

Bulletin # 102
April 13, 2016

To: CHFA Lenders
From: CHFA Single Family Underwriting
Subject: CHFA Credit Policy and Underwriting Guidelines Update

CHFA credit policy for Single Family Residential Mortgage loan programs is being revised to eliminate some of the current underwriting eligibility and credit overlays that are not consistent with the policies and requirements of mortgage insurers, (i.e. FHA, VA, USDA and PMI), or secondary market investors (i.e. FNMA or FHLMC).

The following changes are effective for all CHFA Loan Reservations submitted on and after April 15, 2016.

SECTION 5 – UNDERWRITING

Section 5.1.D.1 - Underwriting Ratios/Monthly Housing Expense-to-Income- Ratio

For CHFA first mortgage loans that are uninsured or insured with Private Mortgage Insurance (PMI) the guidelines are being changed to allow the monthly housing expense ratio to be in compliance with the insurer and investor guidelines. (Lenders may follow DU for loans with Approve/Eligible Findings)

For FHA-insured, USDA Guaranteed and VA Guaranteed loans, the maximum monthly housing expense-to-income ratio allowed must be in compliance with the insurer underwriting guidelines.

When applicable, CHFA DAP underwriting guidelines will also apply.

Section 5.1.D.2 – Underwriting Ratios /Monthly Debt-to-Income-Ratio

For uninsured loans and loans insured with Private Mortgage Insurance (PMI) the maximum total monthly-debt-to-income ratio is increasing from 43% to 45%.

For FHA-insured, USDA Guaranteed and VA Guaranteed loans, the maximum monthly debt-to-income ratio allowed must be in compliance with the insurer underwriting guidelines.

Section 5.1.G. – Delinquent Credit

CHFA will no longer require written credit explanation letters for borrower accounts that report 60 or more days past due in the most recent 12 months; instead CHFA will now allow the Lenders to follow Automated Underwriting System (AUS – DU or LP) or FHA Total Scorecard findings regarding obtaining supporting documentation for prior delinquent credit if required.

Section 5.1.G.1 – Delinquent Credit

This section is revised to allow lenders to ensure credit history complies with the insurer, (i.e. FHA, VA, USDA or PMI) or the investor (i.e. FNMA or FHLMC) underwriting guidelines except for the treatment of outstanding judgment accounts. CHFA will continue to require all outstanding judgment accounts to be paid in full.

Section 5.1.G.2 and 5.1.G.2 – Delinquent Credit

These sections are being eliminated. Payoff of outstanding collection accounts must now be in compliance with the underwriting guidelines of the insurer or investor for the CHFA loan program selected.

Section 5.1.G.5.a - e – Delinquent Credit

This section has been revised to eliminate CHFA’s current requirements for the treatment of Bankruptcy, Foreclosure, Short-Sale or Deed-in-Lieu. The new requirements allow Lenders to follow the guidelines of the insurer, (i.e. FHA, VA, USDA or PMI) or the investor, (i.e. FNMA or FHLMC).

Section 5.1.H – Expanded Debt Ratios

The word “Expanded” has been deleted and the section is now titled “Debt Ratios”. The entire section has been deleted and replaced with the following:

For first mortgage loan applications without CHFA DAP, the maximum monthly housing expense-to-income ratio allowed must be in compliance with the insurer, (i.e. FHA, VA, USDA or PMI) or investor, (i.e. FNMA/FHLMC) underwriting guidelines.

The maximum monthly total-debt-payment-to-income is 45%. (See CHFA Operating Manual section 8 – Downpayment Assistance Program for applicable ratios for loans with DAP)

Section 5.3.F – FHA Insured, USDA-RD and VA- Guaranteed Mortgage Loans (Revised 5.3.F.3 – VA)

The current text has been deleted and replaced with the following:

3. VA and RD – Guaranteed funding fees must be included in the first mortgage loan financed by the Authority, providing the LTV does not exceed the guidelines of the insurer.

Section 5.5 – Loan Submission to CHFA for Commitment

Revised Section 5.5.2 – CHFA Forms – added:

- d. Homebuyer education is required for all CHFA loans. At least one borrower must complete the class. A copy of the Counseling Certificate from a CHFA HUD approved Counseling Agency is a required CHFA Form.

Revised Section 5.5.3 – Product-Specific Forms – (Updated 5.5.3.a Rehab Loans) added:

- iv. Copy of Contractor’s valid Certificate of Liability insurance

SECTION 8 – DOWNPAYMENT ASSISTANCE PROGRAM

Section 8.12 – Underwriting Ratios – (Revised 8.12.1 Monthly Housing Expense- to- Income- Ratio; 8.12.4 Reserves Requirements and 8.12.6 - No Exceptions Allowed)

- Monthly Housing Expense-to-Income-Ratio increased from 33% to 35%.
- Reserves requirement for 2 – 4 unit properties changed to allow Lenders to follow the underwriting guidelines of the insurer (i.e. FHA, VA, USDA or PMI) or investor, (i.e. FNMA/FHLMC).
- No Exceptions Allowed ratio changed from 33% to 35%.

Section 8.15 – Delinquent Credit- (Revised 8.15.3, 8.15.4 and 8.15.4.c)

- CHFA DAP loans will continue to require payment of all outstanding judgment accounts as well as any State or Federal past due tax obligation including accounts with established payment arrangements without exception.
- Eligibility for financing after Bankruptcy, Foreclosure, Short-Sale or Deed in Lieu changed from five years from the date of the event to the greater of three years from the date of the event or the amount of time required by the insurer (i.e. FHA, VA, USDA or PMI) or investor, (i.e. FNMA/FHLMC).
- Debt Ratios changed from 33%/43% to 35%/43%.

SECTION 8A (ADDENDUM) –Downpayment Assistance Special Program: Veterans Homeownership Pilot

Section 8.7A – Qualifying Ratios (Revised 8.7A.a Maximum Housing Ratio)

- Maximum Housing Ratio changed from 33% to 35%

The revised sections of the CHFA Operating Manual will be published on the CHFA website on April 13, 2016.

All questions regarding this Bulletin should be directed to Valencia Taft-Jackson at (860) 571-4224 or valencia.taft-jackson@chfa.org or Norbert J. Deslauriers at (860)571-4374 or norbert.deslauriers@chfa.org