Bulletin # 120
May 4, 2017

To: CHFA Lenders

From: CHFA Single Family Underwriting

Subject: **CHFA FHA Qualifying Income Debt Ratios Pilot Program**

CHFA Single Family staff has reviewed the Housing and Urban Development (HUD) Federal Housing Administration   (FHA) single family guidelines with regard to first mortgage loans entered into AUS TOTAL Mortgage Scorecard and the loan eligibility for FHA's insurance endorsement.

Current FHA Guidelines:

"If the TOTAL Scorecard Feedback Certificate /Finding Report shows an Accept/Eligible recommendation, the Mortgage may be eligible for FHA's insurance endorsement provided the Mortgagee verified that data entered into the AUS is accurate and complete and that the entire mortgage application complies with all FHA requirements."

CHFA approved Lender partners following the above referenced FHA guideline have reported FHA TOTAL scorecard periodically assigns Accept/Eligible recommendations to first mortgage loans with total-debt-to-income (TDTI) ratios in excess of 45%. When this occurs, loans are removed from CHFA loan eligibility because CHFA current maximum TDTI is capped at 45%.

CHFA is committed to providing loan programs that increase opportunities for low-to-moderate income first-time homebuyer individuals and families to achieve the dream of homeownership, while managing credit risk and the overall integrity of the CHFA mortgage loan portfolio.

CHFA is launching a new **"FHA Qualifying Income Debt Ratio Pilot Program"** that will be monitored for delinquency performance with the following restrictions:

- **This program is for <u>FHA loans without DAP</u> only.**
- The loan must receive an AUS TOTAL Scorecard Accept/Eligible recommendation.
- CHFA will allow the debt to income ratios (front and back) to be determined by the TOTAL scorecard up to a maximum total-debt-to-income ratio of 50%.
- All other CHFA eligibility and underwriting guidelines will apply.

   THIS PILOT PROGRAM WILL BEGIN WITH LOAN RESERVATIONS DATED ON AND AFTER MAY 15, 2017.

Current loans in the reservation and processing pipelines are not eligible for participation in the Pilot – **NO EXCEPTIONS.**

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.