Flex Lending: NextStep

Guideline Manual

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SECTION 1 – INTRODUCTION

1.1 Forward

The Flex Lending NextStep loan product, developed by Oregon Housing and Community Services (OHCS or department), aims to provide mortgage financing to help Oregonians on low to moderate incomes to purchase homes without the capacity constraints of qualified mortgage loans like FirstHome. Approved lenders delivering mortgage loans to the department must be approved by both OHCS and the department's servicer.

OHCS' expectation is that mortgage loans originated by approved lenders are underwritten and approved using prudent and sound rationalization. The department aims to avoid purchasing mortgage loans that may cause financial hardship for borrowers or result in default.

1.2 Mortgage Loan Requirements

As a prerequisite for delivering mortgage loans to the department, the credit and underwriting requirements of the department's servicer must be met. Additionally, all mortgage loans must meet the requirements established by the department set forth in this manual.

1.3 Lender Requirements

OHCS has a local office requirement for lenders participating in Flex Lending programs and products. As part of the Mortgage Lending Program Origination Agreement and Mortgage Loan Purchase Contract (Section 4.01, Lender General Requirements, item J), lenders and staff originating and processing mortgages under the program lenders must be in Oregon or within 50 miles of Oregon.

These offices should be:

- Open to the public.
- Fully staffed with experienced personnel who make purchase money mortgages for owner-occupied homes in Oregon.
- The staff originating and processing mortgages under the program must be in Oregon or within 50 miles of Oregon's border.

SECTION 2 – BORROWER ELIGIBILITY

2.1 Eligible Borrower

A borrower is eligible to receive a mortgage loan under the program if, on the dates of application and closing, the following requirements are met:

1. **Income Limitation:** The annual gross income of all borrowers listed on the loan application does not exceed $125,000.
2. **Residency:** The borrower must be a resident or intend to become a resident of Oregon. Follow agency guidance for U.S. citizenship requirements.
3. **Occupancy:** The residence financed by the mortgage loan must be occupied as a principal residence within 60 days of loan closing.
4. **Existing Mortgage Loans:** The borrower must not be acquiring or replacing any existing mortgage loan on the property, with certain exceptions (e.g., construction loans, bridge loans, or qualified rehabilitation loans).
5. **Legal Capacity:** The borrower must possess the legal capacity to incur the obligations of the mortgage loan.
6. **Credit:** The borrower must have a credit standing acceptable to the department.
7. **First-time Homebuyer Requirement:** The borrower may have prior ownership of residential real estate. (See Section 2.2).
8. **Compliance:** The borrower must meet the requirements established by the department and department servicer.

2.2 First-time Homeowner Requirement

Borrowers do not have to be first-time homebuyers. Borrowers may not own additional residential real estate at closing.

2.3 Homebuyer Education

Homebuyer Education is required for all first-time homebuyers. Homebuyers must complete homebuyer education through an OHCS homeownership center: https://www.oregon.gov/ohcs/homeownership/pages/homebuyer-education.aspx.

In the event homebuyer education cannot be completed with an OHCS homeownership center, homebuyer education may be completed using Finally Home!

- Approved lender must retain a copy of the certificate of course or counseling completion in the loan file.
- Certificate of course or counseling completion certificate is good for one year from the date of completion.

2.4 Occupancy

Principal Residence Requirement

The borrower must occupy the residence as their principal residence within 60 days of the mortgage loan closing. The residence must be used by the borrower exclusively as a single-family residence. At no time may the borrower:

- Use the residence as an investment property.
- Use the residence as a vacation or recreational home.
- Conduct trade or business activities from the residence.

Year-Round Occupancy – Properties must be accessible year-round regardless of location. Mortgage loans for inaccessible properties are ineligible for purchase by the department.

Ineligible Occupancy Types – The following types of residences are not eligible for any mortgage loan products offered in the program:

- Homes intended for use as investment properties
- Recreational, vacation, or second homes

Usage of Residence in a Trade or Business – A home with more than 15% of the total area used primarily in a trade or business does not qualify as a principal residence.

2.5 Income Limits

The borrower’s qualifying income must not exceed program income limits. The borrower's gross annual income may not exceed $125,000 based on the qualifying income as determined by the underwriters. Income tiers based on county area median income (AMI) limits may be found on our website.

a. For purposes of meeting the eligibility criteria associated with the income limits, the loan qualifying income of all borrower(s) will be considered.

b. Lenders must ensure that the income meets agency guidelines.
c. The qualifying borrower(s) income will fall between one of the income tiers below:
    - 80% and below
    - 80% - 120% AMI
    - 120% AMI to $125K

2.6 Penalties for Misstatement

Any individual who makes a material misstatement in any affidavit or certification related to the mortgage loan application may face liability under applicable civil or criminal law. This applies if the misstatement is due to either negligence or fraud on the part of that individual.

2.7 Ownership Interest and Title

Vesting

Ownership must be vested solely in the name of the eligible borrower. Ownership may not be held in trust or through a limited liability company (LLC).

Borrowers who occupy the residence may not own other properties at the time of closing. Non-occupant co-borrowers and non-occupant co-signers may own other property.

Non-borrowing spouse (NBS) – An NBS may be added to the title provided the following requirements are met:

- Title report with clear lien / judgment search for NBS
- Evidence that the NBS does not currently own any other residential property

2.8 Co-Signers and Non-Occupying Co-Borrowers

Non-occupant co-borrowers and non-occupant co-signers are eligible under the program guidelines by following the guidelines of the department's servicer. Non-occupying co-signers' and non-occupying co-borrowers' income is included in the annual income limit established for NextStep.

SECTION 3 – PROPERTY ELIGIBILITY

3.1 Eligible Loan Area

Only residential real estate located in Oregon is eligible for this program.

3.2 Property Requirements

Eligible properties:

- One-unit
- Condominiums
- Townhomes
- Planned unit developments (PUD)
- Manufactured homes (both single-wide and multi-wide) on real property
- Properties with accessory dwelling units (ADUs) (may not be used as a rental; rental income not allowed)
- Community land trust
- Leasehold

Ineligible properties:

- Multiplexes (2-4 units, 5+ units)

3.3 Purchase Price or Appraised Value Limitation

Follow first mortgage guidelines of the department's servicer as it relates to purchase price or appraised value limits for this program.

***Note:** DPA may not be used to pay the difference between the sales price and appraised value if the sales price is higher (gap financing).

3.4 Targeted Area Census Tract

There are no applicable targeted areas for this program.

3.5 Hazard Insurance

Maximum deductible for hazard insurance is $2,000.

3.6 Flood Insurance

Maximum deductible for flood insurance is $5,000.

3.7 Escrow payments

A reserve / escrow account for the collection of hazard insurance premiums, flood insurance premiums, taxes, and mortgage insurance premiums (if applicable) are required for all mortgage loans regardless of loan-to-value (LTV).

SECTION 4 – MORTGAGE LOAN UNDERWRITING

Lenders are responsible for all underwriting decisions for all mortgages originated under the program. Mortgage loans must be underwritten to the standards of the applicable loan type.

4.1 Loan Types

- **Federal Housing Administration (FHA) Loans:** 96.5% LTV / follow HUD guidance for combined loan-to-value (CLTV)
  - FHA section 203(b), Single Family Residences
  - FHA section 234(c), Condominiums
  - FHA Section 184 Indian Home Loan Guarantee Program
- **Veterans Administration (VA) Loans:** 100% LTV / Follow VA guidance for CLTV
- **U.S. Department of Agriculture Rural Housing Service (USDA -RHS) Loans:** 100% LTV / follow USDA guidance for CLTV
- **Conventional Loans:** Maximum CLTV: 105%
  - Fannie Mae (FNMA) HFA Preferred / Freddie Mac (FHLMC) HFA Advantage – Up to 97% LTV

4.2 Seller Contributions

First Mortgage Loan Seller Contribution Limitations

- FHA and USDA-RHS loans have a maximum seller contribution of 6%.
- VA follow agency guidelines
- Fannie HFA Preferred and FHLMC HFA Advantage Loans have a maximum seller contribution of:
  - 3% with CLTVs greater than 90%.
  - 6% with CLTVs less than or equal to 90%.
  - May be used for closing costs and / or single or split mortgage insurance (MI) premiums.

4.3 Mortgage Insurance

- Government loans (FHA, VA, USDA-RHS) follow standard FHA, VA, and USDA-RHS mortgage guidelines.
- Conventional mortgage loans that require MI must acquire the policy from one of the following mortgage insurance providers:
  - Arch
  - MGIC
  - Enact
  - Essent
  - National MI
  - Radian

Coverage Requirements for Fannie Mae HFA Preferred and Freddie Mac HFA Advantage:

LTV Range	Coverage Amount Under 80% of AMI	Coverage Amount Over 80% of AMI
>95% and < = 97%	18%	35%
>90% and < = 95%	16%	30%
>85% and < = 90%	12%	25%
>80% and < = 85%	6%	12%

Payment Options:

- Borrower-paid – monthly with annual renewal
- Split premium
- Single premium
- Lender-paid (LPMI) – not allowed

Approved lender is responsible for activating any MI policy and remitting any MI payments due to the mortgage insurer prior to the sale of the mortgage loan to the department's servicer. The approved lender is also responsible for transferring the MI policy to the department's servicer after the sale of the mortgage loan.

4.4 Credit

All borrowers are required to have a minimum credit score of 620 for mortgage loans underwritten using AUS (Automated Underwriting Systems). Manually underwritten mortgage loans require a minimum credit score of 640; see Manual Underwriting Section 4.5 for available loan types.

4.5 Manual Underwriting

Manual underwriting is permitted for FHA, VA, USDA-RHS, and Section 184 mortgage loan types. Borrowers must have a credit score of at least 640 and two months of reserves after closing. Minimum credit score is required for all borrowers who have a credit score. Borrowers with no credit scores are eligible for manual underwriting. Follow agency guidelines.

4.6 Debt-to-Income Ratio (DTI)

- Borrowers' maximum DTI may not exceed 50%.
- VA loans with AUS approval and two months of reserves may have DTI ratios of 50.01% - 55%.

SECTION 5 – FOCUSED DEMOGRAPHICS

To address disparities in homeownership, the department has developed a Focused Demographics DPA option using loan demographic data and providing increased DPA with more favorable terms to borrowers who apply for and meet the Focused Demographics criteria.

5.1 Focused Demographics Criteria

To be eligible for Focused Demographics, borrowers must apply for and meet the Flex Lending NextStep product guidelines and two of four demographic criteria below:

- Household of four or more people
- A household member with a disability
    - Disability is defined under ORS 456.515 (9). "Person with a disability" means a person who has a physical or mental impairment that substantially limits one or more major life activities.
- Front-end debt ratio of 28% or higher
- Sole Head of Household – *Household includes only one adult who is not an eligible dependent with at least one eligible dependent living in the household who is:
    - Under 18;

- A household member with a disability
- Age 62 or older

* Household must include **only one adult** who is not an eligible dependent.

5.2 Focused Demographics DPA

Focused Demographics DPA means down payment assistance for borrowers who meet the Focused Demographics criteria. Our Focused Demographics DPA is 5%.

5.3 Focused Demographics DPA Terms

- Forgivable Second, for borrowers whose income is at or below 80% of AMI. DPA is in the form of a forgivable second mortgage loan bearing 0% interest and no payments. Terms are below in Section 6.3.
- Amortizing Second, for borrowers whose income is above 80% and up to 120% of AMI. DPA is in the form of a 30-year amortizing second mortgage loan with an interest rate 1% above the interest rate of the first mortgage loan.

5.4 Standard DPA Terms

Standard DPA is 4% of total loan amount.

- Forgivable Second, for borrowers whose income is at or below 80% of AMI. DPA is in the form of a forgivable second mortgage loan bearing 0% interest and no payments. Additional loan terms are below in Section 6.3.
- Amortizing Second, for borrowers whose income is above 80% to 120% of AMI, DPA is in the form of a 20-year amortizing second mortgage loan. For borrowers whose income is above 120% of AMI, DPA is in the form of a 10-year amortizing second mortgage loan. All amortizing second mortgage loans have an interest rate 1% above the interest rate of the first mortgage loan.

SECTION 6 – DOWN PAYMENT ASSISTANCE (DPA)

6.1 DPA Options

Standard DPA is 4% and the Department's Focused Demographics DPA is 5%. Second mortgage must be in second lien position.

6.2 DPA Types

DPA is calculated as a percentage of the first Mortgage Total Loan note amount. Terms are income-based using Fannie Mae's AMI limits.

- Forgivable Second, for borrowers at or below 80% of AMI. DPA is in the form of a forgivable second mortgage loan bearing 0% interest and no payments. Terms are below in Section 6.3.
- Amortizing Second, for borrowers above 80% of AMI. DPA is in the form of an amortizing second mortgage loan with an interest rate 1% above the interest rate of the first mortgage loan. Additional loan terms are below in Section 6.4.

6.3 Forgivable Second Terms and Repayment

The forgivable second mortgage loan has no monthly payments and no interest accruing. The loan will be forgiven in full once the loan term has been completed.

- Standard DPA – 4% of the total first mortgage loan note amount has a loan term of 30 years.
- Focused Demographics DPA – 5% of the total first mortgage loan note amount has a loan term of 15 years.
- Repayment – The outstanding balance is repayable if any of the following events occur prior to loan term or maturity date:
    - Sale or Transfer – If all or any part of the property, or any interest in the property (including a beneficial interest), is sold, conveyed, or transferred, whether voluntary, involuntary or by operation of law.
    - Refinance or Payoff – Refinancing or paying off the first mortgage loan.
    - Rental of Property – If borrower rents or leases (whether by written or oral agreement) the property or any portion of the property.

    - Failure to Occupy Property as Principal Residence – If borrower fails to occupy the property as the borrower's principal residence within 60 days following the first mortgage loan closing.
    - Default or Acceleration – Upon default or acceleration of the first mortgage loan for any reason.

6.4 Amortizing Second Terms

Amortizing second mortgage loans are provided to qualifying borrowers with income greater than 80% of AMI at an interest rate 1% over the first mortgage loan interest rate.

- Standard DPA of 4%
    - Income >80% up to 120% of AMI – 240-month fully amortizing term
    - Income >120% of AMI – 120-month fully amortizing term
- Focused Demographics DPA of 5%
    - Income >80% up to 120% of AMI – 360-month fully amortizing term

6.5 Use of DPA Funds

DPA funds may be used for up to 100% of the borrower's cash requirement to close, including down payment, closing costs, pre-paid items, upfront borrower-paid mortgage insurance and other related mortgage loan fees and expenses.

The borrower may not receive cash back at close, except earnest money deposit and prepaid items. Any unused DPA funds must be applied to the first mortgage note principal as a principal reduction, not to exceed 1% of the total loan amount.

DPA may not be used to pay the difference between the sales price and appraised value if the sales price is higher (gap financing).

6.6 Additional Funds

Additional DPA or subsidy programs may be used in conjunction with the DPA provided they meet requirements of the department. OHCS Second Mortgage DPA must be in second lien position.

SECTION 7 – FEES AND CHARGES

7.1 Servicer Fees

The following fees, which may be passed onto the borrower, will be charged by the servicer and deducted from the mortgage loan purchase price:

Fee	Amount	Payor / Payee
Loan Acquisition Fee	$200	Lender fee to the servicer
Tax Service	$85	Lender fee to the servicer
Flood Cert	$18	Lender fee to the servicer

Please note: No fees may be charged on the second mortgage (DPA) except recording fees and interest, if applicable.

7.2 Program Administrator Fees

A Code Compliance Review Fee of $225, which may be passed onto the borrower, will be charged by Hilltop Securities (the program administrator).

7.3 Mortgage Loan Purchase Price and Lender Compensation

Mortgage Loans originated under the program will be purchased by the department's servicer.

- Lender Compensation – Total lender compensation for mortgage loans originated in the program will be as follows:
  - 1.25% SRP (Service Release Premium) for each FHA, USDA-RD, VA, or Conventional Loan.
  - Lenders may collect and retain origination fees from the borrower or seller as allowed by the department's guidelines.
- Fees – Approved lenders may collect all reasonable and customary fees and closing costs, provided all fees are fully disclosed in accordance with federal, state, and local regulations. Ancillary fees collected by an approved lender may not exceed the amount collected on the approved lender's similar mortgage loans not sold to the department.
- DPA Second Mortgages – No fees may be charged on DPA second mortgages, except for interest and recording fees if applicable.

7.4 Extension Fees

Approved lenders must close, fund, and deliver mortgage loans to the servicer within 60 calendar days of the date the mortgage loan is locked on the Lender Portal. It is highly recommended that approved lenders provide the borrower with a 45-day lock. Adequate time should be allowed for the servicer to perform a compliance review of the credit loan package to cure any conditions prior to their approval to purchase the loan. Approved lenders may request a one-time extension at the following cost. These fees will be netted out upon loan purchase.

Extension Term	Cost
7 days	0.0625%
15 days	0.1250%
22 days	0.1875%
22 days	0.2500%

SECTION 8 – LOAN LOCKS

"Lock" means the reservation of funds at a specified interest rate, for a specific period, a specific borrower, on a specific program, for a specific property type, purchase price, and loan amount on a specific address.

8.1 Loan Locking Hours

The lock window is open on business days, Monday through Friday, between 9 a.m. and 4 p.m. (Pacific Time) and unavailable on Saturdays, Sundays, Oregon holidays, and days on which the financial markets are closed.

8.2 Lender Portal

The Lender Portal is used by approved lenders to:

- Reserve funds and manage locks.
- Submit pre- and post-closing compliance packages.
- Check status of compliance conditions.
- Run reports.

8.3 Locking Loans

The approved lender commits to accepting applications in all its lending offices within the eligible loan area. Funds must be made available on a first-come, first-served basis, irrespective of the borrower's race, color, religion, national origin, age, or gender. There will be no restrictions as to the total number of locks issued to any approved lender.

Before requesting a lock, approved lenders must have taken the mortgage loan application and pre-qualified the borrowers and must have a fully executed purchase contract at the time the loan/interest rate is locked.

Locks may not be transferred from one borrower to another or from one approved lender to another. In the event another approved lender tries to make a lock for a currently locked loan, OHCS will need a cancellation confirmation from the original approved lender before allowing a new approved lender to relock. This will only be allowed one time.

- Locks are to be made at https://www.oregonlendingprograms.com/.
- Approved lenders must close, fund, deliver, and purchase NextStep mortgage loans to the department's servicer within 60 calendar days of the date the mortgage loan is locked.
- It is highly recommended that approved lenders provide the borrower with a 45 calendar-day lock.
- Adequate time should be allowed for the department's servicer to perform a compliance review of the credit loan package to cure any conditions prior to the department's servicer's approval to purchase the mortgage loan on the department's behalf.

8.4 Lock Changes

- If there are changes in purchase price, loan amount, or property address, the approved lender must submit the following documents through the Lender Portal and notify the program administrator via phone or email, oregonflexlendinghelp@hilltopsecurities.com, to complete the loan revision:
  a. Copy of revised checklist
  b. Copy of revised 1003
  c. Copy of revised 92900LT or 1008
  d. LE / CD

e. Second lien documents
f. Copy of property sales contract addendum (purchase price and address changes only)

- The program administrator will revise the loan to reflect the changes requested and will notify the lender when the revision(s) are completed and available via the Lender Portal.

8.5 Cancellation and Commitment Expirations

Cancellations are subject to a 60-day waiting period.

- **Sale Fail / Contract Terminations –** Upon a Sale Fail / Contract Termination, borrowers retain their loan lock. Borrowers may continue to shop for a property without cancelling their lock.
- The approved lender is responsible for canceling all mortgage loans subject to a lock if the mortgage loan is not delivered.
    - **Cancellations –** When the borrower cancels or withdraws their application with the approved lender, the approved lender must promptly cancel the lock. Unless the withdrawal is due to the sale failing / termination.
    - **Expirations:**
        - When the loan commitment expires, the approved lender must request an extension and provide a new estimated closing date.
        - Expiration of the loan commitment without cancellation may result in the approved lender being placed on "Inactive Status," meaning the approved lender may not submit new locks until the problem is resolved. Failure to comply with this provision may result in the approved lender's expulsion from the program.

SECTION 9 – LOAN COMPLIANCE, FUNDING, DELIVERY AND PURCHASE

9.1 Mortgage Loan Delivery Timeframes

Approved lenders must comply with the following requirements:

1. **Pre-Closing Compliance Package –** The Pre-Closing Compliance Package should be submitted to the program administrator (through the Lender Portal) three to five calendar days prior to loan closing.
2. **Post-Closing Compliance Package –** The Post-Closing Compliance Package should be submitted to the program administrator (through the Lender Portal) within 10 calendar days following the closing date of the mortgage loan, but in no event after the Commitment Expiration Date.
3. **Closed Mortgage Loan Package –** The closed mortgage loan must be delivered to and purchased by the servicer prior to the Commitment Expiration Date unless an extension is purchased to cover the amount of time required for the servicer to complete the purchase of the mortgage loan.

9.2 Pre-Closing Compliance

The Pre-Closing Compliance Package submitted to the program administrator (through the Lender Portal) will contain the following documentation:

- Pre-Closing Compliance Checklist
- Executed Underwriter's Certification (Form 92900LT, 1008, VALA, etc.)
- Initial and Final (unsigned) First Lien 1003 / URLA
- Agency AUS findings (DU, LPA, GUS)
- Executed purchase contract
- Homebuyer education certificate for all first-time homebuyers on transaction
- Second Lien Loan Estimate (LE)
- Executed Borrower's Acknowledgement Letter*
    - **Note:** Borrower will sign reaffirmation acknowledgement letter at closing.

The down payment assistance documents will be made available after the pre-closing compliance approval.

Note: Approved lenders must use all required forms that are preloaded in the Lender Portal. Forms from the lenders individual loan operating system will not be accepted.

9.3 Post-Closing Compliance

The Post-Closing Compliance Package submitted to the program administrator (through the Lender Portal) within 10 days will contain the following documentation:

- Post-closing Compliance Checklist
- Executed final closing disclosures first lien and / or second lien
- Executed Final URLAs (lender, borrower, and any addendums) with lender loan information sheet
- Executed Second Mortgage Subordinate Deed of Trust
- Executed Second Mortgage Note
- Executed Legally Enforceable Obligation Letter
- Executed Reaffirmation – Borrower's Acknowledgement Letter*
  - *__Note:__ Borrower is reaffirming their understanding of the terms' electronic submission of the HTS compliance file to https://www.oregonlendingprograms.com/.

No original documents should be sent to the Hilltop Securities team. **Note:** Both HTS and IHFA files must be cleared and approved for loan purchase.

9.4 Delivery of the Closed Mortgage Loan Package

The closed mortgage loan package must be delivered and purchased prior to the Commitment Expiration Date unless an extension is purchased to cover the amount of time required to complete the servicer's purchase of the mortgage loan and must include:

- Loan Delivery Checklist
- Compliance review – All loans must be compliance approved pre-closing to ensure the program criteria have been met, as well as post-closing to receive final, executed documents.
- Executed final closing disclosure
- Executed final Uniform Residential Loan Application (URLAs) (lender, borrower, and any addendums)
- Executed Second Mortgage Subordinate Deed of Trust
- Executed Second Mortgage Note
- Executed Borrower's Acknowledgement Letter
- All documents required by the servicer

9.5 Purchase of Down Payment Assistance Mortgage Loan

- The approved lender will advance the funds for DPA at closing. In conjunction with the purchase of the first mortgage loan, the servicer will reimburse the approved lender the amount of the principal balance of the DPA mortgage loan at purchase.
- If the department’s servicer cannot purchase the first mortgage loan, the approved lender may request the department reimburse the approved lender for the DPA mortgage loan if the first mortgage loan meets the department's requirements. Reimbursements are at the discretion of the department, and an administrative fee may be charged to the approved lender in an amount not to exceed the amount of the DPA mortgage loan.

9.6 Delinquent Closing Documentation

Loan documents are due to the department prior to the Commitment Expiration Date, unless the approved lender purchases an extension to cover the amount of time required to complete the purchase of the mortgage loan by the servicer.

If the Post-Closing Compliance Package is not submitted through the Lender Portal within 10 calendar days of loan closing, the program administrator may contact the approved lender to request the status of the mortgage loan. If the approved lender fails to provide to the program administrator the required closing documentation timely, the corresponding lock will be subject to cancellation. Such action may also result in the approved lender being suspended or terminated from the program until the problem is remedied.

9.7 Assumptions

First mortgage loans may be assumed subject to the consent of the department. Only government loans may be assumed. Conventional loans are not assumable.

9.8 Early Payoff / Delinquency / Early Payment Default

Early Payoff – For any mortgage loan that is prepaid in full on or before 180 days following the applicable delivery date, the lender agrees to refund the department within 30 days after the department notifies the lender of the prepayment, an amount equal to the servicing release premium paid for such program loan, plus any premium pricing paid to lender for such program loan.

Early Delinquency – If, after the date of purchase, any of the first six mortgage payments are missed and the delinquency caused by the missing payment(s) continues for three consecutive months or more following the payment due date, lender shall, at the department's sole discretion, provide (a) an indemnification for any losses the department may suffer associated with the servicing of the specified mortgage, (b) pay a fee to the department as indicated in the Program Manual in full satisfaction of such obligation and (c) reimburse the department the Servicing Release Premium paid to lender at the time the loan was purchased by the department.

Early Payment Default – In the event that any of the first three scheduled monthly payments due and payable to the department after the delivery date are not paid within 30 days of the due date and such default is not cured within 90 days following such default, then within 30 days after the department notifies the lender of such uncured default, the lender shall, in the department's sole discretion, repurchase the loan.