

Conventional Payoff of Land Contracts

Note: All underlined items represents STM credit overlays

Topic	Current Requirements for Non-AUS, DU & LP Effective for Applications <i>PRIOR</i> to March 5, 2012			New Requirements for Non-AUS, DU & LP Effective for Applications <i>ON OR AFTER</i> March 5, 2012
Installment Land Contract	Non-AUS	DU	LP	Non-AUS, DU & LP
	<ul style="list-style-type: none"> When the proceeds of a mortgage transaction are used to pay off the outstanding balance on an installment land contract (or contract or bond for deed) that was executed within the 12 months preceding the date of the loan application, the transaction must be considered a purchase transaction. The installment land contract must be recorded. For refinance transactions, the land contract must be recorded 12 months prior to application. When the installment land contract (or contract or bond for deed) was executed more than 12 months before the date of the loan application, the transaction must be considered a limited cash-out (rate/term) refinance transaction. 	<p>Non-AUS guidelines apply.</p>	<ul style="list-style-type: none"> A mortgage in which the proceeds are used to pay the outstanding balance under a land contract or contract for deed may be considered either a purchase transaction or a refinance (limited cash-out or cash-out) transaction, without regard to when the land contract was executed. <p>Note: The transaction must meet all applicable seasoning requirements.</p> <p><u>Reference:</u> See the <i>Seasoning Requirements</i> subtopic for additional information.</p> <ul style="list-style-type: none"> The land contract must be recorded. For refinance transactions, the land contract must be recorded 12 months prior to application. 	<ul style="list-style-type: none"> Proceeds of a mortgage transaction that are used to pay off the outstanding balance on an installment land contract (or contract or bond for deed) may be considered either a purchase transaction or a limited cash-out (rate/term) refinance transaction. Cash out refinances are ineligible. <u>The installment land contract must be recorded.</u> A copy of the executed land contract or contract for deed must be included in the loan file. If the <u>land contract was executed and recorded</u> within the 12 months preceding the date of the loan application, the transaction must be considered a purchase transaction. For purchase transactions, all of the loan proceeds must be used to pay the outstanding balance under the contract, and no loan proceeds may be disbursed to the borrower. The LTV for purchase transactions is based on the lesser of the following: <ul style="list-style-type: none"> total acquisition cost (purchase price indicated on the original land contract or contract or bond for deed, plus any cost the purchaser incurs for rehabilitation, renovation, or energy conservation improvements, as documented in the file) or the current appraised value. For refinance transactions, the <u>land contract must have been recorded</u> more than 12 months prior to the loan application. For refinance transactions, the file must include third party documentation evidencing payments in accordance with the land contract or contract for deed for the most recent twelve (12) months. The LTV for limited cash-out (rate/term) refinance transactions is based on the current appraised value.

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Installment Land Contract	Non-AUS	DU	LP	Non-AUS, DU & LP
	<ul style="list-style-type: none"> • The LTV for purchase transactions is based on the lesser of the following: <ul style="list-style-type: none"> • total acquisition cost (purchase price indicated on the original land contract or contract or bond for deed, plus any cost the purchaser incurs for rehabilitation, renovation, or energy conservation improvements, as documented in the file) or • the current appraised value. • The LTV for limited cash-out (rate/term) refinance transactions is based on the current appraised value. • The HUD-1 must reflect the applicable transaction (i.e., if purchase, seller issues should be addressed; if refinance, there should not be a reference to a seller – seller is treated as an existing lien). • The above guidelines apply regardless if title to the subject property has transferred to our borrowers. 	<p>Non-AUS guidelines apply.</p>	<ul style="list-style-type: none"> • On purchase transactions, all of the loan proceeds must be used to pay the outstanding balance under the contract, and no loan proceeds may be disbursed to the borrower. • The LTV for purchase transactions is based on the lesser of the following: <ul style="list-style-type: none"> • total acquisition cost (purchase price indicated on the original land contract or contract for deed, plus any cost the purchaser incurs for rehabilitation, renovation, refurbishment, or energy conservation improvements, as documented in the file) or • the current appraised value. • The LTV for refinance transactions is based on the current appraised value. • The HUD-1 must reflect the applicable transaction (i.e., if purchase, seller issues should be addressed; if refinance, there should not be a reference to a seller – seller is treated as an existing lien). • The above guidelines apply regardless if title to the subject property has transferred to our borrowers. 	<ul style="list-style-type: none"> • The HUD-1 must reflect the applicable transaction (i.e., if purchase, seller issues should be addressed; if refinance, there should not be a reference to a seller – seller is treated as an existing lien). • The above guidelines apply regardless if title to the subject property has transferred to our borrowers. • Any second liens must be paid off with the new loan if they are a purchase money second. • Properties with a second lien that are not purchase money may not be resubordinated.