

Bulletin # 172
February 7, 2020

To: CHFA Lenders
From: CHFA Single Family Underwriting
Subject: Conventional Loan Product Expansion

On February 12, Freddie Mac will announce a program change to its HFA Advantage® product which will impact applicants with qualifying income greater than 80% of the area median income (AMI). This change is similar to the program change made by Fannie Mae to its HFA Preferred™ product on September 5 of last year. In light of both changes and the impact it has to qualified first-time homebuyers, CHFA is expanding its Homebuyer Mortgage Program to accommodate qualified applicants with qualifying income greater than 80% AMI interested in conventional loan product.

Beginning February 19, 2020 and within the Homebuyer Mortgage Program, CHFA will establish a new conventional loan program or the **Conventional Area Median Income Loan Program (CALP)** where participating lenders will be able to reserve a conventional loan interest rate identical to the HFA Preferred™ or HFA Advantage® but without a Loan Level Price Adjustment (LLPA) for a qualified applicant with qualifying income greater than 80% AMI. Simultaneously on the same date, lenders will no longer be able to reserve a loan through HFA Advantage® for applicants with qualifying income greater than 80% AMI.

Please be aware CALP applicants qualifying income must be greater than 80% AMI but it cannot exceed the **CHFA Income Limits** for the city/town where the property is located.

Since the new program is geared towards qualified applicants with qualifying income greater than 80% AMI, lenders must confirm applicants do not income qualify for HFA Preferred™ or HFA Advantage® before submitting Loan Reservations for CALP product. Additional eligibility criteria include:

- Qualifying income must be greater than 80.00% of the AMI but within the CHFA Income Limits.
- Sales Price Limit cannot exceed the CHFA Sales Price Limit for the city/town where the property is located.
- Application must receive AUS Finding of Approved/Accept from FNMA DU or FHLMC LPA.
- Private Mortgage Insurance Coverage is required:
 - 95.01% - 97% LTV: 25%
 - 90.01% - 95% LTV: 25%
 - 85.01% - 90% LTV: 25%
 - 80.01% - 85% LTV: 12%

To review the complete CALP product eligibility criteria and underwriting guidelines see Addendum A of this Bulletin.

(REMINDER: Loans for applicants with qualifying income equal or below 80% AMI must be reserved through HFA Preferred™ or HFA Advantage®)

All questions regarding this Bulletin should be directed to Valencia Taft-Jackson at (860) 571-4224 or valencia.taft-jackson@chfa.org or Hazim Taib at (860)571-4250 or hazim.taib@chfa.org

ADDENDUM A



CHFA CONVENTIONAL INSURED AND UNINSURED AMI LOAN PROGRAM (CALP)

PURPOSE AND OVERVIEW:

The CHFA Conventional AMI Loan Program (CALP) will provide first mortgage loan financing to qualified first-time homebuyers that do not qualify for the FNMA- HFA Preferred™ and FHLMC- HFA Advantage® loan products due to their qualifying income being greater than 80% of the AMI.

To be eligible, all loans must be entered into Desktop Underwriter (DU) for the FNMA- HFA Preferred™ or Loan Prospect Advisor (LPA) for the FHLMC- HFA Advantage® and receive an “Approved/Accept” finding with Loan Level Pricing Adjustment and/or higher PMI requirement as the only exception. In addition, CALP applicants qualifying income must not exceed the CHFA Income Limits for the city/town where the property is located.

All loans must meet CHFA Bond Compliance eligibility and underwriting guidelines as well as secondary market i.e. FNMA and FHLMC standards for conventional mortgage loan financing. CALP loans are NOT ELIGIBLE for limited documentation and delegated underwriting (Section 5.6 of the Operating Manual)

Private Mortgage Insurance (PMI) is required for loans with LTV’s greater than 80%; when applicable, loans will also be subject to the underwriting criteria and guidelines of the PMI company insuring the loan.

PARAMETER	Eligibility Requirements
LENDER ORIGINATION FEE	CHFA Origination Fee will be 1.00% of the first mortgage loan amount for all loans.
CHFA ALLOWABLE FEES	<ul style="list-style-type: none"> ▪ Loan Processing Fee = \$395 ▪ Loan Underwriting Fee = \$395
CHFA INTEREST RATE	<p>The CALP program interest rate is the same rate as the CHFA Homebuyer Program Loan rate in effect at the time of reservation published as “Non-Government” Insured Rate”. (See <i>chfa.org</i> home page)</p> <p style="text-align: center;"><i>(CHFA Targeted Area rate discount will apply when applicable)</i></p>
AMORTIZATION	30-Year Term, Fixed Rate Mortgage (FRM)
TARGET GEOGRAPHY	State of Connecticut
ELIGIBLE BORROWERS	First-time homebuyers - <i>(waived in targeted areas – may not own property at time of loan closing)</i>

ELIGIBLE / INELIGIBLE PROPERTY TYPES	<p><u>Eligible</u></p> <ul style="list-style-type: none"> ▪ Existing – Single Family ▪ 2 – 4 units ▪ Condominiums (FNMA & FHLMC approved – Includes 2-4 unit projects) ▪ Townhomes ▪ PUD’s (FNMA & FHLMC approved) <p><u>Ineligible</u></p> <p>Co-ops , Mixed use properties, Manufactured Homes</p>
ELIGIBLE PURPOSE	Purchases only (refinance not allowed)
AUS RECOMMENDATION	<p>Desktop Underwriter (DU) or Loan Prospector Advisor (LPA) is required. Recommendation must be Approve Eligible/Accept</p> <p style="text-align: center;"><i>(See Qualifying Ratios)</i></p>
MAXIMUM LTV	<ul style="list-style-type: none"> ▪ 97% Single Family ▪ 95% (2-4 unit) ▪ ≤80% (Uninsured)
MAXIMUM CLTV	<ul style="list-style-type: none"> ▪ <i>CLTV = 100% (CHFA DAP)</i> ▪ <i>CLTV = 105% (other Subordinate Financing – Follow FNMA/FHLMC Guidelines)</i>
MINIMUM CREDIT SCORE <i>(Required for all applicants)</i>	Refer to “Program Outline and Underwriting Guidelines” found on pages 2 - 7
NON-TRADITIONAL CREDIT (MANUAL UNDERWRITE)	<p><i>Borrowers without credit scores are eligible following FNMA underwriting guidelines for submitting file with manual underwriting and non-traditional credit.</i></p> <p><i><u>Loans submitted with non-traditional credit are not eligible for CHFA DAP.</u></i></p>
QUALIFYING RATIOS	<ul style="list-style-type: none"> ▪ Monthly Housing Expense-to-Income ratio must be in compliance with the Private Mortgage Insurance (PMI) and CHFA guidelines up to a maximum of 45%. ▪ Maximum Total Monthly Debt-to-Income ratio = 45% <i>(unless a lower maximum is required for product/property type per Insurer or Program guidelines)</i> ▪ All Loans with CHFA DAP must meet DAP ratio guidelines of 35% / 43%. <p><i>Mortgage Insurer guidelines will also apply.</i></p>
DELEGATED UNDERWRITING	Not applicable

MINIMUM BORROWER CONTRIBUTION

- One-unit and Condominiums: \$0
- 2 – 4 units: 3% from borrowers own funds (Max. LTV = 95%)
- Borrowers purchasing 2-4 unit properties that make a minimum contribution of 3% from their own funds will be eligible to apply for CHFA DAP for the remaining 2% of the down payment to meet the maximum LTV requirement of 95%.

Applicants must meet all CHFA DAP eligibility and underwriting criteria for DAP Approval.

SUBORDINATE FINANCING

- FNMA / FHLMC Approved Community Seconds
- CHFA DAP
- Insurer guidelines for subordinate financing will apply**

The maximum LTV/CLTV Limit set by FNMA or FHLMC [or] as determined by the MI Company insuring the loan. The maximum LTV may not be increased above 97%.

INCOME REQUIREMENTS

Borrowers qualifying annual income must be greater than 80% of the AMI and within the CHFA Income Limits for the city/town where the property is located. Borrower’s income limit is based on household size.

(See “Full List” at chfa.org “Income & Sales Price Limits”)

Example only:

Connecticut Housing Finance Authority - INCOME LIMITS - Eff. 6-4-2018								
The Home of Your Own - Homeownership - Reverse Annuity Mortgage Programs use "Statewide" Income Limits: \$96,300 (1 or 2 persons) \$110,745 (3 or more persons)								
All other Programs use "Town" Income Limits as shown below except where not applicable (i.e. Targeted Areas for loans without CHFA DAP)								
"Town" Income Limits	HOUSEHOLD SIZE		"Town" Income Limits	HOUSEHOLD SIZE		"Town" Income Limits	HOUSEHOLD SIZE	
Fairfield County	1 or 2	3 or more	Litchfield County, cont.	1 or 2	3 or more	New Haven County, cont.	1 or 2	3 or more
Bethel	129,710	149,165	Canaan	96,800	111,320	Prospect	96,800	111,320
Bridgeport *All Areas	116,160	135,520	Colebrook	96,800	111,320	Seymour	96,800	111,320
Brookfield	129,710	149,165	Cornwall	96,800	111,320	Southbury	96,800	111,320

See: <https://www.fanniemae.com/singlefamily/homeready> for FNMA table amounts by county for applicable year. (AMI for CHFA AMI Loan Program and FNMA HomeReady or FHLMC HomePossible Programs are identical)

An Applicant’s annual, qualifying income must be greater than 80% of the AMI. Borrowers with qualifying income equal to 80% or less must be reserved through FNMA- HFA Preferred™ or FHLMC- HFA Advantage®

Income Limits will not be waived in Federally Targeted Areas

SALES PRICE LIMIT

The Sales Price Limit cannot exceed the CHFA Sales Price Limit for the city/town where the property is located.

RESERVES

- Reserve requirements for 2-4 family properties must be in compliance with PMI guidelines and AUS Findings.

INTERESTED PARTY CONTRIBUTIONS

- 3% max for LTV greater than 90%
- 6% for LTV less than or equal to 90%

HOMEBUYER EDUCATION	<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 certificate 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><i>(See Homebuyer and Lender Online Registration Instructions)</i></p>
ELIGIBLE MORTGAGE INSURERS	<p>Refer to MI company guidelines for specific eligibility and underwriting requirements</p> <ul style="list-style-type: none"> ▪ Arch Mortgage Ins. Co. (CMG) ▪ Essent Guaranty Inc. (Essent) ▪ Genworth Mortgage Ins. Corp. (Genworth) ▪ Mortgage Guaranty Ins. Corp. (MGIC) ▪ National Mortgage Ins. Corp. (NMI) ▪ Radian Guaranty Inc. (Radian) ▪ United Guaranty Residential Ins. Co. (UGI)
MORTGAGE INSURANCE COVERAGE	<p>MORTGAGE INSURANCE COVERAGE</p> <ul style="list-style-type: none"> ▪ 95.01% - 97% LTV: 25% ▪ 90.01% - 95% LTV: 25% ▪ 85.01% - 90% LTV: 25% ▪ 80.01% - 85% LTV: 12% <p><i>Refer to MI guidelines for specific eligibility and underwriting requirements for MI Company selected to provide insurance for the CHFA AMI Loan Program.</i></p>
FEDERAL RECAPTURE TAX	<p>Subject to Federal Recapture Tax unless:</p> <ul style="list-style-type: none"> ▪ Home sold more than nine (9) years after purchase. ▪ No profit (capital gain) on sale. ▪ Household income is below Recapture Tax Limit at time of sale. <p><i>(See eligibility for CHFA reimbursement – Form 049-00313 if recapture tax payment is required)</i></p>
SERVICER	<ul style="list-style-type: none"> ▪ AmeriNat: Service Released Lenders. ▪ Service Retained Lenders: <i>Retain Servicing.</i>