

**Bulletin # Bulletin # 80
February 26, 2015**

To: CHFA Lenders
 From: CHFA Single Family Underwriting
 Subject: Private Mortgage Insurance Available for HFA Preferred Program 2–4 Unit Properties
 CHFA Increases Allowable Closing Cost Fees on 1st Mortgage Loans

I. Private Mortgage Insurance (PMI) Options for 2-4 Unit Properties Originated Under the CHFA HFA Preferred™ Mortgage Loan Program

The FNMA HFA Preferred™ product allows for mortgage loan financing of 2-4 unit properties originated in compliance with the eligibility criteria and underwriting guidelines of the program. CHFA is pleased to announce Genworth Mortgage Insurance and Mortgage Guaranty Insurance Corporation (MGIC) will now provide PMI coverage for 2-4 unit properties originated under the CHFA HFA Preferred™ Mortgage Loan Program – see overview below:

GENWORTH MORTGAGE INSURANCE <i>(Effective for MI applications received on or after February 17, 2015)</i>						
CHFA Loan Program	AUS Required	Property Type	Max LTV/CLTV	Max Loan Amount	Minimum Credit Score	Maximum DTI
HFA Preferred	DU Approve/Eligible	2 units	95%/105%	As per CHFA limit for area	*640	45%
HFA Preferred	DU Approve/Eligible	3 – 4 units	95%/105%	As per CHFA limit for area	720	45%

**CHFA credit score overlay for HFA Preferred Program*

MORTGAGE GUARANTY INSURANCE CORPORATION (MGIC) <i>(Effective for MI applications received from February 12, 2015 – February 13, 2016)</i>						
CHFA Loan Program	AUS Required	Property Type	Max LTV/CLTV	Max Loan Amount	Minimum Credit Score	Maximum DTI
HFA Preferred	DU Approve/Eligible	2 units	95%/105%	As per CHFA limit for area	*640	45%
HFA Preferred	DU Approve/Eligible	3 – 4 units	95%/95%	As per CHFA limit for area	720	45%

**CHFA credit score overlay for HFA Preferred Program*

Note: Lenders are required to originate and underwrite loans in compliance with ALL CHFA, FNMA HFA Preferred Program, and Insurer guidelines. Contact the MI companies directly for complete details on processing the multi-unit property transaction

Borrower(s) purchasing 2 – 4 unit properties that make the minimum contribution of 3% from their own funds will be eligible to apply for **CHFA DAP for the remaining 2% of the downpayment** to meet the maximum LTV requirement of 95% and closing costs (if needed) provided they meet all CHFA DAP eligibility and underwriting criteria. There are no exceptions to the maximum allowable CLTV set by the MI companies as published.

II. CHFA First Mortgage Allowable Closing Costs Fees Increased

CHFA is committed to helping make homeownership affordable for Connecticut residents with emphasis on reaching low-to-moderate income first-time homebuyers. To achieve this goal, CHFA requires lenders to minimize the amount of fees collected from borrowers for closing costs. Specifically, CHFA allows lenders to collect only those fees that are reasonable and customary, and sets a limit on the fees for processing and underwriting.

Effective with loan reservations on or after Monday, March 16, 2015, to ensure Lender fees are consistent for all loan types, CHFA is prohibiting the collection of Tax Service Fees on any CHFA loan product. The CHFA Operating Manual Section 5 – Underwriting (*Sections 5.4.A and 5.4.B*) have been revised to reflect an increase in the allowable CHFA Loan Processing and Underwriting fees from **\$350.00 to \$395.00** and the Tax Service Fee is eliminated for all programs – see excerpt below:

5.4 Closing Costs

A. Acceptable Closing Costs

Fees to be paid by the borrower must be reasonable and customary, including the appraisal fee and any inspection fees, cost of credit reports, the origination fee, processing fees, underwriting fees, home inspection fees, cost of title examination and title insurance, attorney fees, recording fees, courier fees, taxes, certificate and test fees.

The maximum allowable amount CHFA will allow a Lender to collect on first mortgage loan transactions for the origination fee, processing fee and underwriting fee are listed below:

- Loan Origination Fees = 0 point (0.00%); or Half point (.50%); or 1 point (1.00%) as determined by the applicant.
- Loan Processing Fee = ~~\$350.00~~ \$395.00
- Loan Underwriting Fee = ~~\$350.00~~ \$395.00

Additional fees applicable to FNMA HFA Preferred loans - (fees are subject to change)

- Adverse Market Fee = .25 basis points

Document preparation fees may also be charged if performed by a third-party not controlled by the lender. If charged, the document preparation fee may not exceed \$300.00. (*See FHA Handbook 4155.1 REV-5 Settlement Requirement Section 1-9A.*)

B. Unacceptable Closing Costs

CHFA Eligible Borrowers may not be charged;

- a. Commitment fee
- b. Tax service fee (*on any CHFA loan type, Government or Conventional*)
- c. Fees for guaranteeing the rate or points
- d. Ineligible real estate broker fees

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