



# LENDER MANUAL

December 23, 2020

DC Open Doors is administered by the District of Columbia Housing Finance Agency. The District of Columbia Housing Finance Agency was established in 1979 to stimulate and expand homeownership and rental housing opportunities in Washington, DC. This Lender Manual has been designed to provide our Participating Lenders with the information necessary to carry out their responsibilities as DCHFA approved and originating Lenders.

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## I. Overview

The District of Columbia Housing Finance Agency (the “Agency” or “DCHFA”) was established in 1979 to stimulate and expand homeownership and rental housing opportunities in Washington, D.C. The Agency accomplishes the mission of increased homeownership opportunities by offering funds for affordable first trust mortgage loans and down payment assistance, both of which lower the overall cost of a home purchase. The Agency embraces its responsibility with conviction and pledges its best efforts to serve as the City’s champion for homeowners and to act as the City’s principal catalyst for neighborhood investment.

The Agency’s first trust mortgage and its down payment assistance loans are offered to eligible borrowers on a first-come, first-served basis. Participating Lenders may reserve funds for a first mortgage and the Agency’s Down Payment Assistance Loan (“DPAL”) for eligible borrowers (collectively the “Program” or the “DC Open Doors Program”). The DPAL may also be used to pay for closing costs.

This Lender Manual, together with the Participating Mortgage Lender Single Family Program Agreement and all other published materials make up DCHFA’s “Program Documents.” The Agency relies upon Participating Lenders to comply with all requirements set forth in the Program Documents when originating Mortgage Loans to be purchased by the Agency’s Master Servicer. Mortgage Loans that do not comply with stated requirements will not be eligible for purchase by the Agency’s Master Servicer.

## II. Definitions

**ACT** – the District of Columbia Housing Finance Agency Act, Chapter 27, Title 42 of the District of Columbia Code, as amended.

**ACQUISITION COST** – the sales price plus borrower-paid closing costs, discount points, repairs and rehabilitation expenses and prepaid expenses – see specific definition by product type (FNMA/FHA/FHLMC).

**CLTV** – Combined Loan-to-Value ratio – ratio of the combination of all liens compared to the sales price/acquisition costs (“TLTV” or “Total Loan-to-Value”).

**CO-SIGNER/CO-SIGNOR** – a non-occupant who is co-signing the Note for a particular loan.

**COMMITMENT** – letter provided to lender upon DCHFA’s review and approval of pre-closing documents.

**DCHFA** – the District of Columbia Housing Finance Agency.

**DTI** – Debt-to-Income Ratio.

**DPAL** – Down payment assistance loan.

**EHOUSINGPLUS** – Compliance Agent and system used for locking/tracking DC Open Doors loans.

**FHA** – the Federal Housing Administration.

**FHLMC** – Federal Home Loan Mortgage Corporation (“Freddie Mac”).

**FNMA** – Federal National Mortgage Association (“Fannie Mae”).

**GNMA** – Government National Mortgage Association (“Ginnie Mae”).

**LTV** – Loan-to-Value Ratio.

**MAXIMUM BORROWER INCOME** – maximum permitted income as established by DCHFA for all borrowers signing the Note. Household income is not considered.

**LOCK-IN EXPIRATION DATE** – Seventy Days past the date the loan is reserved (locked). The loan must be purchased by the Master Servicer by the Lock-In Expiration date to avoid extension fees.

**MASTER SERVICER or SERVICER** – the entity(ies) designated by DCHFA to purchase and service loans under the DC Open Doors program.

**MI or PMI** – a private mortgage insurance company providing mortgage insurance on conventional loans.

**MCC** – Mortgage Credit Certificate issued by DCHFA according to the rules and regulations set forth by the Internal Revenue Service – **must also refer to MCC specific guidelines for eligibility requirements.**

**MORTGAGOR** – the borrower(s) in a mortgage transaction.

**NON-BORROWING CO-OCCUPANT** – Any person aged 18 years or older who will occupy the property and who will not be secondarily liable on the mortgage.

**PARTICIPATING LENDER or LENDER** – A lender that has been approved by DCHFA and the Master Servicer to originate, process, underwrite, close and fund mortgage loans under the DCHFA approved programs.

### **III. Participating Lenders**

Pursuant to this Lender Manual, the DCHFA Participating Mortgage Lender Single Family Program Agreement, the Master Servicer’s Lender Agreement and any other documents identified with respect to the DC Open Doors Program, Participating Lenders agree to originate qualifying Mortgage Loans and to transfer, without recourse, such Mortgage Loans to the designated Master Servicer. The Master Servicer shall service and aggregate the Mortgage Loans into pools for sale and assignment to the Government National Mortgage Association (“GNMA”), Federal National Mortgage Association (“Fannie Mae” or “FNMA”) and/or the Federal Home Loan Mortgage Corporation (“Freddie Mac” or “FHLMC”) pursuant to the designated Master Servicer Participating Lender Agreement.

#### **1. Agency and Master Servicer Approval**

A Lender must be approved by DCHFA and DCHFA’s Master Servicer in order to originate Mortgage Loans on the Agency’s behalf. Lenders must execute the DCHFA’s Participating Mortgage Lender Single Family Program Agreement, the Master Servicer’s Lender Agreement, and comply with the terms and conditions in it and all other Program Documents.

Once a Lender has been approved, the Lender must ensure that appropriate staff attends lender training before any Mortgage Loans can be reserved. A Lender must also ensure staff is continuously trained as necessary and prudent and it must make staff available for training at the discretion of the Agency.

From time to time, DCHFA may offer Loan products that require an additional layer of approval by its Master Servicer, e.g., the FHA 203K Streamline loan product. Lenders must obtain all levels of approval in order to originate Loan products, as specified by DCHFA and its Master Servicer.

By becoming an approved Lender and participating in the Program, the Lender understands and agrees that DCHFA reserves the right to suspend the Lender's ability to reserve new Loans under the Program if the Lender has outstanding fees, late deliveries, excessive withdrawal of locks, or for any other reason as determined by the Agency in its sole discretion.

Any Lender which does not submit a minimum of ten loans to DCHFA in a calendar year may be removed from the Participating Lender list published on the Agency's website.

## **2. Loan Reservation System**

Participating Lenders will be granted access to the loan reservation system via user credentials. The user credentials will be provided once the Lender has been approved to participate in DCHFA's Programs. To reserve a DC Open Doors loan, the Lender must access the System at <https://lenders.dchfa.com>.

## **3. Record Retention**

Participating Lenders must maintain copies of the complete Mortgage Loan files for each Mortgage Loan originated under the Program until at least three (3) years from the date of closing or as otherwise required per applicable law.

## **4. Suspension from Origination Activity**

DCHFA, at its sole discretion, may suspend any Participating Lender from originating in the DC Open Doors Program based upon the Lender's failure to comply with DCHFA guidelines, procedures or requirements. The Lender will be notified, in writing, of any suspension.

# **IV. General Loan Eligibility Requirements**

The DC Open Doors Program offers all eligible borrowers (not just first-time homebuyers) affordable mortgage financing. DCHFA does not make loans directly to the borrower; instead, its designated Master Servicer purchases eligible Loans from its Participating Lenders.

## **1. Eligible Borrowers**

To be eligible, all borrowers must:

- a) Meet FHA or Conventional (Fannie Mae/Freddie Mac) industry guidelines;
- b) Have income not exceeding the established limits (see [www.DCHFA.org](http://www.DCHFA.org) for current limits);
- c) Occupy the property as a primary residence;

- d) Have a minimum 640 credit score;
- e) Receive appropriate AUS approval;
- f) Purchase a property located within the District of Columbia; and
- g) Not own another property at the time of settlement.

## **2. Eligible Loan Types**

DCHFA accepts 30-year fixed-rate FHA and conventional loan types under its DC Open Doors Program. FHA loan types include FHA 203(b) loans, FHA 234(c) loans and 203(k) Streamline loans (approved Lenders only).

### **FHA Loan Program:**

DCHFA offers 30-year fixed-rate Loans insured by the Federal Housing Administration (“FHA”). These Loans must be underwritten according to FHA guidelines. All Loans must receive an AUS Approve/Eligible or Accept FHA Total Scorecard recommendation. High Balance loans are ineligible.

### **Conventional Loan Program – Fannie Mae/Freddie Mac:**

DCHFA offers 30-year fixed-rate conforming Loans under the HFA Preferred program by Fannie Mae. /HFA Advantage program by Freddie Mac. These Loans must be underwritten in accordance with Fannie Mae/Freddie Mac guidelines under appropriate program guidelines. The Lender must submit Loans through the appropriate AUS system (DU or LP) receive an “Approve/Eligible” finding or “Accept” finding. Manual Underwriting is not permitted.

### **Conventional High Cost Loan Program – Fannie Mae:**

DCHFA offers 30-year fixed-rate high cost/jumbo conforming loans under the HFA Preferred program. Must use DU and maximum LTV is 95%.

### **Conventional MI Requirements**

Borrower paid, split premium, single premium, and financed MI are all acceptable. Please refer to the appropriate Agency/Servicer guidelines for maximum LTV requirements, required coverage and acceptable MI companies.

### **Down Payment Assistance Loan (“DPAL”)**

A DPAL is available to all homebuyers that qualify under the DC Open Doors Program through a Participating Lender. Eligible borrowers may borrow up to 3% of the purchase price for conventional Loans or 3.50% of the purchase price for FHA Loans.

The DPAL is a non-amortizing, 0%, deferred subordinate lien. The Loan is repayable at the time of any of the following events:

- 1) first trust loan is refinanced;
- 2) the borrower no longer occupies the property as his/her primary residence;

- 3) the deed is transferred under any circumstances; or
- 4) 30 year maturity date of the Note.

The DPAL is only available in conjunction with a DC Open Doors first trust mortgage.

The Lender must repurchase from DCHFA any DPAL upon the occurrence of any of the following events:

- The Master Servicer refuses to purchase the first trust mortgage;
- The DPAL does not conform to the terms of its commitment or approval;
- The DPAL documents are not delivered in a timely manner;
- The DPAL documents are not delivered in the form prescribed in the Program Guide.

### **3. General Down Payment Assistance Loan Program Guidelines**

A borrower may use the Agency's deferred DPAL toward their applicable down payment, closing costs, or prepaid expenses on an eligible DC Open Doors first trust mortgage. The DPAL amount is 3% of the sales price for Conventional Loans and 3.50% of the sales price for FHA Loans.

A borrower may also obtain subordinate financing from other acceptable sources that meet FHA and Conventional guidelines.

#### **a. Loan Closing**

DPALs are funded by DCHFA via wire directly to a Settlement Agent and three business days' notice is required prior to funding the Loan.

DCHFA will provide the appropriate Loan closing documents to the Title Company prior to closing (Subordinate Deed of Trust, Note, Commitment, etc.).

#### **b. Lien Position**

At time of closing, DCHFA will take 3<sup>rd</sup> lien position on DPALs only if the 2<sup>nd</sup> lien is from another governmental agency or non-profit subordinate mortgage.

#### **c. Subordination Policy**

Down Payment Assistance Loans from DCHFA are not eligible for subordination upon a refinance by the lender or any third party.

#### **d. Loan-to-Value/Combined Loan-to-Value**

- Conventional/Conforming = 97%/105%
- Conventional High Cost = 95%/105%
- FHA = 96.50%/100% of cost to acquire

### **4. Borrower Eligibility Criteria**

Lenders must review the borrower requirements of this section to ensure the Loan is eligible under the DC Open Doors Program.

**a. Borrower Requirements**

- i. Borrower shall occupy the property as a principal residence within sixty (60) calendar days of closing.
- ii. Borrower is not required to be a first-time homebuyer.
- iii. Borrower may not own other property at the time of closing.
- iv. Homebuyer Education is required for first-time homebuyers on all conventional Loan products.
- v. Co-signors are not permitted.

**b. Homebuyer Education** – When required, Education Certificate must be submitted at the time of Loan submission to DCHFA

- i. **Conventional** – required when all home buyers are first time homebuyers:
  - The Homebuyer Education course must:
    - 1) Meet **Fannie Mae** Guidelines when using HFA Preferred/DU as follows:
      - Be Framework, or a program meeting the standards defined by the National Industry Standards for Homeownership Education and Counseling or be a HUD approved course
    - 2) Meet **Freddie Mac** Guidelines when using HFA Advantage/LPA as follows:
      - Be Credit Smart, or a program provided by a HUD approved counseling agency or a program provided by a mortgage insurance company
- ii. **FHA** – as required per FHA guidelines

**c. Income Limits**

- i. Borrower(s) must meet the income limits for the Program. The income considered will be the income stated on the Form 1003 Loan Application and used to qualify borrower.
- ii. The DC Open Doors Program does not count household income of non-borrower individuals.
- iii. DC Open Doors Program income limits are a single Citywide limit for all of Washington, DC.
- iv. Current income limits may be found on the Agency’s website at [www.dchfa.org](http://www.dchfa.org).

**d. Ratios**

- i. The maximum debt-to-income ratio for FHA Loan types, with or without down payment assistance, is 45.00%, regardless of AUS findings.
- ii. The maximum debt-to-income ratio for Conventional loan types, with or without down payment assistance, is 50.00%, regardless of AUS findings.

**e. Assets**

- i. There is no personal asset limitation under the DC Open Doors Program.

**f. Credit Score Requirements**



- i. The minimum credit score for all Loan types is 640.
- ii. The representative score shall be the lower middle score of all borrowers.
- iii. If any borrower has only two scores, the lower score must be used.

**g. Credit Overlays**

- i. Lender must comply with any/all Master Servicer credit overlays.

## **5. Property Requirements**

There is no DCHFA prescribed sales price limit for a home financed through the DC Open Doors Program unless it is paired with an MCC.

The residence must be located in Washington, DC and be eligible for insurance under FHA or meet conventional Loan guidelines as a principle residence.

**a. Eligible Property Types:**

- i. Single family detached or semi-detached
- ii. Townhomes
- iii. Modular homes
- iv. Condominiums (must meet Servicer and Investor guidelines)
- v. 1-4 Units (must meet Servicer and Investor guidelines, as guidelines vary with each Loan type)

**b. Ineligible Property Types:**

- i. Manufactured homes
- ii. Cooperative housing units

## **6. Maximum Loan Amount**

The maximum Loan amount is the conforming/high-cost loan limit inclusive of any financed MI on conventional Loans. MIP may be financed on FHA Loans resulting in a total loan amount exceeding the FHA Forward Mortgage Limit as long as the base loan amount does not exceed the FHA Forward Mortgage Limit. Lenders are required to adhere to any credit overlays imposed by the Agency's Master Servicer.

## **V. Availability of Funds**

The Agency administers a continuous DC Open Doors Program, although some specific Mortgage Loan products may be offered for a limited time and/or with limited funding.

## **VI. Loan Application Process**

### **1. Loan Origination/Disclosure**

Eligible borrowers apply for DC Open Doors Loans with a Participating Lender by completing a Form 1003 Mortgage Loan application.

If the Loan application includes a request for a DPAL, the application must reflect the DPAL amount in the “Details of Transaction Section” of the application, as well as list subordinate financing as the source of down payment on the first page of the application.

No separate LE/CD or GFE/HUD1 is required on DPALs.

### **2. Allowable Points, Fees and Charges**

The Agency will publish any rates/fees applicable to the Loan products/programs it may offer. In addition to the fees the Agency publishes, the Lender may assess origination charges that are reasonable and customary on the first trust Loan only.

The Lender must comply with fee/charge restrictions imposed by RESPA.

### **3. Loan Reservations**

Lenders must use the loan reservation system to reserve a Mortgage Loan for a borrower. Lenders must reserve funds for the first Mortgage Loan and the DPAL (if applicable) within the loan reservation system. A loan reservation serves as an Agency “rate lock.”

Instructions on the use of the loan reservation system will be provided during Lender training. Lenders must follow these instructions carefully in order to limit reservation changes, extensions and cancellations.

### **4. Rate Lock and Extensions**

DCHFAs offers a base rate lock of 60 calendar days for all reserved Loans. It is recommended that Lenders disclose a maximum 45 calendar day lock term to borrowers and wait until within 45 calendar days of closing to reserve Loans to allow sufficient time for the Loan to be delivered and purchased. Loans must be reserved, processed, underwritten, closed and purchased by the Master Servicer within 60 calendar days to avoid extension fees. Should a Lender need an extension, the DC Open Doors Program offers a 15 calendar day extension at 0.125% of the Loan amount, 30 calendar day extension at 0.250% of the Loan amount or 45 calendar day extension at 0.375% of the Mortgage Loan amount.

Extension fees are netted from the Mortgage Loan purchase price when Mortgage Loans are purchased by the Master Servicer. If, for any reason, a Mortgage Loan is ineligible for purchase by the Master Servicer, the Lender is still responsible for any extension fees incurred and will be invoiced by the Agency.

### **5. Reservation Restrictions**

- a) Loan Reservation System Availability – The loan reservation system is live and available for Participating Lenders to reserve loans from the hours of 10:00 a.m. – 8:00 p.m. (ET), Monday

through Friday. The loan reservation system is not available on weekends, District, or federal holidays.

- b) Reservation Changes (product type, loan amount, etc.) – Once a Loan has been reserved on the loan reservation system Lenders may not make changes to the reservation. Changes to the reservation must be made at the Agency level by emailing: [SingleFamilyPrograms@dchfa.org](mailto:SingleFamilyPrograms@dchfa.org) with “Reservation Change, Borrower Last Name, First Name and Loan #” in the SUBJECT line.

Lenders must be careful when pre-qualifying borrowers and ensure that all information is entered correctly in the loan reservation system.

- c) Cancellation of Reservations – Reservations can only be canceled at the request of the borrower and/or only when the Lender has confirmed the Loan is not viable and will not close. Cancellation requests should be sent to [SingleFamilyPrograms@dchfa.org](mailto:SingleFamilyPrograms@dchfa.org) with “Cancellation Request” in the SUBJECT line and must include the borrower name, assigned loan number, loan amount(s), and reason for cancellation. Loans can only be canceled by Agency staff.

## **6. DCHFA Initial/Final File Review**

Participating Lenders must submit an initial review file, following the Agency’s Initial/Final Review Checklist, to the DCHFA for approval prior to Mortgage Loan closing.

DCHFA’s initial review process includes:

- a) Review of the 1003 Loan Application form;
- b) Review of AUS Findings;
- c) Review of income documentation as per AUS findings;
- d) Review of the Ratified Purchase Contract;
- e) Review of the Loan Estimate for the 1<sup>st</sup> Trust Loan;
- f) Verification of homebuyer education (if applicable); and
- g) Any additional Program specific items required, as per our Initial/Final File Review Checklist or underwriting review findings.

It is in the Lender’s best interest to submit the file not less than 5 business days prior. It is the Lender’s responsibility to ensure Mortgage Loan amounts, purchase prices, settlement fees/charges, seller’s contributions, etc., are final prior to submitting the file to the Agency for review and/or approval.

If there are any changes to the file after the Agency issues a Commitment Letter/Clear to Close, the Lender must obtain an updated compliance approval before the Loan can close. The Master Servicer will not purchase a Mortgage Loan with a Loan Commitment referencing a different amount than what is represented in the purchase file. The Master Servicer will cite this discrepancy as a deficiency that the Lender must clear before Loan purchase.

Lenders submitting files must follow the instructions below:

- a) Files must be submitted to DCHFA at least 5 business days before closing by uploading the required documents through the reservation system;
- b) Files will be reviewed on a ‘first-come, first-served’ basis;
- c) DCHFA will prescreen files for completion of the initial submission items. Files missing documentation will be pended;

## **VII. Mortgage Loan Closing and Funding**

Participating Lenders must close and fund the first trust Mortgage Loans per the individual loan conditions as set forth by FHA, Fannie Mae, Freddie Mac, and Ginnie Mae. Lenders must also comply with the Master Servicer’s closing and funding parameters as detailed in its Lender Guide.

Participating Lenders are responsible for full compliance with RESPA, the Federal Truth in Lending Act, TRID rules, and supplying the correct information to ensure compliance with the Home Mortgage Disclosure Act. Lenders are responsible for the proper preparation and execution of all legal documents including, but not limited to the closing statements, Lender’s Estimate, Closing Disclosures, and any other DC Open Doors Program specific documents.

Lenders do not fund DPALs. DPALs are funded directly by the Agency.

### ***DPAL Closing Documents***

The Agency’s DPAL closing documents consist of:

- a) DPAL Settlement Instructions;
- b) DPAL Borrower Commitment Letter;
- c) DPAL Deed of Trust Note; and
- d) DPAL Deed of Trust.

If borrower is not obtaining DPAL assistance, the documentation listed above is not required.

If the first trust Mortgage Loan fails to close, Lenders shall not close on the DPAL.

## **VIII. Post-Closing and Purchase File Submission**

Participating Lenders must submit completed post-closing and purchase files to the Master Servicer not more than 5 business days from the Loan closing date following the Master Servicer’s Instructions.

**District of Columbia Housing Finance Agency  
DC OPEN DOORS**

## **CONTACT SHEET**

### **Administration:**

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### **Mailing Address:**

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### **Loan Reservations:**

<https://lenders.dchfa.com>