



U.S. Department of Housing and Urban Development

Homeownership Center  
The Wanamaker Building  
100 Penn Square East  
Philadelphia, Pennsylvania 19107-3389

OCT 27 2007

Mr. Chester R. Jourdan, Jr.  
Executive Director  
Mid-Ohio Regional Planning Commission  
285 East Main Street  
Columbus, Ohio 43215-5272

Dear Mr. Jourdan:

This is in response to the secondary financing recertification package that was submitted to the Philadelphia Homeownership Center. We are pleased to inform you that the Department is in agreement with your determination that the Mid-Ohio Regional Planning Commission (MORPC) fits best under the classification of a governmental agency for the purposes of secondary financing. MORPC is therefore eligible to provide secondary financing for FHA borrowers under the guidelines set forth in HUD Handbook 4155.1 Rev-5, Mortgage Credit Analysis for Mortgage Insurance. Specifically, paragraph 1-13 A states that Federal, State and Local governmental agencies may provide secondary financing for the borrower's entire cash investment requirement if the following conditions are met:

1. The FHA-insured first mortgage, when combined with any second mortgage or other junior liens from government agencies may not result in cash back to the borrower. The sum of all liens cannot exceed 100 percent of the cost to acquire the property. The cost to acquire is the sales price plus allowable borrower-paid closing costs, discount points, repair and rehabilitation expenses, and prepaid expenses. The cost to acquire may exceed the appraised value of the property under these types of government assistance programs. The FHA insured first mortgage cannot exceed the FHA statutory limit for the area where the property is located. The combined indebtedness, however, may exceed the FHA statutory limit.
2. The required monthly payment under both the insured mortgage and the second mortgage or lien, plus other housing expenses and all recurring charges, cannot exceed the borrower's reasonable ability to pay.
3. The source, amount, and repayment terms must be disclosed in the mortgage application, and the borrower must acknowledge that he or she understands and agrees to the terms.

Additional guidance from the Department on secondary financing can be found in Mortgagee Letters 94-2 and 02-22, both of which are attached. Any future guidance issued by the Department regarding secondary financing will be found on our website, [www.hud.gov](http://www.hud.gov).

We appreciate your interest in the Department's programs and your assistance to low and moderate income homebuyers. If any FHA lenders have questions concerning your program, feel free to provide them with a copy of this letter. If you have any questions regarding this issue, please contact John Ertle of my staff at (860) 240-9728.

Sincerely,

A handwritten signature in cursive script that reads "Brenda J. Bellisario". The signature is written in dark ink and is positioned above the typed name.

Brenda J. Bellisario  
Director  
Program Support Division

Enclosures