loan/Fannie Mae "MyCommunity" loan
- The loan must have a Desktop Underwriter (DU) "Approve/Eligible" finding
- MI coverage is per Fannie Mae "MyCommunity" MI coverage guidelines and corresponding Mortgage Insurance Company guidelines

It is the responsibility of the originating lender to determine the amount and type on MI coverage allowed with the HERO First loan program and corresponding Mortgage Insurance Company guidelines.

MFA may amend the provisions of this Notice from time to time.

## **EXHIBIT A**

**HERO First Program/HERO DPA Program Income Limits  
(First Time Home Buyer OVER the Mortgage Saver/Mortgage Booster Income Limits  
OR  
Non-First Time Home Buyer)**

| <b>Area</b>   | <b>Income Limit</b> |
|---|---------------------|
| Albuquerque MSA<br>(Bernalillo, Sandoval, Torrance and Valencia Counties) | \$78,260            |
| Los Alamos and Santa Fe Counties  | \$79,800            |
| All other areas of the state  | \$65,240            |

The Income Limits described above are subject to change and may be amended by MFA.

## HERO DPA Program Acquisition Cost Limits

| Area                         | Acquisition Cost Limit |
|------------------------------|------------------------|
| Los Alamos County            | \$286,875              |
| Santa Fe County              | \$343,799              |
| All other areas of the state | \$237,031              |

The Acquisition Cost Limits described above are subject to change and may be amended by MFA.