



VETERANS HOUSING LOAN PROCESSING AND CLOSING CONTRACT

Personal information you provide may be used for secondary purposes [Privacy Law, s.15.04(1)(m)].

This agreement made and executed in duplicate this _____ day of _____, _____, by and between the State of Wisconsin, Department of Veterans Affairs, party of the first part, hereinafter designated as the "department", of the City of Madison, State of Wisconsin, and _____, party of the second part, hereinafter designated as "lender" of the City of _____, County of _____, State of Wisconsin, witnesseth:

WHEREAS, pursuant to and in accordance with the provisions of Chapter 208, Laws of 1973, as amended in part by Chapter 333, Laws of 1973, and by Chapter 26, Laws of 1975, the department is authorized to enter into contracts with lenders qualified to do business in the State of Wisconsin authorizing such lenders to process applications of General Obligation Bond funded housing loans, hereinafter referred to as "loans" or "the loan", to be made to eligible veteran applicants who possess certificates of eligibility from the department, hereinafter referred to as "applicants" or "the applicant", who qualify for loans, and to close and service such housing loans; and

WHEREAS, the lender is duly qualified to engage in the business of making and servicing mortgage loans in the State of Wisconsin, represents that it intends to maintain adequate personnel for the proper and prudent conduct of the responsibilities hereunder, and desires to process applications for such loans and to close and service such loans;

NOW, THEREFORE, the parties hereto, in consideration of the premises and of the warranties, covenants, and commitments herein contained and the consideration described in the servicing agreement herein referred to and made a part hereof, mutually certify and agree as follows:

1. Applications shall be submitted on a form prescribed by the department and shall include in addition to the completed application form all instruments and exhibits required for the application involved under the provisions of the department's lenders manual and such other instruments and exhibits as the department or the lender deems necessary to complete the application. The application form and all such instruments and exhibits shall constitute the "application".
2. The lender will review the application to ascertain whether the applicant qualifies for the loan on the basis of the provisions of Subchapter 3 of Chapter 45 of the Wisconsin Statutes, Chapter VA 4 of the Wisconsin Administrative Code and the Fannie Mae Selling Guide, which provisions are set forth below and fully explained in the department's Lenders Manual, and will approve and submit an application to the department only if it determines that:
 - (a) The applicant is a resident of and living in Wisconsin at the time of making application except veterans who are on active duty in the U.S. Armed Forces and spouses need not be living in the state.
 - (b) The home for which the application is made is adequate for and will be occupied by the applicant and family, if any, as their principal residence, is located or, in the case of a manufactured home, is to be located within the State of Wisconsin. The total cost of the property including such home does not exceed its fair market value, unless the applicant is making up the difference in additional down payment beyond the maximum required.
 - (c) The maximum loan amount does not exceed 2.5 times the median price of a home. The department establishes the median price of a home in this state for each fiscal year by using the most recent housing price index generated by the Wisconsin Realtors Association before July 1.

- (d) The loan will have an original principal balance of no more than 95% of the total cost of the property.
 - (e) The applicant is financially able, with his own unborrowed funds and the housing loan applied for, to complete the contemplated home purchase, construction or refinance and to pay moving expenses and such closing costs as he may be required to pay, and has made a 5% down payment from his own funds. The applicant is allowed to borrow from a government sponsored program, a program approved by the department or from their own assets as defined in Section 45.31(7), Wisconsin Statutes and Section VA 4.05(1) of the Wis. Adm. Code.
 - (f) The rules published in the Fannie Mae Selling Guide will be used to underwrite the loan application provided that such requirements do not conflict with the department's Lenders Manual, Federal Bond Law, the Wisconsin Statutes or the Wisconsin Administrative Code.
 - (g) The applicant's accumulated indebtedness and record of meeting financial obligations do not indicate financial instability and the amount of his/her monthly payments on non-housing indebtedness will not impair his/her ability to make shelter cost payments and meet ordinary living expenses.
 - (h) The applicants and the application qualify in all respects under the conditions set forth in the department's Lenders Manual.
3. If at any time during the course of the development or evaluation of an application for a loan, the authorized lender determines that the application does not meet the requirements set forth by this department or that it would not approve a loan to the applicant under its normal underwriting standards because the property to be acquired does not meet its minimum or Fannie Mae minimum property standards, the authorized lender shall inform the applicant that the application will be submitted to the department with a recommendation that it be denied and provide the reasons for the recommendation.
 4. Incomplete applications denied by authorized lenders shall not be forwarded to the department but the department should be promptly notified in writing of the denial. Completed applications shall not be denied by the lender but will be forwarded to the department for approval or denial.
 5. The department shall notify the lender as soon as practicable after it receives the application of the approval or denial. A loan application which has been submitted but which is found to lack the necessary information or documentation for the department to approve a loan, shall be denied unless the lender corrects the deficiency within 60 days after notice of the deficiency is given to the lender, as per CH VA 4.08(5).
 6. Immediately upon approval of an application, the department shall send a commitment letter to the authorized lender, subject to such funds being made available to the department. Loan commitments will expire 6 months from the date of issuance, commitments for the Purchase of a Housing Accommodation to be Constructed and Takeout loan commitments expire 8 months from the date of issuance, and commitments for Construction loans will expire 12 months from the date of issuance. Commitments may be extended at the discretion of the department.
 7. After receipt of the commitment, the lender shall establish a settlement date and request loan proceeds by submitting an Electronic Funds Transfer Request (WDVA 2605) to the department at least 3 business days before the funds are needed.
 8. Loan funds will be disbursed by the lender for the closing of loan transactions only if the lender is certain, based upon its examination of the preliminary report on title or title binder or attorneys opinion of title, which examination shall be made solely for the benefit of the department, that the applicant will receive good merchantable title to the property involved and that the mortgage to be executed to the department at the time of closing will be a valid first lien upon such property subject only to encroachments considered in the appraisal

completed in connection with the application and only if it is certain that, as soon as practicable following closing, it will be able to execute a Lender Warranty in the form set forth as Exhibit I to the Servicing Agreement and incorporated herein by reference. Loan transactions shall be closed by the lender in accordance with sound and prudent lending procedures.

9. All down payment monies by any of the parties to a construction transaction shall be deposited with the lender. The amounts that are necessary for closing shall be disbursed at closing. Monies not disbursed shall be retained by the lender in an escrow account until the next draw is requested. No housing loan proceeds may be disbursed until all the down payment monies have been fully expended. The lender or its agent shall inspect completed work prior to any draw and retain a copy of the inspection report on file in addition to obtaining lien waivers. When construction is finished, the lender completes a Certificate of Completion of Construction (WDVA 2337) and submit to the department with the final draw request.
10. Advances of construction loan funds will be made by the department only on the basis of completed work. Advances prior to completion may equal 80% of the cost of completed construction. If the Cost Breakdown shows the builder's profit as a separate entry, 100% of the cost of completed construction may be disbursed. The sum of such disbursement shall not exceed 75% of the total loan funds until after final inspection. Funds remaining after each draw shall be sufficient to complete the construction. After final inspection, minor items that do not affect livability or work prevented because of weather related circumstances, may be incomplete provided the lender establishes an adequate escrow of at least 1.5 times the cost to complete the items.
11. The lender will execute a Lenders Warranty to the department on a form prescribed by the department as to each mortgage to be executed to the department which warranty shall contain information sufficient to enable the department that a valid first lien which complies with all applicable requirements of federal and state laws exist in favor of the department on the mortgaged premises, that stipulated amounts of the principal amounts of the mortgage note have been advanced to the original mortgagor and that, in the case of a construction loan, disbursement of mortgage funds for construction will be properly supervised in accordance with requirements set forth in the department's Lenders Manual.
12. Such Lenders Warranty together with the Mortgage Note, Mortgagor's Affidavit and the loan closing summary, completed on a form acceptable to the department, shall be transmitted by the lender to the department as soon as practicable.
13. The closing costs, fees or charges, of whatsoever kind of nature, which lenders shall collect from any applicant in connection with his application for or the making of any loan to him shall not exceed the aggregate of (i) the actual amounts expended for title insurance, transfer fee, attorneys fees, credit reports, surveys, appraisers fees, and filing and recording fees; (ii) an origination fee in an amount not exceeding:

_____ % of loan amount in the case of a purchase loan;

_____ % of loan amount in the case of a construction loan, including required compliance inspections.
14. The terms and provisions of the department's Lenders Manual, as subsequently supplemented and amended from time to time, are incorporated herein and shall become binding upon the parties hereto as if fully set forth herein. Supplements and amendments to the department's Lenders Manual will contain an effective date. Applications which have been received by the department prior to the effective date of any such supplement or amendment shall in no case be affected thereby.
15. This agreement is made and entered into the State of Wisconsin, and all questions relating to the validity, construction, performance and enforcement hereof and of the servicing agreement between the parties hereto or even date herewith shall be governed by the laws of the State of Wisconsin.

IN WITNESS WHEREOF, the parties have executed this agreement the date and year first above written.

Lender

BY _____
President

BY _____
Authorized Officer

STATE OF WISCONSIN
DEPARTMENT OF VETERANS AFFAIRS

BY _____
John A. Scocos, Secretary