



**Southeast Texas Housing Finance Corporation (SETH)**  
**5 Star Texas Advantage Program (US Bank as Servicer)**  
**At-A-Glance Review:**

	Government Loans	Conventional Loans
Loan Products	FHA, VA, USDA 30 year fixed	Freddie Mac HFA Advantage & Fannie Mae HFA Preferred 30 year fixed
Loan Type	Primary residence; purchase. Refinance with Best Rate Option/ No DPA	Primary residence; purchase. Refinance available with Best Rate Option/ No DPA only
Borrower Eligibility	No first-time homebuyer requirement May own other property.	No first-time homebuyer requirement. May own one other property at time of closing.
Property Eligibility	1-4 unit properties, Condos, town-homes, PUD, duplexes. Manufactured homes require 660 FICO.	1 unit single family only. Condos permitted. Manufactured homes require 660 FICO score. Follow US Bank and Agency guidelines.
Property Location	State of Texas excluding the city limits of	El Paso, McKinney, Grand Prairie & Travis County
Loan Rates	Posted daily; 70-day lock to Lender	Posted daily; 70-day lock to Lender
Loan Qualifying Max DTI	680 + CS:50% DTI with AUS approval. Below 680 CS:45% DTI.	Purchase Transactions: 50% Max DTI with AUS approval. Refinance: 45% DTI or 50% DTI CS 680+ (*manufactured homes excluded.)
Loan Underwriting	Loans are underwritten by Lender. Manual uw permitted. DU or LP	AUS: Freddie Mac Options use LP and Fannie Mae Options use DU.
Borrower Investment	No minimum down required from Borrower's own resources.	No minimum required but subject to LP and Mortgage Insurer minimum.
Credit Score	640 minimum for FHA/ USDA/ VA	640 min for all Conventional Options
MCC Programs	May be combined with any MCC Program. Benefit can be used to qualify per Agency guidelines. Borrowers must meet MCC qualifications and requirements.	
Home Price Limit	Not established by program. Agency	Loan Limit will apply.
Income Limits	<a href="http://www.seth5star.com">www.seth5star.com</a> Posted in Lender	Tool Box use Password Youareastar
SETH Assistance	DPA as 3 Year Forgivable 2nd Lien. as % of total loan amount. See details	Maximum amount subject to market conditions on page 3.
Homebuyer Ed	SETH Course Required. Only one borrower must complete. Free for lower income levels	
Mortgage Insurance	As required by FHA, VA, USDA.	Charter coverage for options at/below 80 AMI. Standard coverage for options above 80AMI
MI Premiums	As required by FHA, VA, USDA.	Monthly, single and split premium plans
Per Loan Fees	None	<u>No</u> delivery or adverse market fees.
Origination Fee	1% Max Permitted (details page 6)	1% Max Permitted (details page 6)
US Bank Fees	\$400 Funding Fee. \$84 Tax Service.	\$400 Funding Fee. \$84 Tax Service Fee.
eHousing Fees	\$250 Compliance/ Admin Fee	\$250 Compliance/ Admin Fee



**Southeast Texas Housing Finance Corporation (SETH)**  
***5 Star Texas Advantage Program***  
**HFA Guidelines (U.S. Bank as Servicer)**

Program Sponsor	Southeast Texas Housing Finance Corporation (“SETH”) is an approved provider of down payment assistance per HUD, Freddie Mac and Fannie Mae guidelines.
Program Admin	EHousingPlus will post mortgage loan rates, accept loan reservations and manage funding.
Eligible Lenders	Must be approved by U.S. Bank and sign a Lender Agreement with SETH.
Servicer	First Loans will be purchased and serviced by U.S. Bank (the “Servicer”).
Eligible Loan Area	Program is available throughout the State of Texas; except in Travis County and the cities of El Paso, McKinney and Grand Prairie.
Occupancy	Primary residence. Borrowers and their spouses must permanently reside in the U.S. and must occupy the property within 60 days.
Eligible Borrowers	There is no SETH first-time homebuyer requirement. Co-Signers are permitted for FHA, Freddie Mac and Fannie Mae loan options. US Bank and agency overlays apply. Follow US Bank and Agency guidelines for non-citizens.
Eligible Properties	<p><u>FHA, VA and USDA:</u> 1-4 unit properties. Single family, owner-occupied, detached structures, or condominiums, town homes/PUDs or duplexes, subject to FHA, VA and USDA guidelines. Manufactured homes permitted with 660 FICO score. See US Bank Product Guides for complete requirements including DTI and acceptable underwriting approval methods. Appraised value must meet or exceed sales price.</p> <p><u>Freddie Mac HFA Advantage/ Fannie Mae HFA Preferred:</u> 1 unit properties only. Manufactured homes are permitted with 660 FICO. Homes must meet agency and US Bank guidelines. Condos with LTV above 95%, must have USBM approval for the project. Appraised value must meet or exceed sales price.</p>
Income Limits	Use Qualifying Income for as reported on the loan application may not exceed limits posted at <a href="http://www.seth5star.com">www.seth5star.com</a> . For FHA loans, the Co-Signers income does not need to be considered when determining eligibility for assistance. Charter Level Income Limits can get reduced MI coverage for conventional loans and get free homebuyer education from SETH for all loan types. Standard Income Limits have access to all identified options on rate sheet. See Program Rate Sheet posted in eHP Portal and <a href="http://seth5star.com">seth5star.com</a> lender tool box.
Home Price Limits	Not established by SETH. Follow any agency requirements and all agency loan limits will continue to apply.
Investment	No minimum Borrower investment required by program. Follow Agency guidelines
Credit Score	Minimum 640 credit score (mid-score) required for all borrowers
Homebuyer Education: No other course accepted	Required for purchase transactions only. Borrowers should visit <a href="http://www.seth5star.com">www.seth5star.com</a> and follow the link for our SETH Homebuyers Education Course. Only one borrower is required to attend but multiple borrowers may complete the course together. Buyers meeting Charter Level Income Limits will receive free education. For free HBE, Lenders must submit borrower’s email address and lock confirmation to <a href="mailto:compliance@sethfc.com">compliance@sethfc.com</a> . A coupon code is sent directly to the borrower.

## First Loan Terms and Guidelines

First Loan Types	<ul style="list-style-type: none"> <li>• FHA 203(b), 203(b)(2), 203(k) streamlined, VA, USDA.</li> <li>• Freddie Mac HFA Advantage/ Fannie Mae HFA Preferred <ul style="list-style-type: none"> <li>➤ 1unit properties only, principal residences.</li> <li>➤ Condos permitted. Follow Freddie Mac and US Bank Guidelines.</li> <li>➤ Reduced MI coverage available with Charter Level Income Limits.</li> <li>➤ Co-Signers income must be used as Qualifying Income</li> </ul> </li> </ul>
Transaction Type	Purchase transactions; rate/term refinancings permitted with the Best Rate Option/No DPA for conventional products and FHA loans only.
First Loan Terms	30-year fixed rate fully amortizing first mortgage loan only.
Mortgage Loan Rates	Rates are available through eHousing and posted daily from 9:00 AM to 6:00 PM CST.
Rate and Price Adjustments	Freddie Mac/ Fannie Mae loans are <u>not</u> subject to any loan level price adjustments and delivery fees. There is no adverse market delivery fee.
Rate Locks and Extension	Borrowers must have a fully executed sale contract for a specific property before a Rate Lock can be submitted for purchase transactions. Loans must be purchased and funded by Servicer within 70 days of the rate Lock Date. Any Mortgage Loan not purchased within the 70 days is ineligible for purchase unless the Lender elects a one-time 30-day extension, subject to a 25 basis point extension fee which will be netted from the Loan Purchase Price and calculated from 1 <sup>st</sup> lien loan amount.
Loan Underwriting/ Ratios/Reserves	<ul style="list-style-type: none"> <li>• <u>FHA, VA, USDA</u>: Follow Agency and US Bank guidelines with respect to reserves and underwriting guidelines subject to DU or LP approval. Manual Underwriting is permitted and US Bank overlays apply.</li> <li>• <u>FHA</u>: Max DTI 50% with credit score 680 and higher. Below 680: 45% Max DTI. Minimum credit score required: 640. Manual Underwriting is permitted following US Bank guidelines. Co-Signers permitted, their income can be used for mortgage qualification and not included in eligibility for assistance. They must not sign DOT or owner-occupy property. This applies for both purchase and refinance loans.</li> <li>• <u>USDA/VA</u>: With 680 &amp; higher credit score, 50% MAX DTI. Below 680 credit score 45% Max DTI. Manual Underwriting permitted. Follow US Bank overlays.</li> <li>• <u>Conventional Loans</u>: Maximum 50% DTI permitted with AUS approval (excluding manufactured homes and refinance transactions.) Manufactured housing = 45% MAX DTI. Refinance Loans: 45% Mac DTI or 50% Max DTI w/CS680+. Manual underwriting per Agency and US Bank guidelines. <u>Freddie Mac</u>: LP only- HFA Advantage. <u>Fannie Mae</u>: DU only- use HFA Preferred.</li> <li>• Per CFPB guidelines: “Extensions of credit made by creditors pursuant to a program administered by a Housing Finance Agency (HFA) are exempt from the ATR requirements regardless of the funding source (e.g. Federal, State, or other sources).” However, such loans are <u>not</u> exempt from TILA requirements for Higher-Priced Mortgage Loans (HPMLs) or High-Cost Mortgage Loans.</li> </ul>
First Loan Limits	FHA, VA, USDA and Freddie Mac/Fannie Mae first loan limits apply, subject to SETH’s maximum purchase price limits.
Assistance Funds Available	Market conditions will determine Assistance Options availability. Amounts are rounded to the nearest whole dollar by the eHousing reservation system.

## Compliance Review Summary

<p>DPA Assistance Options:</p> <p>MARKET CONDITIONS WILL DETERMINE OPTIONS AVAILABLE EACH DAY.</p>	<ul style="list-style-type: none"> <li>• <b>FHA, VA, USDA:</b> SETH Assistance of up to <u>5%</u> of the final Mortgage Loan amount as shown on the Mortgage Note. Assistance funds are automatically reserved once the Mortgage Loan is locked in the eHousingPlus reservation system. See rate sheet for No DPA and 2<sup>nd</sup> Lien options. Additional details can be found below.</li> <li>• <b>Conventional:</b> Fannie Mae/Freddie Mac Options will have DPA provided as a 3 Year forgivable 2<sup>nd</sup> lien. DPA funds are automatically reserved once the loan is locked in the eHousing reservation system and calculated based on final loan amount.</li> <li>• SETH DPA may be applied towards the Borrower’s down payment or closing costs. DPA funds may not be used to compensate for the difference between appraised value and purchase price.</li> <li>• The 2<sup>nd</sup> lien provided with SETH 5 Star Options is forgiven in full on the 3<sup>rd</sup> anniversary of the mortgage. There are no payments due for the 2<sup>nd</sup> lien.</li> <li>• SETH DPA 2<sup>nd</sup> Liens will not be resubordinated, and any unforgiven balance will be due upon sale or refinance.</li> <li>• Other than earnest money reimbursement, or items paid by the Borrower outside of closing, there can be no cash back to the Borrower. Excess funds may be applied as a principal reduction.</li> <li>• Lenders are required to report to HUD the Employer Identification Number (EIN) of all down payment assistance sponsors on HUD’s FHA Loan Underwriting and Transmittal Summary. SETH’s EIN is 76-0061310.</li> <li>• Lender will be responsible for returning Assistance funds to SETH received for loans not purchased by US Bank through Program. Borrowers will not be expected to return DPA funds to the Lender.</li> <li>• Reminder for Conventional Loans:             <ul style="list-style-type: none"> <li>➢ Fannie Mae Options = DU Approval</li> <li>➢ Freddie Mac Options= LP Approval</li> </ul> </li> </ul>
<p>Assistance Funding</p>	<p>With a 2-day notice, upon receipt of a Wire Transfer Request Form, SETH through its custodial agent will arrange for the wire transfer of the SETH Assistance funds directly to the Closing Agent or Title Company for the benefit of the Borrower.</p>
<p>Program Options</p>	<p><b>Second Liens:</b> DPA is provided as a 3 year forgivable 2<sup>nd</sup> lien. There are no payments attached to the DPA. It will be completely forgiven after the 3<sup>rd</sup> year. Borrower must repay the unforgiven balance upon sale or refinance. 2<sup>nd</sup> Lien Note and DOT is required. See page 5 for documents to be signed at closing. DPA 2<sup>nd</sup> lien amounts identified on rate sheet and include these loan types:</p> <ul style="list-style-type: none"> <li>• Government: FHA, VA, USDA</li> <li>• Conventional: Fannie Mae and Freddie Mac</li> </ul> <p><b>No DPA/Best Rate:</b> This option provides a 30 fixed rate mortgage with no assistance. There is no 2<sup>nd</sup> lien. Rate is superior to many regular market rates available. These loans are not subject to any loan level price adjustments. Borrowers can access additional benefits like lower MI coverage for conventional loans with income under 80% AMI. This can be combined with local assistance programs. US Bank and Agency guidelines apply. Page 5 outlines the documents to be signed at closing. There is no 2<sup>nd</sup> lien DOT or Note for this option.</p> <ul style="list-style-type: none"> <li>• Government: FHA, VA, USDA. Purchase Transactions. Refinance: FHA Only. Streamline or Rate/Term</li> <li>• Conventional: Fannie Mae and Freddie Mac. Purchase and Refinance Options available, see rate sheet for pricing. Rate/Term refinance – no cash to borrower.</li> </ul>

## Compliance Review Summary

### Mortgage Insurance

Required Mortgage Insurance (MI) Coverage	<ul style="list-style-type: none"> <li>• FHA, VA, and USDA-RD MI coverage per HUD, VA, USDA-RD requirements.</li> <li>• Freddie Mac and Fannie Mae Loans <u>Charter Level Income Limits</u>:             <ul style="list-style-type: none"> <li>➢ 18% charter coverage for 95.01-97% LTV Loans</li> <li>➢ 16% charter coverage for 90.01-95% LTV Loans</li> <li>➢ 12% charter coverage for 85.01-90% LTV Loans</li> <li>➢ 6% charter coverage for 80.01-85% LTV Loans</li> </ul> </li> <li>• Standard Income Limits Freddie Mac and Fannie Mae: Standard MI coverage applies. Follow guidelines on DU or LP findings.</li> </ul>
Mortgage Insurance Rates	<ul style="list-style-type: none"> <li>• Insurers must be approved by Freddie Mac/Fannie Mae.</li> <li>• Borrower paid MI monthly, split or single premiums are acceptable per MI company guidelines.</li> <li>• Lender is responsible for activating any MI policy and remitting any MI payments due to the Mortgage Insurer prior to the sale of the loan to the Servicer. Lender is also responsible for transferring the MI policy to the Servicer after the loan sale.</li> <li>• PMI rates, pricing, and guidelines may differ among the participating Mortgage Insurers and are subject to change. Lenders should consult the current MI guidelines to determine the terms and conditions by which such loans will be insured.</li> <li>• This Term Sheet does not supersede, nor are they a substitute for, the guidelines in place with each Mortgage Insurer at the time the loan is underwritten.</li> </ul>

### Closing/ Post Closing

Closing Docs For Assistance	<p><b><u>Government Loans</u></b></p> <ul style="list-style-type: none"> <li>• Notice of DPA (FHA Only)</li> <li>• Co-Signer Affidavit (if applicable)</li> </ul>	<p><b><u>Conventional Loans</u></b></p> <ul style="list-style-type: none"> <li>• Mortgagor's Acknowledgment (All)</li> </ul>
Signed At Closing	<ul style="list-style-type: none"> <li>• Forgivable Loan Disclosure</li> <li>• 2<sup>nd</sup> Lien Note/ 2<sup>nd</sup> Lien DOT</li> </ul>	<ul style="list-style-type: none"> <li>• 2<sup>nd</sup> Lien Note/2<sup>nd</sup> Lien DOT</li> <li>• Forgivable Loan Disclosure</li> <li>• Co-Signer Affidavit (if applicable)</li> </ul>
2 <sup>nd</sup> Lien Maturity Date	The Note is Forgiven after 3 years. The Note Date is the day of closing and the Maturity Date will be the 3 year anniversary. (3/5/2019 would use 3/5/2022 for maturity) The DOT should be dated to match Note. All names to match 1 <sup>st</sup> lien documents.	
Closing Docs No Assistance/ Best Rate	This option does not provide assistance and there is no 2 <sup>nd</sup> lien Note or Deed to be created. Borrower must complete SETH HBE course for purchase transactions. HBE not required for refinances. All conventional loans (purchase and refinance) will have Mortgagor's Acknowledgement executed at closing.	
Post-Close Compliance Package	Within 10 days of the loan closing date- Lender provides to eHousingPlus <ul style="list-style-type: none"> <li>▪ Executed Closing Disclosure</li> <li>▪ Final Loan Application (1003)</li> <li>▪ All applicable executed 2<sup>nd</sup> lien documents</li> <li>▪ SETH Homebuyer Education Certificate</li> </ul>	
2 <sup>nd</sup> Lien Recording Fee	Lenders will disclose the 2 <sup>nd</sup> lien recording fee on Forgivable Loan Disclosure. Please consult with your internal compliance department. Actual fees only.	
2 <sup>nd</sup> Mtg Clause	SETH is not listed as a 2 <sup>nd</sup> lien holder in Mortgagee Clause for Homeowner Insurance.	

## Compliance Review Summary

### Compensation, Seller Contributions and Fees

Lender Compensation:	<ul style="list-style-type: none"> <li>• <u>FHA, VA, USDA</u>: Lenders will receive a 1.50% SRP. 1% Origination or 1% Discount Fee will be permitted. Lender may not collect both.</li> <li>• <u>Freddie Mac/Fannie Mae</u>: Lenders will receive a 1.50% SRP upon the purchase of the loan by the Servicer. 1% Origination or 1% Discount Fee will be permitted. Lender may not collect both.</li> <li>• Reasonable and customary fees and closing costs, provided such fees and expenses are comparable to other FHA, VA, USDA, Fannie Mae and Freddie Mac of similar size and are fully disclosed to the Borrower in accordance with federal, state and local laws and regulations. Lenders are prohibited from collecting fees for the SETH HBE Course and/or creating additional fees for borrowers participating in this program.</li> </ul>
Seller Contribution	Permitted subject to FHA, VA, USDA and Freddie Mac/ Fannie Mae guidelines.
Loan Purchase and Program Fees	Servicer will purchase all loans at a 102.50% purchase price less Servicer's \$400 Funding Fee, \$84 Tax Service Fee and any extension fees.

### Servicer and SETH Contact Information

Loan Delivery Information	Final document delivery information and checklist are posted on <a href="http://www.usbank.com">www.usbank.com</a> or contact the US Bank Help Desk. A \$50 late fee will be assessed on final documents not delivered within 60 days of purchase.
2 <sup>nd</sup> Lien DOT	Delivered to US Bank at address provided on document
US Bank Lender Help Desk	For underwriting questions, contact the US bank Help Desk at 800-562-5165 or <a href="mailto:hfa.programs@usbank.com">hfa.programs@usbank.com</a>
US Bank Underwriting Services	Lenders that require US Bank Home Mortgage underwriting services may have additional underwriting requirements and should contact US Bank directly.
SETH Contact Information	Rhonda Mitchell, SETH Homeownership Program Director <a href="mailto:rmitchell@sethtexas.com">rmitchell@sethtexas.com</a> 11111 S Sam Houston Parkway East Houston, TX 77089 281.484.4663 x110 SETH Program Guide, Income Limits, Homebuyer Education links and other helpful information can be found at <a href="http://www.seth5star.com">www.seth5star.com</a> in the Lender Tool Box, password Youareastar.