

1 – INTRODUCTION



WASHINGTON STATE HOUSING FINANCE COMMISSION

The Washington State Housing Finance Commission (Commission), established in 1983, is a publicly accountable, self-supporting team dedicated to increasing housing access and affordability and to expanding the availability of quality community services for the people of Washington.

At the Commission, we feel good about what we do. We stabilize families; we ensure that the elderly maintain their dignity; we finance opportunities for people with disabilities; we provide affordable housing and facilities for community and we foster economic development – all at no cost to the citizens of Washington. As a self-supporting agency, everything we do at the Commission is without taxpayer money.

The Commission provides opportunities for homeownership utilizing proceeds from the sale of Mortgage Revenue Bonds to purchase eligible below market interest rate mortgage loans, through a statewide network of participating lenders.

The Commission performs program administration tasks, including tax requirement reviews and has contracted with Idaho Housing and Finance Association (IHFA) to serve in the capacity of Master Servicer.

INTRODUCTION TO MORTGAGE REVENUE BONDS

The Commission's first mortgage "state bond" product is called the House Key Program (Program) and it is subject to regulation by the Internal Revenue Service Code ("the IRS Code"). Operating procedures for the House Key program and all downpayment assistance programs can be found on our Website at <http://www.wshfc.org>.

When tax-exempt mortgage revenue bonds are used to finance below market interest rate mortgage loans, certain criteria is required to retain the bonds' tax-exempt status, including:

- Acquisition Cost Limits
- Income Limits
- First-time homebuyer requirements
- Owner occupancy requirements

BENEFITS OF THE HOUSE KEY STATE BOND PROGRAM

The House Key State Bond program is designed for low and moderate-income households who are first time homebuyers unless purchasing in a Targeted area. Advantages to Borrowers include:

- Program *advantages for Borrower*:
 - Qualifies for a larger mortgage.
 - Flexible underwriting criteria.
 - Manufactured homes available.
 - Upfront Mortgage Insurance program available.
- Program *advantages for Loan Originator*:
 - Builds customer loyalty.
 - Stops the rate shoppers.
 - Promotes community awareness and involvement.
- Downpayment assistance programs for downpayment and closing costs:
 - Wraps closing costs into the loan.
 - Combines with other community downpayment assistance programs.
 - Allows higher Combined Loan-to-Value.
 - Serves special populations (i.e., people with disabilities & rural).

PURPOSE AND SCOPE

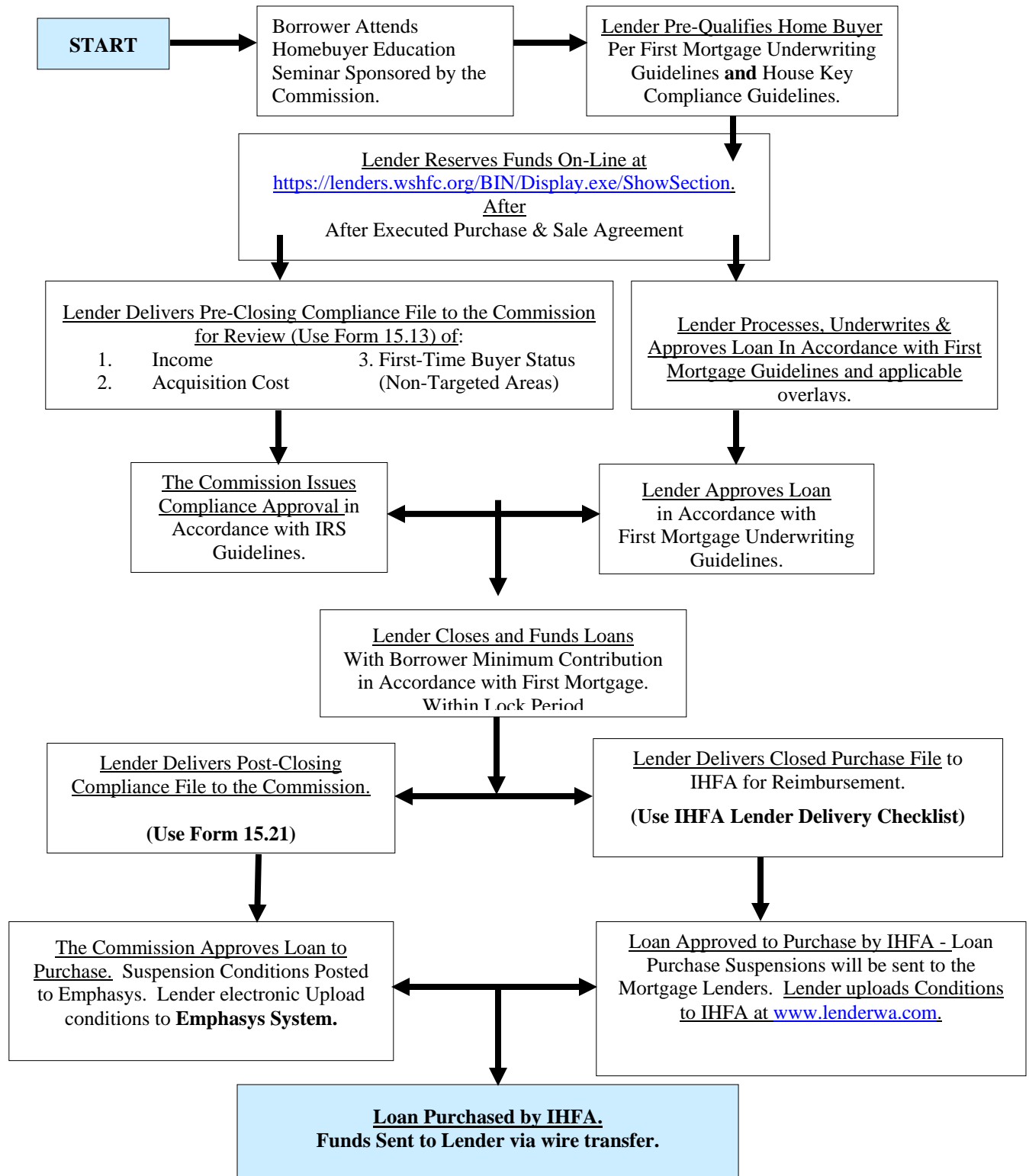
This Program Manual establishes the operating procedures for Mortgage Lenders and provides detailed instructions for the performance of the written agreements between the Commission and the Mortgage Lenders.

PROCESS OVERVIEW

House Key State Bond Loans are underwritten by Mortgage Lenders according to the first mortgage product guidelines. Neither the Commission nor our Master Servicer re-underwrites the loan for credit or property. The Mortgage Lender will also submit a Pre-Closing Compliance Package to the Commission for approval prior to Loan Closing.

After the loan closes, the Mortgage Lender sends the purchase file to IHFA and a Post-Closing File to the Commission for approval to purchase. Once all suspension conditions are cleared and files are complete, IHFA purchases the loans and funds are sent to the Lender via wire transfer.

HOUSE KEY STATE BOND LOANS: FROM ORIGATION TO CLOSING TO PURCHASING BY MASTER SERVICER



MANUAL UPDATES & REVISIONS

Revisions of, or supplements to, this Program Manual may be made from time to time. The Commission will provide Mortgage Lenders with revised or additional pages along with instructions for insertion into this Program Manual. Information contained in the House Key Manual is subject to change. All program updates will be posted on the Commission's Website. It is the Mortgage Lender's responsibility to monitor the Website on an ongoing basis for current information.

CONTACTS FOR QUESTIONS

Commission Homeownership Division:

Toll Free: 1-800-767-4663

Web site: <http://www.wshfc.org>

E-mail: homedocs@wshfc.org

Fax: (206) 587-5113

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Commission Address:

The Washington State Housing Finance Commission
1000 Second Avenue, Suite 2700
Seattle, WA 98104-1046

Master Servicer:

Idaho Housing and Finance Association (IHFA)

Suspension Questions:

Bond Suspense Phone: 208-331-4870

Upload conditions to www.lenderwa.com

Mark Suderman, Loan Acquisition Manager 208-331-4870 marks@ihfa.org

Master Servicer Address:

Idaho Housing and Finance Association
565 W Myrtle St.
Boise, ID 83702

Borrower Payments:
HomeLoanServ
P.O. Box 7541
Boise, ID 83707

Correspondence:
HomeLoanServ
P.O. Box 7899
Boise, Idaho 83707

Overnight Address:
Idaho Housing and Finance Association
Attn: Document Center
565 W Myrtle St.
Boise, ID 83702

Servicing Web site: www.homeloanserv.com
Customer Service Telephone Number: (800) 526-7145
Customer Service email: mortgageserv@ihfa.org

ELIGIBLE LENDERS

Lending Institutions may become participating lenders by completing the required documentation and submitting it to the Commission.

Only lenders who close a minimum of five Program Loans (excluding MCC) during a calendar year will be eligible to appear on our Website, brochures and other marketing materials from the Commission.

ELIGIBLE LOAN ORIGINATORS

Lending staff employed by a participating Mortgage Lender who have completed training are eligible to originate Program Loans. To remain eligible to instruct homebuyer education seminars sponsored by the Commission, loan originators must close and have purchased by the Commission one Program Loan during a one-year period.