

Bulletin # 188
November 3, 2020

To: CHFA Lenders
From: CHFA Single Family Underwriting
Subject: CHFA Downpayment Assistance Program Revisions

CHFA is committed to helping low-to-moderate income families and persons achieve the dream of homeownership. One of the greatest obstacles faced by first-time homebuyers is coming up with the money to cover the down payment and closing costs needed for the purchase.

CHFA assists borrowers in overcoming this barrier by offering a Downpayment Assistance Program (DAP). Currently, CHFA DAP allows eligible applicants to finance only the funds needed for down payment assistance.

The CHFA DAP Program changes outlined below, will allow eligible applicants to **finance both down payment and closing costs** with a below market interest rate second mortgage loan. Qualified applicants that make a minimum contribution of \$1,000 towards the cost of acquisition will be eligible to receive a CHFA DAP for **up to \$20,000**.

The enhancements to the CHFA Downpayment Assistance Program (DAP) listed below will be implemented with reservations submitted **on and after November 15, 2020:**

1. The maximum DAP loan amount will be capped at \$20,000.
2. The DAP loan will include both down payment and closing costs.
3. Borrowers will be required to contribute \$1,000 towards the acquisition costs. (funds may be gifted).
4. Total-Debt-to-Income (TDTI) ratio will increase to 45%.
5. The Combined Loan-to-Value (CLTV) will increase to 105%.
6. The maximum amount of fees allowed to be collected by the Lender and disclosed on the Loan Estimate and Closing Disclosure will increase from \$450 to \$550.

(Email questions regarding reservations submitted from the Bulletin release date through the effective implementation date, 11/15/2020, to SFAMInquiry@chfa.org)

All questions regarding this Bulletin should be directed to Carolyn Christensen at (860) 571-4270 Carolyn.Christensen@chfa.org or, Valencia Taft-Jackson at (860) 571-4224 Valencia.taft-Jackson@chfa.org

DOWNPAYMENT ASSISTANCE PROGRAM

PURPOSE AND OVERVIEW:

The foremost obstacle to homeownership is a potential homebuyer's inability to cover the down payment and closing cost requirements of a home purchase. CHFA DAP loans are available to eligible applicants that are applying for a CHFA first mortgage loan to purchase their first home. Eligible borrowers must demonstrate an ability to repay both the CHFA first and DAP second mortgage loans in order to qualify for assistance under this program.

PARAMETER	Eligibility Requirements
Loan Amount	<p>The DAP loan amount is based on the borrowers financial needs. Applicants must require a minimum of \$3,000 to be eligible for DAP funding. The maximum DAP loan amount is \$20,000.</p> <p>To obtain a DAP second mortgage; the first mortgage loan amount must be for the maximum loan to value that the program allows.</p> <p>Program Maximum Down Payment:</p> <ul style="list-style-type: none"> ▪ FHA Loan = 3.50% ▪ CHFA Conventional; HFA Preferred™, HFA Advantage®, CALP = 3.00% ▪ CHFA Conventional; HFA Preferred™, CALP (2-4 unit) = 2.00% ▪ VA, USDA-RD = Closing Costs Only
MINIMUM BORROWER CONTRIBUTION	<ul style="list-style-type: none"> ▪ Applicants are required to make a minimum investment of \$1,000 toward the acquisition costs – funds may be gifted. ▪ Applicants are required to use all liquid assets above \$10,000 towards down payment and closing costs, excluding retirement accounts. In all instances, applicants must meet all CHFA DAP eligibility and underwriting criteria for DAP approval. ▪ Minimum Borrower contribution as required per agency guidelines <p style="text-align: center;"><i>(Mortgage insurer guidelines will also apply)</i></p>
DAP INTEREST RATE	<ul style="list-style-type: none"> ▪ The Downpayment Assistance Program Interest rate is the same as the first mortgage loan interest rate based on the CHFA loan product selected. DAP interest rate is capped at 6%.

<p>DAP ALLOWABLE FEES</p>	<p>Loan Estimate and Closing Disclosure cannot reflect fees in excess of \$550.00</p> <ul style="list-style-type: none"> ▪ Maximum Application Fee - \$250.00 <i>(retained by lender)</i> ▪ Actual costs for Recording Fees ▪ Actual Pre-Paid Interest ▪ Maximum Settlement Agent Fee - \$200.00 <p>Title Insurance is not required on a DAP loan however; lenders may collect up to a maximum of \$200.00 for settlement agent expenses associated with closing the second mortgage.</p> <p><i>If lender charges the \$250.00 application fee and, actual recording fees and prepaid interest exceed \$100.00 the maximum settlement fee must be decreased to ensure the total allowable fees do not exceed \$550.00</i></p>
<p>AMORTIZATION</p>	<p>30 - Year Term, Fixed Rate Mortgage (FRM)</p>
<p>LOAN ELIGIBILITY</p>	<ul style="list-style-type: none"> ▪ Qualified borrower(s) may keep up to \$10,000 of their own liquid assets. All other liquid assets owned must be used for the down payment and closing costs, with the exception of the \$10,000. The applicant(s) will only be permitted to retain their own liquid assets and will not be permitted to use DAP funds to increase their assets. ▪ CHFA will require Lenders to collect the three (3) most recent month's statements for all applicant(s) asset accounts. CHFA will review deposit and withdrawal activity over the ninety (90) day period to determine any amount of funds in excess of \$10,000 required to be applied towards the cost of acquisition of the subject property. ▪ Any deposits or withdrawals \geq 10% of the Borrower's gross monthly income must be sourced. ▪ In the case of a 2-4 family home, applicant(s) may exceed the \$10,000 limit <i>(if necessary)</i> in order to retain the amount necessary to maintain the PITI reserves required by the insurer and/or investor in order to include rental income in underwriting ratios. ▪ Police and Teacher Programs: <i>The asset restriction is waived and does not apply to borrowers in these programs.</i> <i>Note: Retirement accounts are excluded from the asset test.</i>
<p>ELIGIBLE BORROWERS</p>	<ul style="list-style-type: none"> ▪ To be eligible for a DAP loan, borrowers must apply and qualify for a CHFA first mortgage. ▪ The borrower must be a first-time homebuyer with no property ownership in the past (3) yrs. <p><i>(waived in targeted areas – may not own property at time of loan closing)</i></p>

DAP BORROWER CERTIFICATE	<p>The Participating Lender will provide and the borrower shall complete and execute a DAP Borrower Certificate. <i>(CHFA form DAP95-05)</i></p>
ELIGIBLE / INELIGIBLE PROPERTY TYPES	<p><u>Eligible</u></p> <ul style="list-style-type: none"> ▪ Existing – Single Family ▪ New Construction – Statewide Single Family / 2 unit eligible in Targeted Areas only (3-4 not eligible) ▪ 2 – 4 units (existing & occupied as residential for the past 5 years) Not applicable to FHLMC ▪ Condominiums FHA, FNMA, & FHLMC approved – (Includes 2-4 unit projects) ▪ Townhomes ▪ PUD’s (FHA, FNMA, & FHLMC approved) <p><u>Ineligible</u></p> <ul style="list-style-type: none"> ▪ Co-ops , Mixed use properties, Manufactured Homes
PROPERTY REPAIRS	<p>All repairs required by the property appraisal or negotiated between the seller and buyer must be completed prior to closing. In some instances an escrow holdback for the repair work may be allowed, if applicable <i>(any request for escrows to repair items related to “health and safety” will not be allowed).</i></p> <p>Request for escrow holdbacks must be submitted in writing from the Lender for CHFA approval <i>(memos in the file or emails to the Director of Single Family Programs are acceptable).</i></p> <p>If the escrow holdback request is approved:</p> <ul style="list-style-type: none"> ▪ It must meet the requirements of the insurer and/or investor, i.e. FHA, VA, USDA, PMI, FNMA or FHLMC <i>(depending on the product the loan is originated under);</i> ▪ The escrow must be for a minimum of 1.5 times the cost to cure; ▪ The cost of repairs must be paid by the seller; ▪ The borrower may not pay out of pocket for any expenses or costs related to repairs on the subject property to facilitate the loan closing; ▪ The escrow may be held by the Lender or the borrower’s attorney; ▪ Documentation of completion of repairs must be submitted to the CHFA designated loan servicer and to CHFA for retention.
ELIGIBLE PURPOSE	<ul style="list-style-type: none"> ▪ Second Mortgage loan in conjunction with first mortgage purchase of primary-owner occupied residence. ▪ Funds for both down payment and closing costs.
AUS RECOMMENDATION	<p>See Loan Program Outlines & Underwriting Guides first mortgage program matrices.</p>

<p>HOMEBUYER EDUCATION</p>	<ul style="list-style-type: none"> ▪ 3- Hr. Counseling Certificate required for at least one borrower/co-borrower. <i>(An optional 8-Hr. in-depth counseling is also accepted.)</i> ▪ Landlord Certificate also required if purchasing 2-4 family unit. ▪ On-Line Homebuyer counseling is available through eHome America in partnership with CHFA. <p style="text-align: center;"><i>(See Homebuyer and Lender Online Registration Instructions)</i></p>
<p>MINIMUM CREDIT SCORE</p>	<ul style="list-style-type: none"> ▪ CHFA has no requirement. <i>Insurer or Investor guidelines will apply.</i>
<p>DELINQUENT CREDIT</p>	<ul style="list-style-type: none"> ▪ CHFA DAP loans will require proof of payoff of all past-due credit accounts, including but not limited to, collections, judgments and charge-offs, with the exception of medical accounts. ▪ CHFA will also require payment of all State or Federal past due tax obligations, including accounts with established payment arrangements, without exception. ▪ Discharged Bankruptcy, Foreclosure, Short-sale or Deed-in-Lieu reporting on credit report will be eligible for DAP financing. <ul style="list-style-type: none"> ❖ The acceptable amount of time that must have lapsed from the date of the event is the greater of three (3) years or the amount of time required by the insurer or the investor. ❖ The date of the event will be determined by the discharge, or dismissal date of the derogatory credit event. <i>(same for all types of Bankruptcy)</i>
<p>PREPAYMENT PENALTY</p>	<ul style="list-style-type: none"> ▪ There is no Prepayment Penalty
<p>LATE CHARGES</p>	<ul style="list-style-type: none"> ▪ There is a \$5.00 late charge for each monthly installment paid more than 15 days after the due date.
<p>QUALIFYING RATIOS (DAP)</p>	<p>All Loans with CHFA DAP must meet DAP ratio guidelines of 35% / 45%</p> <ul style="list-style-type: none"> ▪ Monthly Housing Expense-to-Income ratio = 35% ▪ Maximum Total Monthly Debt-to-Income ratio = 45% ▪ Teacher Program with Student Loan Debt Eligibility = 50% <p style="text-align: center;"><i>No exceptions for ratios exceeding the maximum CHFA acceptable ratios.</i></p>
<p>MAXIMUM LTV ALLOWED BY PROGRAM</p>	<ul style="list-style-type: none"> ▪ 96.5% FHA (3.50% Down) ▪ 97.0% CHFA Conventional/HFA Preferred™/HFA Advantage®/CALP (3% Down) ▪ 95.0% CHFA Conventional/HFA Preferred™/CALP (2-4 unit = 2% Down) ▪ 100 % USDA (LTV may increase to include guarantee fee) <i>DAP for closing costs only</i> ▪ 100% VA (LTV may increase to include the funding fee) <i>DAP for closing costs only</i> <p style="text-align: center;"><i>Insurer guidelines will apply</i></p>

CHFA MAXIMUM CLTV	<ul style="list-style-type: none"> ▪ 105% <i>Insurer guidelines will apply.</i>
INCOME REQUIREMENTS	<ul style="list-style-type: none"> ▪ CHFA Income Limits Apply <i>There are no exceptions for Income Limits in Targeted Areas.</i>
SALES PRICE LIMIT	<p>The Sales Price Limit cannot exceed the CHFA Sales Price Limit for the city/town where the property is located.</p> <p><i>If HFA Preferred™ or HFA Advantage® Programs, limits must be within the FNMA / FHLMC maximum loan limit for the property type.</i></p> <p><i>In some instances the CHFA Sales Price Limit will be higher than the Fannie Mae maximum loan limit; in these instances, the FNMA limit will apply.</i></p>
RESERVES	<p>Reserve requirements must be in compliance with insurer (FHA, PMI) or investor (i.e. FNMA / FHLMC) guidelines.</p>
FEDERAL RECAPTURE TAX	<ul style="list-style-type: none"> ▪ Not Applicable
SERVICER	<ul style="list-style-type: none"> ▪ First mortgage <u>serviced by: Idaho Housing and Finance Association:</u> <i>DAP Servicer will be:</i> Idaho Housing and Finance Association (IHFA) Attn: Loan Servicing Dept. 565 W. Myrtle Street, Boise, ID 83702 <i>(Upload docs in IHFA Lender Connection)</i> ▪ First mortgage <u>serviced by Lender</u> - or - CHFA whole loan <u>serviced by: AmeriNat:</u> <i>DAP Servicer will be:</i> Capital For Change, Inc. (C4C) Attn: Clara Hernandez 10 Alexander Drive - Wallingford, CT 06492 Fax (860) 920-2041 Phone (860) 233-5165 ext. 2041 Email: clarahernandez@capitalforchange.org <i>(See CHFA DAP Commitment Letter for servicer assignments)</i>