



## **HOMEOWNERSHIP PROGRAM Second Mortgage Closing Procedures**

The following closing procedures for second mortgage loans should be followed for compliance with the TILA-RESPA Integrated Rule ("TRID").

Participating Lenders are not authorized to close either the first mortgage loan or second mortgage loan until the following steps are completed and NIFA has approved the Pre-Closing Package.

### **Loan Application Disclosures**

- A separate second mortgage Loan Application (URLA) must be included in the Pre-Closing Package for second mortgage loans.
- The Participating Lender is responsible for providing a "Notice to Borrower" and a "Loan Estimate" in accordance with TRID requirements at the time of loan application. Either the Participating Lender or NIFA is named as the creditor on the Loan Estimate for the second mortgage loan.
- The Loan Estimate must comply with TRID requirements and will be reviewed by the Master Servicer during their purchase review process.

### **Pre-Closing Review**

- A complete Pre-Closing Package is required for review and approval before closing (at least five business days prior to closing).
- The Participating Lender will be notified of any conditions/deficiencies.

### **Closing Disclosure**

- The Participating Lender is responsible for providing a "Closing Disclosure" in accordance with TRID requirements. Whichever party is named as the creditor on the Loan Estimate must also be named as the creditor on the Closing Disclosure for the second mortgage loan.
- The Closing Disclosure must comply with TRID requirements and will be reviewed by the Master Servicer during their purchase review process.

### **Assistance Loan Closing Review**

- A complete Assistance Closing Package is required for review and approval before closing (at least one business day prior to closing).
- The Participating Lender will be notified of any conditions/deficiencies as soon as possible.

### **Assistance Loan Closing Approval**

- Once the Assistance Loan Closing Package is approved, the Participating Lender is authorized to close the first and second mortgage loans.
- LOL will generate a "Legally Enforceable Obligation Letter", including the final second mortgage loan amount.
- The Legally Enforceable Obligation Letter must be included in the FHA case binder for insuring purposes and in the loan file delivered to the Master Servicer for purchase.



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### **Assistance Loan Closing Documents**

- All Borrowers must execute the Second Mortgage Promissory Note, Second Mortgage Deed of Trust and Borrower Acknowledgement Letter at closing. A Non-Borrowing Spouse must execute the Second Mortgage Deed of Trust.
- The second mortgage loan amount on the Borrower Acknowledgement Letter must be the same shown on the Legally Enforceable Obligation Letter and on all other closing documents.
- The Borrower Acknowledgement Letter is required by FHA to document the Borrower's minimum cash investment and must be included in the FHA case binder and in the loan file that is delivered to the Master Servicer for purchase.

### **Disbursement of Closing Funds**

- The Participating Lender will fund both the first and second mortgage loans at closing. NIFA is obligated to fund the second mortgage loan and has an equitable interest in the loan and any monthly payments.
- The Participating Lender will collect monthly payments on both loans until such time the loans are purchased by the Master Servicer.
- The purchase price of the second mortgage loan will be equal to the face amount of the HBA second mortgage loan less the amount of any principal payments collected by the Participating Lender on behalf of NIFA. Any interest payments collected by the Participating Lender, on behalf of NIFA, will be retained as a fee for collecting monthly payments on the HBA second mortgage loan.