The Key To Affordable Housing

HOME MORTGAGE PROGRAMS

OPERATING MANUAL

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1.1 Preface

This Operating Manual (the "Manual") has been prepared by the Connecticut Housing Finance Authority (CHFA) to provide Loan origination and operating guidelines for Participating Lenders in its Home Mortgage Purchase Program. This Manual supersedes all prior operating manuals, program bulletins or other home mortgage program materials distributed by CHFA.

CHFA mortgage loans are available to borrowers who meet income and other eligibility criteria described in this Manual, at a below market interest rate based on the sale of CHFA bonds. In addition, CHFA finances home mortgages in Targeted Areas without regard to income limits providing the borrower(s) are not obtaining a downpayment assistance loan with CHFA. CHFA does not refinance existing mortgage loans, except when coupled with substantial rehabilitation, or as part of a "special program" initiative authorized by the Authority.

The purpose of the Home Mortgage Purchase Program is to further the general policies of Chapter 134 of the Connecticut General Statutes, including the specific statutory objectives of:

A. Providing funds for long-term mortgage financing of residential housing for occupancy by low and moderate income persons and families in Connecticut; and

B. Encouraging the development of balanced communities of all income levels in cities which qualify as Urban Areas under the Act.

1.2 Organization

This Manual is intended to provide policy guidelines and detailed instructions for the performance of the written agreements between CHFA and its Participating Lenders. Accordingly, the provisions of this Manual are subject in all respects to the provisions in the Authority's procedures and the definitive terms of the Master Commitment Agreement for Mortgage Purchases and the Home Mortgage Servicing Agreement in effect from time to time.

From time to time, CHFA may revise this Manual by issuing changed or additional pages, or with the publication of CHFA Notice to Participating Lenders or CHFA Bulletins. Notices to Participating Lenders and CHFA Bulletins will be sent to the

Participating Lender designated authorized staff and simultaneously posted on the CHFA website at www.chfa.org.

As noted throughout the Manual, CHFA requires the use, as appropriate, of **FHA, VA**, or **FNMA/FHLMC** printed Mortgage Deed and Promissory Note forms in all cases. Participating Lenders are responsible for processing and servicing Loans in accordance with specific **FHA, VA, USDA-RD, CHFA** or private mortgage insurance **(PMI)** requirements, when applicable, and only general reference is made to those requirements in this Manual.

Throughout this Manual masculine references shall include both genders or either gender, as appropriate.

SECTION 2 - PROGRAM INFORMATION

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2.1 Qualification of Participating Lenders

General

A "Participating Lender" is a lending institution that cooperates with CHFA in making funds available under its' home mortgage program by making and/or servicing mortgage loans that CHFA has agreed to purchase.

A. Lending Capability

To be approved as a Participating Lender to originate mortgage loans, a lending institution must meet the following criteria:

1. Have in Connecticut, a brick and mortar facility with the capacity and personnel to originate and close mortgage loans, as determined by the Authority;

2. Unless it is a FDIC or FSLIC insured deposit-taking institution incorporated and existing under the laws of Connecticut, have twelve (12) months' experience in making mortgage loans on homes located in Connecticut. In the case of those institutions that acquire an institution in Connecticut, where the acquired institution meets the experience requirement, the acquired institution shall be deemed to meet the experience requirement;

3. Maintain a minimum tangible net worth of $1,000,000 or provide a letter of credit, available and otherwise uncommitted line of credit, bond or other financial instrument acceptable to the Authority totaling such amount;

4. Be in compliance with applicable federal and state laws, regulations promulgated thereunder and any licensing requirements by agencies of government having jurisdiction;

5. Maintain quality control and management systems to evaluate and monitor the overall quality of its origination activities, and

6. Execute the standard Master Commitment Agreement for mortgage purchases.

B. Servicing Capability

To be approved by CHFA as a Participating Lender to service Authority loans, the institution must meet the following criteria:

1. Have the capacity and personnel to service mortgage loans, as determined by the Authority;

2. Demonstrate a proven ability to service the type of mortgages for which Authority approval is being requested;

3. Maintain a minimum tangible net worth of $1,000,000 or provide a letter of credit, available and otherwise uncommitted line of credit, bond or other financial instrument acceptable to the Authority totaling such amount;

4. Be in compliance with applicable federal and state laws, regulations promulgated thereunder and any licensing requirements by agencies of government having jurisdiction;

5. Maintain quality control and management system systems to evaluate and monitor the overall quality of its servicing activities; and

6. Execute the standard Home Mortgage Servicing Agreement and/or other contracts as determined by the Authority.

C. Removal of a Participating Lender

CHFA may terminate the Master Commitment Agreement for Mortgage Purchases and/or the Home Mortgage Servicing Agreement according to their terms, respectively, and remove from the list of approved Participating Lenders any lending institution that has;

1. Failed to commit, close and/or service Mortgage Loans in accordance with the Act, the Procedures of this manual, and the Master Commitment Agreement for Mortgage Purchases, and/or the Home Mortgage Servicing Agreement or;

2. Ceased to meet the criteria for becoming a Participating Lender. CHFA may terminate the Master Commitment Agreement for Mortgage Purchases and/or the Home Mortgage Servicing Agreement in accordance with the provisions thereof. Such removal shall take place thirty (30) days after written notice to such Participating Lender specifying the reason for the removal.

D. Lending Areas

Participating Lenders are not required to go beyond their normal geographic lending areas.

E. Availability of Program

Participating Lenders shall not restrict applications for Loans to any segment of the Homebuyer Mortgage Program, except that a participating lender need not accept applications for Rehabilitation Mortgage Loans (see Section 4) and need not accept applications for mortgage loans on homes located outside its normal geographic lending areas.

F. Training Session

After CHFA has approved a Participating Lender, the Participating Lender shall promptly have a training session with CHFA staff prior to originating a CHFA loan. The training session shall cover CHFA's requirements in regard to originating and closing loans, providing CHFA with the required loan documents after closing, and, where appropriate, servicing requirements. CHFA shall have the right to require a Participating Lender to have a retraining session when CHFA deems it appropriate.

G. Correspondent Lender Relationships

A Participating Lender may sponsor a "Correspondent Lender" with the prior written approval of the Authority. The Sponsoring Participating Lender will be required to meet and provide evidence of a minimum tangible net worth of $1,000,000 in order to sponsor a Correspondent Lender. To be approved as a Correspondent Lender by the Authority, the Correspondent Lender must meet the same criteria for a Participating Lender as described in subsection (A.) above, except as follows:

1. Have a minimum tangible net worth of $50,000;

2. The Correspondent Lender may be required to execute the standard Master Commitment Agreement for Mortgage Purchases and the standard Home Mortgage Servicing Agreement although a standard letter agreement between the parties will be executed by both parties;

3. The Correspondent Lender may be required to attend a training session(s) prior to originating any CHFA loans on behalf of the Sponsoring Participating Lender and any additional training session(s) as the Authority deems appropriate; and

4. Conform to guidelines as required by the Connecticut Department of Banking and/or the Authority regarding licensing of a Correspondent Lender in the State of Connecticut;

5. Veterans Administration (VA) and Federal Housing Administration (FHA) approval are not required.

An approved Correspondent Lender may originate home mortgage loans on behalf of a Sponsoring Participating Lender. However, the Sponsoring Participating Lender shall remain fully responsible to the Authority for its obligations pursuant to these procedures, the CHFA Home Mortgage Program Operating Manual, and the Master Commitment Agreement for Mortgage Purchases. Correspondent Lender Loans must be approved and submitted by the Sponsoring Participating Lender. The Authority reserves the right to limit the number of Correspondent Lenders and may rescind approval of a Correspondent Lender at any time with (prior) written notice.

2.2 Distribution of Mortgage Funds

A. Availability of Funds

CHFA will not issue separate allocations to any particular Participating Lenders. A funds reservation system which allows the borrower to apply for a CHFA Loan at the Lender of his choice will be used.

CHFA reserves the right, however, to set aside a portion of the proceeds of any issue of bonds on an uncommitted basis for any purpose of the Program. Specifically, CHFA expects to set aside certain proceeds from each issue for the purpose of making Mortgage Loans in Targeted Areas.

B. Reservation of Loan Funds

CHFA will administer the reservation program and Participating Lenders may accept Loan applications from prospective borrowers.

1. The Participating Lender will determine if the prospective mortgagor is qualified as an Eligible Borrower. Such preliminary determination shall include the Participating Lender's examination of (i) the prospective borrower's written purchase agreement concerning the property to be financed, and (ii) a copy of the borrower's most recently filed Federal Income Tax Return as an approximate indication of his income.

2. After the Participating Lender has determined an applicant's eligibility for CHFA financing, the lender will reserve mortgage funds using the CHFA On-line Reservation System.

   a. The reservation will be identified by an authorized reservation loan number, which will be assigned by the on-line reservation system. This reservation number must appear on the Loan submission to CHFA and all subsequent correspondence regarding the Loan submission.

   b. The reservation of funds prior to Loan commitment is valid for ninety (90) days unless extended by CHFA.

   c. Loan reservations must include the names of all borrowers. Substitute borrowers or the addition of or removal of a borrower to qualify for the loan may <u>NOT be permitted once the loan reservation is secured.</u>

3. The Participating Lender must notify CHFA of any cancellation of reserved funds so that the funds may be made available for others. No substitution of borrower will be permitted for reserved funds. No substitution of property will be permitted for reserved funds except as approved by CHFA in the case of a situation, outside of the control of the borrower, causing hardship. CHFA may decline to reserve funds for an applicant who has had other CHFA funds reserved.

C. <u>Free Accessibility to Funds</u>

Applications for Loans shall be based on eligibility and not on special relationships between a Participating Lender and particular real estate brokers or developers. A Participating Lender may not deny a Loan to an Eligible Borrower solely because the Eligible Borrower is not a depositor or customer of the Participating Lender. Neither may the Participating Lender limit the availability of CHFA financing by denying an application based on the fact that the applicant does not belong to a specified group of the public such as employees of certain organizations. Under normal circumstances, applications should be taken and processed on a "first-come, first-served" basis.

2.3 <u>Funds Available for Targeted Areas</u>

A. <u>General</u>

In accordance with Federal requirements, CHFA will make funds available for Eligible Dwellings located in Targeted Areas. CHFA will exercise due diligence in making Mortgage Loans in Targeted Areas. Participating Lenders under CHFA's direction shall assist in advising potential Eligible Borrowers of the availability of funds in Targeted Areas.

B. Eligibility

Mortgage Loans for Eligible Dwellings located in Targeted Areas must comply in all respects with the requirements in Section 3 and elsewhere in this Manual for all Mortgage Loans except for the requirement in Section 3.1C that an Eligible Borrower may not have had a present ownership interest in the Borrower's principal residence in the three years preceding the application for the Mortgage Loan. Also, with exception to section 3.1B where a borrower shall not have an aggregate income in excess of the applicable limit established by CHFA unless the borrower is also applying for CHFA Downpayment Assistance (contained in appendix B).

2.4 Commitment for Mortgage Purchase

A. Obtaining a Commitment

The Participating Lender shall submit each Loan application to CHFA with completed forms and documents referred to in Section 5 of this Manual.

Each Loan submission will be underwritten and analyzed by CHFA, and if approved, a Commitment will be sent to the Participating Lender. The Commitment will be effective for a period of 90 days as designated therein. Loans will be purchased by CHFA in accordance with the Commitment and pursuant to Section 7 of this Manual.

B. Commitment to be Based on Authorized Funds Reservation

Each Loan submission requesting a Commitment must be clearly identified with the CHFA authorized reservation number previously assigned the mortgage loan amount reserved, unless otherwise permitted by CHFA.

C. Extensions and Cancellations

Requests for extension or cancellation of a Commitment must be in writing and signed by a mortgage officer or other authorized person of the Participating Lender. Telephone cancellations will not be accepted. Requests should be directed to the Single Family Homeownership Dept. of CHFA prior to expiration.

2.5 Retention and Inspection of Records

Any documents required by this Manual or by State or Federal law, not delivered to CHFA pursuant to a Commitment or purchase of a Loan, must be retained by the Participating Lender or Servicer for at least two years after the date of purchase by CHFA, or such longer period as may be required by law, and, if requested by CHFA, for a reasonable period thereafter. If during such retention time CHFA requests original or certified copies of such documents, the same must be delivered to CHFA. Where appropriate, such documents may be kept on microfilm, micro card or other similar photographic methods.

Participating Lenders must make all records and books maintained in connection with Loans available for inspection by CHFA upon request during reasonable business hours.

The absence of documentation required to be retained by this section may, at the option of CHFA, be construed to conclusively evidence a defect in such documentation under the Master Commitment Agreement for Mortgage Purchases.

2.6 The Federal Recapture Tax

Congress enacted legislation in 1988, subsequently amended in October of 1990, to recapture a portion of the "subsidized amount" from home buyers who receive qualified mortgage bond assistance after January 1, 1991. This includes all buyers who use CHFA Loans and Mortgage Credit Certificates (MCC), dispose of an interest in their residence within nine (9) years of purchase, and whose incomes substantially increase. The amount of Recapture Tax that Borrower(s) might have to pay depends on how much their incomes have increased, their family size at the time of sale, the original amount of their mortgage, the length of time they owned their home and any gain realized on disposition of the home. The recapture amount is the lesser of:

(1) 50 percent of the gain realized on disposition, or

(2) A percentage of the subsidized amount. The percentage is the product of the holding period percentage and the income percentage (both discussed below).

The Borrower(s) is responsible for calculating and paying the Recapture Tax, if any, as additional Federal tax liability for the tax year in which the interest in the home is disposed. However, Participating Lenders are required to provide homebuyers with the Authority's "Notice of Potential Recapture Tax Form 051-0597" and "Method to Compute Recapture Tax Form 052-1195":

A. **No Recapture Tax is due and the Borrower(s) does not need to do the calculation if any of the following occurs:**

1. The Borrower(s) disposes of his home later than nine (9) years after the mortgage loan is closed.

2. The home is disposed of as a result of the Borrower(s) death.

3. The Borrower(s) transfer the home either to his spouse or former spouse incident to divorce and no gain of loss was incurred on the transfer and included in his Federal taxable income.

4. The home was disposed of at a loss.

5. The Borrower(s) modified adjusted gross income for the year in which the home is sold does not exceed the Threshold Income, adjusted for family size, for such year. Modified Adjusted Gross Income is calculated as follows:

Adjusted Gross Income from IRS 1040	$___________
Tax exempt income earned for the year	+___________
Gain on sale of the home	- ___________
Modified Adjusted Gross Income =	$___________

B. **There are several steps required to calculate the actual recapture amount owed. The following outlines the steps involved in the calculation:**

1. **Threshold Income (Adjusted Qualifying Income)**

   The first year Threshold Income is 5% greater than the maximum allowable Federal income limit for the area in which the residence is located at the time the borrower was qualified. Each year of the nine (9) year holding period the Threshold Income is increased by 5% from the previous year's Threshold Income. The Threshold Income for each of the nine (9) years is provided to the Borrower(s) in the "Notice to Mortgagor(s) of Maximum Recapture Tax and of Method to Compute Recapture Tax on Sale of Home" letter which will be issued by CHFA at the time of issuance of the Commitment.

2. **Holding Period Percentage**

The percentage is based on the month in which the disposition occurs after the loan closing date pursuant to the following table:

Disposition Within Month of Closing		
1-12	-	20%
13-24	-	40%
25-36	-	60%
37-48	-	80%
49-60	-	100%
61-72	-	80%
73-84	-	60%
85-96	-	40%
97-108	-	20%

3. **Maximum Recapture Amount**

The Federally subsidized amount which is 6.25% multiplied times the highest principal amount of the mortgage loan, multiplied times the Holding Period Percentage.

4. **Income Percentage**

The modified adjusted gross income of the Borrower(s) for the taxable year in which the disposition occurs minus the Threshold Income divided by $5,000.

5. **Adjusted Recapture Amount**

The Maximum Recapture amount multiplied times the Income Percentage.

6. **Recapture Amount**

Equals the lesser of the Adjusted Recapture Amount or 50 percent of the gain realized on the disposition.

C. Limitations and Special Rules on Recapture Tax

1. If you give away your home (other than to your spouse or ex-spouse incident to divorce), you must determine your actual Recapture Tax as if you had sold your home for its fair market value.

2. If your home is destroyed by fire, storm, flood, or other casualty, there generally is no Recapture Tax if, within two (2) years, you purchase additional property for use as your principal Residence on the site of the home financed with your original subsidized mortgage Loan.

3. In general, except as provided in future regulations, if two or more persons own a home and are jointly liable for the subsidized mortgage Loan, the actual Recapture Tax is determined separately for each person based on their interests in the home.

4. Refinancing of the Loan does not result in a Recapture Tax. If the home is disposed of subsequent to the refinancing, but prior to the original nine (9) year holding period, Recapture Tax may be due.

5. <u>CHFA Reimbursement for Recapture Tax Payment</u>
   Borrower(s) that are required to make a recapture tax payment may be eligible to receive reimbursement from CHFA.

To request reimbursement from CHFA borrower(s) must submit a written request to CHFA no later than December 31st of the year that the federal recaptures tax is owed and paid. For example: if the subject property is sold in 2013 and the tax return is filed in 2014, the request for reimbursement must be filed no later than December 31, 2014.

D. Filing the CHFA Reimbursement Request

To request Recapture Tax Reimbursement borrower(s) must submit a written request to CHFA along with the following documentation:

1. A copy of the TRID – Closing Disclosure (Formerly HUD- 1 Settlement Statement) - proof of sale of the property or, in the instance where the home is disposed of by a method other than sale, documentation evidencing the transfer of title and the Recapture Tax assessment;

2. A copy of the signed, filed Federal Tax Return, along with all schedules including IRS Form 8828, for the year in which the Recapture Tax was assessed and paid; and

3. An original signed IRS Form 4506-T completed by each person listed as a borrower under the mortgage loan documents, authorizing CHFA to obtain a copy of each such borrower's Federal Tax Return.

4. Evidence of payment of the Recapture Tax.

5. Recapture Tax Reimbursement Request (CHFA Form 049-0313)

6. Mail the complete Recapture Tax request package to:

Connecticut Housing Finance Authority (CHFA)
Residential Mortgage Programs – Recapture Tax Reimbursement
999 West Street
Rocky Hill, CT 06067

Note: CHFA may require additional information and/or documentation in order to approve a request for reimbursement and such approval shall be granted at the sole discretion of CHFA, subject to funding constraints and applicable statutory and procedural requirements.

SECTION 3 - ELIGIBILITY

Section 3 – Eligibility

3.1 Eligible Borrowers

To qualify for CHFA financing, an applicant must meet the eligibility criteria set forth in this section.

A. General

An applicant shall be an Eligible Borrower for a CHFA Mortgage Loan if the applicant meets the following criteria:

1. At the time of application and at the time of mortgage closing, has an annual aggregate income that is at or below the applicable income limit in effect at the time the application was taken or is purchasing an Eligible Dwelling in a Targeted Area (Section *2.3B*);

2. Agrees to occupy and use the residential property to be purchased for a permanent, principal residence within 60 days after the date of the closing of the Mortgage Loan (See exceptions applicable to 203(k) Rehabilitation Mortgages – Section 4). Applicant must also agree to occupy the property as their primary residence for the term of the CHFA mortgage loan. (Section 3.1D);

3. If the applicant currently owns his or her own home now, or has owned a home within the past three years, he or she may still be eligible for a CHFA mortgage loan if he or she is buying a home in a Targeted Area or is participating in a CHFA approved special loan program that is designated specifically for first-time homebuyers *and* existing homeowners.

4. Will not use the proceeds of the Mortgage Loan to acquire or replace an existing mortgage or debt, except in the case of certain types of temporary financing (Section *3.1E*). Rehabilitation Mortgage 203(k) Limited Program (Section *4*);

5. Possesses and demonstrates the legal capacity to incur the obligations of the CHFA Mortgage Loan;

6. Possesses and demonstrates the ability to repay the CHFA Mortgage Loan (Section *5*);

7. Has contracted to purchase an Eligible Dwelling (Section 3.2) or will undertake Rehabilitation Mortgages on his or her dwelling or on a dwelling he or she has contracted to purchase (Section 4) and

8. Has executed a Borrower Certificate at the time of the Loan application.

9. Has at the time of application, a social security card as evidence of permanent residency in the United States. Consular Identification Cards (CID) or Individual Taxpayer Identification Numbers (ITIN) are not acceptable replacement documentation for U.S. Government issued social security numbers. The applicant does not need to be a citizen of the United States.

10. The applicant must purchase a home in the State of Connecticut.

B. <u>Income</u>

An Eligible Borrower and/or co-borrower shall not have aggregate income in excess of the applicable income limit established by CHFA (contained in Appendix B) and in force at the time of application for the Mortgage Loan unless the Borrower is purchasing in a Targeted Area as described in (Section *2.3B*).

Aggregate borrower income shall include income from whatever source derived, including without limitation:

- Regular earnings
- Part-time earnings
- Unemployment compensation
- Bonuses
- Overtime income, whether or not guaranteed by an employer
- Dividends
- Interest (except on funds being used for down payment and closing costs)
- Commissions
- Military allowances
- Welfare payments
- Disability payments
- Pension, annuity, retirement, and social security benefits
- Reimbursement for services in military reserve or National Guard.

The Authority may at its option exclude overtime income where it deems such income to be of short duration and of a temporary nature.

Aggregate income shall be based solely on the income of the mortgagor or mortgagors (borrower and co-borrowers) only.

1. <u>Calculating Rental Income for 2-4 Unit Dwelling</u>

The rental income from units in a two to four unit dwelling that will be added to the borrower's income to qualify for repayment of the mortgage loan debt will be based on the percentage of the anticipated fair market income consistent with the loan program, i.e. follow the guidelines of the loan insurer, FHA, VA, USDA-RD, PMI or CHFA special program, when applicable.

C. Three-Year Requirement

An Eligible Borrower does not include any borrower who, at any time during the three years preceding the date of application for the Mortgage Loan, had a **"present ownership interest"** (as hereinafter defined) in his principal residence. This requirement does not apply to Mortgage Loans for Eligible Dwellings located in Targeted Areas. If applicable, the Borrower must certify on the Borrower Certificate that at no time during the three years preceding the closing of the Mortgage Loan has he had a present ownership interest in a principal residence.

Eligible borrowers that have a "present ownership interest" in a principal residence located in any part of the United States, its Commonwealths or Territories are subject to these requirements and residential properties outside of the United States.

1. Definition of Present Ownership Interest

a. "Present ownership interest" includes:

i. A fee simple interest
ii. A joint tenancy, a tenancy in common, or a tenancy by the entirety;
iii. The interest of a tenant shareholder in a cooperative;
iv. A life estate;
v. A land contract, under which possession and the benefits and burdens of ownership are transferred although legal title is not transferred until some later time;
vi. An interest held in trust for the Eligible Borrower(s) (whether or not created by the Eligible Borrower(s)) that would constitute a present ownership interest if held directly by the Eligible Borrower(s); and
vii. Occupancy of a property for which an interest in real estate was created by the existence of an inheritance, probated or not, whether title is vested or not.

b. Interests which **do not** constitute a "present ownership interest" include:

i. A remainder interest,
ii. An ordinary lease with or without an option to purchase,
iii. A mere expectancy to inherit an interest in a principal residence,
iv. The interest that a purchaser of a residence acquires on the execution of an accepted offer to purchase real estate, and
v. An interest in other than a principal residence during the previous (3) years.
vi. An interest in a mobile home that is not permanently fixed to land and which mobile home is not considered real property for local tax purposes.
vii. Ownership interest in a vacation timeshare with limited occupancy on an annual basis.
viii. Land only.

2. **Disposal of Other Residential Property**

a. In cases where a borrower, such as in a Targeted Area, is in the process of selling such residential property or has sold it during the six months prior to the date of application for the Loan, the Borrower shall apply the equity proceeds from the sale of the property (if any) as a downpayment on the Eligible Dwelling. The borrower may deduct payoff of the present mortgage, real estate commissions and reasonable closing costs on the home being sold in determining equity proceeds.

b. Any real estate that is owned by the borrower and used by the borrower as a residence shall be disposed of or under bona fide contract for sale before the closing on the CHFA Loan.

c. A borrower may not have an ownership interest in any other primary residential property that has been owner occupied in the past 3 years at the time of the mortgage loan closing.

3. **Persons Covered**

This requirement applies to any person who will execute the mortgage or note and will have a present ownership interest (as defined in Section 3.C.1) in the Eligible Dwelling.

4. **Prior Tax Returns**

To verify that the Eligible Borrower meets the three year requirement, the Participating Lender must obtain copies of signed Federal Income Tax Returns filed by the Eligible Borrower for the three years preceding the closing of the mortgage. Certified copies of the IRS Returns or Transcripts from the IRS are also acceptable. If the Eligible Borrower was not required by law to file a Federal Income Tax Return for any of these three years and did not file and so states on the Borrower Certificate, the requirement to obtain a copy of the Federal Income Tax Return for such year is waived, however; the Eligible Borrower must request a "Verification of Non-Filing Letter" from the IRS that will provide proof that the IRS has no record of a filed 1040, 1040A, or 1040EZ, or any other applicable return or schedule, for the year(s) requested. In such cases the borrower must also provide a written statement of explanation regarding non-filing of return.

a. All Eligible Borrower(s) and Co-Borrower(s) applicant(s) who will sign the CHFA Mortgage Note and Deed at closing are subject to the Federal Income Tax Return requirements.

b. In addition, the Participating Lender must obtain an executed Request for Copy or Transcript of Tax Form (IRS Form 4506) or a Tax Information Authorization IRS Form 8821) for the prior three years. The Participating Lender shall examine the Federal Income Tax Returns particularly for any evidence that the Eligible Borrower may have claimed deductions for property taxes or for interest on indebtedness with respect to real property constituting his principal residence or on ineligible temporary financing.

c. In cases where the three year requirement regarding prior homeownership is not applicable, such as loans in Targeted Areas, only the Federal Income Tax Return and the Request for and Consent to Disclosure of Federal Income Tax Returns for the most recent year is required. In such cases, one year may be substituted for any references in this Manual to three years; and the Participating Lender may manually modify any references in CHFA forms to three years to one year as applicable.

d. Eligible borrowers that have a "present ownership interest" in a principal residence located in any part of the United States, its Commonwealths or Territories are subject to these requirements and residential properties outside of the United States.

5. Lender's Responsibility to Verify Documentation

Participating Lender must, with due diligence, verify the information in the Borrower Certificate regarding the applicant's prior residency and verify such other information including Federal Income Tax Returns furnished by the Eligible Borrower for the preceding three years, and certify to CHFA that on the basis of its investigation, such information is to the best of its knowledge and belief, true and accurate and evidences compliance with the requirements of this section. Such certification shall be made on the Participating Lender Certification.

D. Principal Residence Requirement; Owner-Occupancy

1. General

An Eligible Borrower shall covenant to occupy the Eligible Dwelling as a principal residence within 60 days after the closing of the Mortgage Loan. Unless the residence can reasonably be expected to become the principal residence of the Eligible Borrower within 60 days of the Loan closing date, the residence will not be considered an Eligible Dwelling and may not be financed with a CHFA Mortgage Loan. An Eligible Borrower must covenant to occupy the Eligible Dwelling as a principal residence within 60 days after the Loan closing on the Borrower Certificate and as part of the CHFA Uniform Mortgage Rider. See exceptions related to Rehabilitation Mortgages - 203(k) Standard and 203(k) Limited Mortgage Programs (Section *4*).

2. **Definition of Principal Residence**

A principal residence does not include any residence which can reasonably be expected to be used: (a) in a trade or business, except for a two to four family residence, in which case the Eligible Borrower shall be permitted to rent or lease the non-owner-occupied unit(s), (b) as an investment property, or (c) as a recreational or second home. Not more than fifteen percent (15%) of the total living area of a residence may be used in a trade or business which would permit any portion of the costs of the Eligible Dwelling to be deducted as an expense for Federal Income Tax purposes (except in the case of a two to four family residence, in which case the Eligible Borrower shall be permitted to deduct for Federal Income Tax purposes the costs associated with the non-owner-occupied units).

3. **Land Not to be Used to Produce Income**

The land financed by the Mortgage Loan may not provide, other than incidentally, a source of income to the Eligible Borrower. The Eligible Borrower must indicate on the Borrower Certificate that, among other things:

a. No portion of the land financed by the Mortgage Loan provides a source of income (other than incidental income);

b. The borrower does not intend to farm any portion of the land financed by the Mortgage Loan; and

c. The borrower does not intend to subdivide the property nor to apply for a zoning variance regarding minimum lot size or set-back requirements.

4. **Post-Closing Inspection of Eligibility**

Within 60 days after the closing of the Mortgage Loan, the Participating Lender is required to inspect the Eligible Dwelling for compliance with the principal residence requirements of:

a. No trade or business;

b. Owner-Occupancy use as permanent principal residence; and

c. No prohibited use of the land

Based upon such investigation, the Participating Lender shall either:

i. Certify to CHFA that based upon its subsequent investigation, it has no reasonable grounds for believing that the borrower did not meet the requirements of (Section *3.1D*). Such certification shall be made on the Participating Lender Certification; or

ii. Promptly notify CHFA in the event it determines that these requirements have not been complied with and take such action with respect to the Mortgage Loan as CHFA shall thereafter request, which may include requiring the Participating Lender to repurchase the Mortgage Loan pursuant to (Section *7.2C)* of this manual.

E. Mortgage Requirement

Mortgage Loans may be made only to persons who did not have a mortgage (whether or not paid off) on the Eligible Dwelling at any time prior to the execution of the Mortgage. A Mortgage Loan may not be made to finance the purchase of a remaining interest in a home in which a partial interest is already owned or will be acquired through inheritance or gift. Mortgage Loan proceeds may not be used to acquire or replace an existing mortgage or debt for which the Eligible Borrower is liable or which was incurred on behalf of the Eligible Borrower, or provide financing for a property which is debt free, except for:

- A construction loan; or
- Temporary financing which has a term of twenty-four months or less; or
- A mortgage on unimproved land on which a dwelling is to be constructed, as long as the mortgage is satisfied prior to the date of the Loan closing and the amount of the Loan does not exceed the cost of construction; or
- A Rehabilitation Mortgage 203(k) Limited Program (Section 4).

1. Definition of Mortgage

For purposes of applying the mortgage requirements, a mortgage includes a deed of trust, a conditional sales contract, a pledge, an agreement to hold title in escrow, a lease with an option to purchase which is treated as an installment sale for Federal income tax purposes and any other form of owner financing. A conditional land sale contract shall be considered as an existing loan or mortgage for purposes of this requirement.

2. Temporary Financing

In the case of a Mortgage Loan made to refinance a loan for the construction of an Eligible Dwelling, the Participating Lender must certify to CHFA that such construction has been satisfactorily completed prior to submission of such Mortgage Loan for purchase by CHFA. Such certification shall be made on the Participating Lender Certification.

3. Review by Participating Lender

a. Prior to closing the Mortgage Loan, the Participating Lender must examine the Borrower Certificate and related submissions, including (i) the Eligible Borrower's Federal Income Tax Returns and (ii) current credit report, in order to determine whether the Eligible Borrower has met the mortgage requirements or whether such examination discloses any existing mortgage or debt which the proceeds of the CHFA Loan may be used to repay or refinance. Upon such review, the Participating Lender shall certify to CHFA that the Lender has no reasonable grounds for believing that the Mortgage Loan proceeds will be used to repay or refinance an existing mortgage debt. Such certification shall be made on the Participating Lender Certification.

b. Subsequent to the closing of the Mortgage Loan, should the Participating Lender find that the Eligible Borrower is repaying or refinancing an existing mortgage or debt with the proceeds of the Mortgage Loan, other than temporary initial financing having a term of twenty-four months or less, the Participating Lender shall promptly notify CHFA and take such action with respect to the Mortgage Loan as CHFA shall thereafter request. CHFA may require the Participating Lender to repurchase the Mortgage Loan pursuant to (Section 7.2.C) of this Manual.

F. Determination by Participating Lender

The qualification of an Eligible Borrower shall be determined by the Participating Lender subject to review by CHFA. For each application, the Participating Lender must review the application form and related submissions to determine their consistency, completeness, and compliance with the terms of this Manual. Lender is required to verify the information provided to them, either independently or concurrently with credit reviews, when applicable.

G. Multiple Loans

An Eligible Borrower may not have more than one outstanding CHFA Mortgage Loan including a CHFA Loan that has been assumed by another person.

3.2 Eligible Dwellings

A. General

In order to qualify as an Eligible Dwelling for which a Loan may be made, the premises must:

1. Be located in the State of Connecticut;

2. Be structurally sound and functionally adequate and meets all applicable zoning requirements, housing codes and similar requirements;

3. Have a permanent certificate of occupancy if newly-constructed or substantially rehabilitated or when a certificate of occupancy is not obtainable in the case of substantial rehabilitation, have such other documentation as CHFA may require;

4. Meet all appropriate requirements listed in (Section 3.2.B).

B. Types of Dwellings

An Eligible Dwelling may be a one to four family residence (including all fixtures and land on which it is situated) or a unit of an approved/eligible condominium or planned unit development. In the case of a two to four family residence, at least one of the units must be Owner-Occupied and the building must have been used as a residence for at least five years preceding the application for the Loan. A newly-constructed two family home located in a Targeted Area may also be eligible.

C. Principal Residence Requirement; Owner-Occupancy

1. In order to be considered an Eligible Dwelling, the residence must become the permanent principal residence of the Eligible Borrower within 60 days after the closing date of the Mortgage Loan. The requirement of this section will not be satisfied where the residence (which shall include any land financed by a Loan) can reasonably be expected to be used in a trade or business (except for certain two-to-four family residences), as investment property, or as a recreational second home.

2. The Participating Lender shall be responsible for determining whether the dwelling is in a condition which will satisfy the principal residence requirement, subject to review by CHFA. In making this determination the Participating Lender may not rely solely upon statements made by the Loan applicant in the Borrower Certificate, but must verify compliance with this requirement by conducting an on-site inspection of the dwelling (the appraisal) and through other reasonable efforts. On the basis of such independent investigation, taking into account the location, structural and other characteristics of the dwelling, the Participating Lender shall certify to CHFA, that based upon reasonable belief and independent investigation, the dwelling is expected to be suitable for occupancy as a principal residence by the Loan applicant within 60 days after the closing of the Mortgage Loan and is not expected to be used in a trade or business, as an investment property or as a recreational or second home.

D. Principal Residence Requirements Pertaining to Land

1. Lot Size

The land on which the eligible dwelling is situated cannot exceed basic livability, other than incidentally, cannot be subdivided, and cannot be a source of income to the borrower.

2. Non-production of Income

a. Only land which does not provide a source of income to the Eligible Borrower (other than incidental income) may be financed by a Mortgage loan.

b. The Participating Lender is required to conduct an on-site inspection of the property (the appraisal) and to certify to CHFA that on the grounds of that inspection and other reasonable grounds, the Lender expects that the property will not be used to produce income to the Eligible Borrower, other than incidental income.

3. Leasehold Interests

The following requirements shall apply where a Loan is secured by a mortgage on a leasehold interest:

a. The notice of lease must be recorded on the land records of the town in which the property is located;

b. The term of the lease must be equal to the number of years remaining until the maturity date of the loan and in no instances may the lease expire before the maturity date of the loan is reached.

Example: If the amortization term of the mortgage loan is for 30 years (360 months) beginning on July 30, 2010 ending on July 30, 2040, the term of the lease must be for at least 30 years (360 months) concurrent with the mortgage loan and may not expire prior to July 30, 2040.

c. The lease shall be in full force and effect and subject to no change or penalty or prior lien or encumbrance by which it can be terminated; and

d. The lease must be on a form acceptable to CHFA; it shall provide that the lessee may mortgage the leasehold estate, and it must not contain conditions under which the leasehold may be terminated for lessee's default without the mortgagee having the right to receive from the lessor written notice of, and reasonable opportunity to cure, such default.

E. Sales Price Requirements

1. The Acquisition Cost of an Eligible Dwelling may not exceed the sales price limits established by CHFA and in effect at the time of the application. Appraised value as well as actual selling price will be reviewed by CHFA on all Loan submissions. Any indirect or non-pecuniary consideration will be given effect in determining the market value. CHFA may at its option reject an application for a Mortgage Loan where the appraised value exceeds the applicable CHFA Sales Price Limit by more than five (5) percent.

2. Arm's-Length Transaction

In those cases that are not arm's length transactions the appraised value may not exceed the applicable sales price limit.

3. Definition of Acquisition Cost

Acquisition Cost means the cost of acquiring the Eligible Dwelling from the Seller as a completed residence. In determining Acquisition Cost:

a. Acquisition Cost includes:

i. All amounts paid, either in cash or in kind, by the Eligible Borrower (or a related party for the benefit of the Eligible Borrower) to the Seller (or a related party or for the benefit of the Seller) as consideration for the Eligible Dwelling. Such amounts include amounts paid for items constituting fixtures under State law, but not for items of personal property not constituting fixtures under State law.

ii. The reasonable costs of completing the residence, whether or not the cost of completing construction is to be financed with the Mortgage Loan, if the Eligible Dwelling is incomplete. As an example of reasonable completion cost, costs of completing the Eligible Dwelling so as to permit occupancy under local law would be included in the Acquisitions Costs.

iii. The capitalized value of the ground rent calculated using a discount rate equal to the yield on the CHFA bonds from which the Mortgage Loan was made, where the Eligible Dwelling is subject to a ground rent. CHFA will supply bond yield information to Participating Lenders on request for the purpose of calculating capitalized ground rent.

iv. The cost of land which has been owned by the Eligible Borrower prior to the construction of the structure comprising the Eligible Dwelling.

b. Acquisition Cost does not include:

i. Usual and reasonable settlement or financing costs. Such settlement costs include title and transfer costs, title insurance, survey fees and other similar costs. Such excluded financing costs include:

- credit reference fees
- legal fees
- appraisal expenses
- points which are paid by the Eligible Borrower (not by the seller), or other costs of financing the residence.

Such amounts must not exceed the usual and reasonable costs which otherwise would be paid. Where the buyer pays more than a pro rata share of property taxes, for example, the excess is to be treated as part of Acquisition Cost.

ii. The imputed value of services performed by the Eligible Borrower or members of his family (brothers and sisters, spouse, ancestors and lineal descendants) in constructing or completing the residence.

c. The following examples illustrate determination of Acquisition Costs:

Example (1)

A contracts with B, a builder of single family residences, for the purchase of a residence. Under the terms of the contract, B will deliver a residential unit to A that contains an uncompleted recreation room and an unfinished third floor and lacks a garage.

Normally, a completed recreation room, a finished third floor and a garage are provided as part of the residence by B.

The contract price for the residence is $158,000. At the same time, A contracts with C, an affiliate of B, to complete the recreation room, the third floor and to construct the garage for a contract price of $25,000.

C will perform this work after A receives title to the unit from B. The Acquisition Cost of A’s completed residential unit is $183,000 which represents the contract price plus the cost of completion of the recreation room, third floor and construction of the garage.

Acquisition Cost Example (1)
$ 158,000.00 – contract price (excludes completion of 3rd fl, recreation room or garage)
$ 25,000.00 – cost of completion of 3rd fl, recreation room and garage
$183,000.00 – Acquisition Cost

Example (2)

E owns a single family residence which has been listed for sale. D contracts to purchase E's residence, and the contract provides for a selling price of $100,000. D also agrees to pay an unsecured debt in the amount of $15,000, which E owes to X, a local bank. D further agrees to purchase from E the refrigerator, stove, and dryer located in E's residence for $2,500, an amount equal to the fair market value of such items. D also agrees to purchase the light fixtures, curtain rods, and wall-to-wall carpeting for a fair market value price of $1,000. The acquisition cost of D's completed residential unit is $116,000. Such amount includes the $15,000 unsecured debt paid off by D.

The $2,500 paid for the refrigerator, stove, washer, and dryer are not included because such items are not included within the definition of an Eligible Dwelling under the Program. Such definition does include the light fixtures, curtain rods, and wall-to-wall carpeting purchased by D.

Acquisition Cost Example (2)
$100,000.00 – contract sales price for the property
$ 15,000.00 – borrower unsecured debt to the bank paid by seller
$ 1,000.00 – light fixtures, curtain rods, and wall-to-wall carpeting –allowable costs
$116,000.00 – Acquisition Cost

(*Note: refrigerator, stove, washer and dryer are not allowable cost for this transaction)*

Example (3)

F contracts with G to purchase G's home for $100,000. After purchasing the residence, F pays $3,000 to a party unrelated to G for painting, minor repairs, and refinishing the floors. The Acquisition Cost of the residence is $100,000.

Such fix-up expenses are not treated as part of the Acquisition Cost. If G had incurred such fix-up expenses by the amounts expended by F however, F may not reduce his Acquisition Cost of the residence by such amounts.

Acquisition Cost Example (3)
$100,000.00 – contract sales price for the property
$ 00.00 – additional allowable cost for fix-up
$100,000.00 – Acquisition Cost

(*Note: $3,000 costs to borrower to fix up property are not eligible cost for this transaction)*

4. Appraisals

A complete property appraisal report is required to be submitted by the Participating Lender with each Loan submission except in the case of a loan eligible for the Compliance Limited Documentation Program which requires submission of only the first four (4) pages. Appraisals are required for all Loan submissions for purchases of units in eligible condominium projects for verification of current investor ratio concentration. All appraisals for Mortgage Loans must be made by appraisers who are licensed or certified by the State of Connecticut, acceptable to CHFA and as per FNMA Guidelines. Participating Lenders must adhere to the Appraiser Independence Requirements as outlined in the FNMA Selling Guide.

a. Forms - The report must be prepared on a current FNMA/FHLMC appraisal form or on the appropriate FHA form which meets the minimum HUD requirements, including any additional attachments or addenda necessary to provide an adequately supported opinion of market value.

b. Appraised Value - Appraisals should report the highest price which the property will bring contemplating;

(i) The consummation of a sale and the transfer of title from a seller to buyer who are participating in a bona-fide, arm's-length transaction and are motivated by no more than the goals of typical participants;

(ii) Both parties are well informed or well advised and act prudently, each for what he considers his own best interest;

(iii) Reasonable exposure is given to the property in the open market;

(vi) Payment is made in cash or on terms reasonably equivalent to cash, assuming typical financing terms are available in the community for similar property.

c. Repairs - CHFA requires all mortgaged properties to be in good repair. Appraisal reports shall indicate whether a building code inspection is necessary. If the appraisal report indicates that repairs are needed, a recertification by the appraiser must be obtained prior to the closing of the Loan. The certification must provide the Eligible Borrower's name and the property address and must state that the property has been inspected and the indicated repairs have been completed except in the case in which an escrow has been established for such repairs. (See 203(k) Standard or 203(k) Limited Programs – Section 4).

d. Exterior Photographs – Clear, descriptive photographs showing the front, back, and a street scene of the subject property and the front of each comparable. The subject and all comparables must be appropriately identified.

e. Interior Photographs – At a minimum, the appraisal report must include photographs of the following:

- The kitchen
- All bathrooms
- Main living area
- Examples of physical deterioration, if present; and
- Examples of recent updates, such as restoration, remodeling, and renovation, if present.

(*FNMA Selling Guide B4-1.2-01*)

f. The validity period for all appraisals on existing and proposed and under construction properties will be 4 months. Appraisals may not be more than 4 months old from the loan closing date to the date the loan is sold to FNMA (See FNMA announcement 09-19)

g. UCDP – Must obtain and provide a "successful" SSR report for loans delivered to FNMA (uninsured- HFA Preferred Programs). *(FNMA Selling Guide B4-1.1-06)*

5. Review by Participating Lender

The Participating Lender shall determine that the Acquisition Cost of the Eligible Dwelling does not exceed the applicable Sales Price Limit in accordance with (Section *3.2.E*). The participating Lender shall certify to CHFA that the Sales Price requirement is met. Such certification shall be made on the Participating Lender Certification.

6. Independent Appraisal

CHFA reserves the right to obtain an independent appraisal in order to establish fair market value and to determine whether a dwelling is eligible for the Mortgage Loan requested.

7. Surveys

A survey is not required if not required by FHA, VA, USDA-RD, FNMA or PMI, and is not indicated by a prudent practice and custom in the geographical area in which the property is located. However, CHFA reserves the right to require a survey.

F. Condominium and Planned Unit Developments

An individual condominium unit or unit of an approved planned unit development is included within the definition of an Eligible Dwelling provided the requirements set forth in this section and elsewhere in this Manual are met.

1. Condominiums

a. CHFA loans are available to finance the acquisition of any unit in the following classes of condominium units:

i. Any unit not part of a conversion condominium, or

ii. Any unit in a conversion condominium, except that for a period of one year subsequent to the filing of the declaration of the condominium, CHFA may provide mortgage loan financing only to an applicant who is a tenant that has rented a unit at the property.

b. Prior Approval of Condominium - Mortgage Loan submissions for individual units in condominium projects are required to be approved by FHA and placed on their approved condominium list. Loans under the HFA Preferred Program must meet FNMA condominium eligibility requirements.

i. CHFA Mortgage Loan applications submitted for Commitment must include a copy of the FHA connection condominium approval.

ii. The Lender must certify the condominium unit meets all Fannie Mae (FNMA) condominium eligibility criteria and is eligible for CHFA first mortgage loan financing.

iii. Lender must provide Fannie Mae (FNMA) Condominium Eligibility Certification (CHFA form 013-490) **or** FNMA Condominium Project Manager and include the document in the loan package submitted to CHFA for review.

c. Deed Restricted Condominium Projects– Affordable Housing Condominium Projects that are deed restricted for purchase to First-time homebuyers or that have low - to - moderate income eligibility or low-to-moderate income resale restrictions and are not eligible for FHA or FNMA approval may be submitted to CHFA for review. A Request for approval by CHFA shall be in writing and shall include the following:

i. The current public offering statement of the declarant;

ii. The declaration of condominium, including the by-laws of the unit owners' association, survey, floor plans and all exhibits and schedules;

iii. Statistics on the number of units conveyed and the number of unconveyed units that are vacant;

iv. The current fiscal year operating budget;

v. Documentation of the Association reserves process, status of reserves accounts which must show a minimum of two months cushion for monthly operating expenses;

vi. CHFA mortgage loan financing for individual units in Affordable Deed Restricted Projects that are ineligible for FHA, VA, USDA-RD or PMI insurance coverage may also require a minimum 20% down-payment investment from an acceptable source which can include CHFA approved non-profit, municipal, or Federal programs, or a combination that includes an investment of the borrower's own funds;

vii. Certificate of Insurance (current) including declaration page;

viii. Condo Eligibility Certification (CHFA Form #013-490);

ix. Photo of one condo unit;

x. Owner occupancy ratio;

xi. Total number of units in complex.

d. Maximum Units Financed

CHFA will not issue Commitments which would cause CHFA to hold Mortgage Loans on more than fifty percent (50%) of the units in any one project; whether existing or new construction, fifty percent (50%) of the units in the project must be sold or under bona fide contracts of sale prior to CHFA's purchase of any condominium Loan.

e. Underwriting Considerations

Underwriting must include the unit owners' association charges (excluding heat) as fixed monthly costs when making underwriting calculations under (Section *5.1.D*).

f. Necessary Papers and Documents

i. The CHFA Uniform Mortgage Rider together with a condominium rider, on the appropriate form for a VA, FHA or PMI insured or guaranteed Loan must be executed and recorded with the mortgage deed.

ii. The following documents, as applicable, must be submitted at each closing:

a) Duly executed corporate consent authorizing sale of the unit, if the grantor is a corporation; and

b) Certificate of payment of assessments for the individual condominium unit.

2. Planned Unit Developments

CHFA considers a PUD or planned community, other than one consisting of detached single family houses, on the same basis as a condominium.

G. Energy Efficiency Requirements for Newly-Constructed Houses

The sales contract (or specifications) for houses on which construction commences after November 1, 1982 must provide for insulation of at least R30 in the ceiling and R11 in the walls (R38 in the ceiling and R19 in the walls and floors in the case of electric heat) and for double-glazed windows with wood or other thermal break (or storm windows in lieu thereof). If necessary, an amendment to the sales contract to provide these will be required.

H. Determination by Participating Lender

The eligibility of a dwelling for CHFA financing shall be determined by the Participating Lender subject to review by CHFA. For each application, the Participating Lender must review the application form and related submissions to determine their consistency, completeness and compliance with the requirements of this Manual. Lender is required to verify the information provided to them, either independently or concurrently with the application.

SECTION 4 – REHABILITATION MORTGAGES
203(k) Standard & 203(k) Limited

Section 4 - Rehabilitation Mortgages
203(k) Standard & 203(k) Limited Programs

4.1 Program Descriptions

Overview

The FHA 203(k) Standard and 203(k) Limited Rehabilitation Mortgage Loan Programs offer first mortgage financing for prospective homebuyers interested in purchasing a home that needs repairs. These programs may be used to purchase and rehabilitate existing 1-4 unit dwellings (manufactured homes are not eligible) and include, as part of the acquisition cost, the cost of rehabilitating the property as a completed residential unit.

Homebuyers interested in purchasing and repairing a home under this program generally may not have owned a home in the last three years to qualify; but previous homeowners may qualify if they intend to purchase and occupy a home located in a federally targeted area.

The FHA 203(k) Standard and 203(k) Limited Rehabilitation Mortgage Loan Programs are available to FHA lenders that are approved by CHFA to originate under this program.

A HUD approved Consultants report is required with all 203(k) Standard Rehabilitation Mortgage Loan Program submissions.

4.2 Borrower Eligibility

Borrower(s) eligibility, including Income and Sales Price Limits, are the same as for CHFA Homebuyer Mortgage Program Loans, and are covered in Section 3 of this Manual.

There are no income limits for FHA 203(k) Standard and 203(k) Limited Rehabilitation Mortgage Loan Programs if purchasing in a federally targeted area, unless the applicant also borrows under the Downpayment Assistance Program.

FHA 203(k) Standard and 203(k) Limited Rehabilitation Mortgage Loan Programs utilize the Sales Price Limits as the limit for the total acquisition cost (purchase price plus total rehabilitation costs) and as a final value guide for program eligibility.

All other guidelines for FHA 203(k) Standard and 203(k) Limited Rehabilitation Mortgage Loan Programs are the same as for CHFA Homebuyer Mortgage Program Loans, except for specific items covered in this Section.

4.3 Property Eligibility

The FHA 203(k) Standard and 203(k) Limited require Borrower(s) to purchase homes that meet specific property and sales price guidelines. The property must meet one of the definitions listed below:

a. Existing 1-4 Family Residential Property
b. FHA approved condominium and PUD- (FHA restrictions apply)
c. Existing dwelling conversions up to four units
d. No Manufactured Housing, Mobile Homes or Co-Ops

In order to qualify for these programs, the Borrower(s) must use the loan to purchase and repair a home which they will occupy as their principal residence within six (6) months of loan closing including rehabilitation period.

The Borrower(s) may not use the loan to purchase recreational, vacation, investment, commercial or rental properties (unless the Borrower(s) is an owner-occupant of an eligible multi-family residence up to a maximum of 4 units).

A loan under this program will cover the cost of converting commercial property to residential property. No part of the purchased property may be designated for commercial purposes. Owner-occupant Borrower(s) only; no investors.

4.4 Principal Residence Requirement

In order to qualify for these programs, the Eligible Borrower(s) must use the loan to purchase and repair a home in which they will occupy as their principal residence.

Eligible Borrower(s) shall covenant to occupy the Eligible Dwelling as their principal residence within sixty (60) days of Loan closing.

Unless the residence can reasonably be expected to become the principal residence of the Eligible Borrower(s) within six (6) months, the residence will not be considered an Eligible Dwelling and therefore may not be financed with a FHA 203(k) Standard or 203(k) Limited Rehabilitation Mortgage Loan.

4.5 Rehabilitation Loan Amounts and Eligible Repairs

1. The **FHA 203(k) Standard Rehabilitation** Mortgage Loan Program, as listed in the U.S. Department of Housing and Urban Development (HUD) website, will allow Borrower(s) to purchase a house in need of full structural alterations or repairs and modernization that includes both the cost of acquisition and rehabilitation. The maximum mortgage amount cannot exceed the applicable loan-to-value ratio and maximum dollar amount limitation prescribed for the FHA Maximum Mortgage Limits as applicable for where the home is located.

   The types of improvements that Borrower(s) may make using the FHA 203(k) Standard Rehabilitation Mortgage Loan Program include these examples:

   a. Structural alterations and repair of damage to the home including chimneys, walls, roofs, and ceilings, termite and water damage.
   b. Installation of energy-efficient features to plumbing, heating and electrical devices.
   c. Installation or replacement of wells, septic tanks, windows and hot water systems.
   d. Repair of flooring, roofing, handrails, downspouts and exterior siding that improves the general livability of the home.
   e. Alterations to enable handicap accessibility.

2. The **FHA 203(k) Limited Rehabilitation** Mortgage Loan Program, as listed in the U.S. Department of Housing and Urban Development (HUD) website, is a limited repair program that will allow Borrower(s) to obtain a mortgage loan that includes the cost of acquisition and up to an additional $35,000 that can be used to complete moderate rehabilitation or modernization repairs to the property prior to moving in. The maximum mortgage amount cannot exceed the applicable loan-to-value ratio and maximum dollar amount limitation prescribed for the FHA Maximum Mortgage Limits as applicable for where the home is located.

   The types of improvements that Borrower(s) may make using the FHA 203(k) Limited Rehabilitation Mortgage Loan Program include these examples:

   a. Basements, Decks, Patios, Floors
   b. Electrical, HVAC Systems, Weatherization
   c. Minor Remodel
   d. New Appliances (up to $2,000)
   e. Replacement Windows, Painting, Plumbing, Roofs
   f. Septic & Well Repairs, Sewer Hook-up

Properties that require the following work items are not eligible for financing under the FHA 203(k) Limited Rehabilitation Mortgage Loan Program:

a. Major rehabilitation or major remodeling, such as the relocation of a load-bearing wall;
b. New construction (including room additions);
c. Repair of structural damage;
d. Repairs requiring detailed drawing or architectural exhibits;
e. Landscaping or similar site amenity improvements;
f. Any repair or improvement requiring a work schedule longer than six (6) months; or
g. Rehabilitation activities that require more than two (2) payments per specialized contractor.

Borrower(s) may not use the FHA 203(k) Limited Rehabilitation Mortgage Loan Program to finance any required repairs arising from the appraisal that do not appear on FHA 203(k) Limited Rehabilitation eligible work items list or that would:

a. Necessitate a "consultant" to develop a "Specification of Repairs Write-Up";
b. Require plans or architectural exhibits;
c. Require a plan reviewer;
d. Require more than six (6) months to complete;
e. Result in work not starting within 30 days after loan closing; or
f. Cause the Borrower(s) to be displaced from the property for more than fifteen (15) days during the time the rehabilitation work is being conducted. (FHA anticipates that, in a typical case, the Borrower(s) would be able to occupy the property after mortgage loan closing).

4.6 Builders and Contractors

The Borrower(s) are required to have a construction contract with the Builder or General Contractor. The Builder or General Contractor must be registered and / or licensed with The State of Connecticut Department of Consumer Protection and carry appropriate insurance. Builders and General Contractors should be reviewed by the Participating Lender to determine experience and expertise.

Borrower(s) may not be the General Contractor for rehabilitation work being completed on their owner-occupied, primary residence under this program.

4.7 Contracts and Rehabilitation Work Specifications

Borrower(s) are required to have a construction contract with the Builder or General Contractor. All contracts must be in writing, including any subsequent changes and modifications. Contracts must be specific for performance and materials and include a schedule for completion and payment terms.

a. The FHA 203(k) Limited Rehabilitation Mortgage Loan Program does not mandate a contingency reserve be established. However, at the Participating Lenders discretion a contingency reserve account up to 20% may be set up for administering the Loan. Funds held back in contingency reserve must be used solely to pay for the proposed repairs or improvements and any unforeseen items related to these repair items. Any unspent funds remaining after the final work item payment(s) is made, must be applied to the mortgage principal.

   A HUD approved Consultants report is required with all 203(k) Standard Rehabilitation Mortgage Loan Program submissions.

4.8 Completion of Work and Construction Period

The Participating Lender or its designee is responsible for monitoring the completion of the work and managing the release of funds to pay for completed work and must exercise all approval and oversight responsibilities that are customary and required to comply with State laws and to ensure that clear title to the property is maintained. If any action taken (or failed to be taken) in overseeing the rehabilitation work affects the ability to take clear title to the property, CHFA may require the Participating Lender to repurchase the mortgage.

The Participating Lender must maintain a copy of all of the documentation that supports the rehabilitation work including but not limited to: plans and specifications; appraisals; rehabilitation or construction contracts; title insurance updates and endorsements; etc. in the individual mortgage file.

The following will also apply:

a. The Borrower(s) will agree to occupy and use the residential property for a permanent principal residence. (FHA anticipates that, in a typical case, the Borrower(s) would be able to occupy the property after mortgage loan closing).

4.9 Post-Closing Inspection

a. Within 60 days after the FHA 203(k) Standard and 203(k) Limited Rehabilitation Mortgage Loan escrow is totally disbursed but in no event later than 60 days after the end of the construction time period, the Participating Lender is required to inspect the eligible dwelling for:

   1. No trade or business;
   2. Owner-Occupancy as a permanent principal residence;
   3. No prohibited use of land; and
   4. Completion of rehabilitation.

b. Based upon the above investigation, the Participating Lender shall either:

   1. Certify to CHFA that based upon its subsequent investigation, the Participating Lender has no reasonable grounds for believing that the Borrower(s) did not meet the requirements of Sections 3.1D and the Rehabilitation has been completed; or

   2. Promptly notify CHFA in the event the Participating Lender determines that these requirements have not been complied with and take such action with respect to the FHA 203(k) Standard and 203 (k) Streamline Rehabilitation Mortgage Loan as CHFA shall thereafter request. CHFA may require the Participating Lender to repurchase the Rehabilitation Mortgage Loan pursuant to Section 7.2.C.

4.10 Rehabilitation Escrow Account

At loan closing, the Attorney and Participating Lender will deposit all of the rehabilitation costs into an interest-bearing escrow account. The Participating Lender or its designee will be responsible for administering this account ensuring that the rehabilitation is completed in a timely manner and in accordance with the plans and specifications and the Contractors estimated bids. Interest earned on the escrow account, less any administrative expenses involved in maintaining the account, must be paid or credited to the Borrower(s).

An Escrow Agreement furnished by the Participating Lender will be signed at the closing of the FHA 203(k) Standard and 203(k) Limited Rehabilitation Mortgage Loan whereby the Borrower(s) and Participating Lender will agree as follows:

1. The Participating Lender or its designee will be custodian of the escrow account and will treat these funds in the customary manner.

2. Funds from the escrow account will be disbursed by the Participating Lender or its designee in amounts coinciding with the approved drawdown schedule, based upon inspection of the construction.

3. Each progress payment will be disbursed to the Borrower(s) and made payable to both the Borrower(s) and General Contractor or Builder.

4. Progress payments and final disbursement will be made only after lien waivers have been obtained from the General Contractor and all subcontractors to whom payment remains to be made and all building permits have been signed off by appropriate authorities, when applicable.

4.11 Additional Documentation

Unless otherwise stated, all documentation normally required for a CHFA Homebuyer Mortgage Program Loan is required under the FHA 203(k) Standard and 203(k) Limited Rehabilitation Mortgage Programs. Additional documentation required is as follows:

Documentation must be submitted in the Loan Submission Package to CHFA:

a. Copy of fully executed HUD Form 92700 203(k) Maximum Mortgage Worksheet
b. Copy of valid Contractor Licenses
c. Copy of current Contractor Liability Insurance Certificate
d. Copy of fully executed Rehabilitation work proposal(s) and contracts

4.12 Origination Fee and Closing Costs

The maximum allowable amount CHFA will allow a Participating Lender to collect on the FHA 203(k) Standard and 203(k) Limited Rehabilitation Mortgage Loan Program first mortgage loan transaction are listed below:

- FHA 203(k) Standard Rehab Loan- Point fee = 2.50%
- FHA 203(k) Limited Rehab Loan - Point fee = 1.50%
- Supplemental Origination Fee – the greater of $350.00 or 1.50% of the cost of the improvements. (see HUD Form 92700 for max.)
- CHFA Loan Processing Fee = $395.00
- CHFA Loan Underwriting Fee = $395.00

203(k) Loans with repair/upgrade costs ≤ $35,000.00 must be reserved under the 203(k) Limited Rehabilitation Program only; any exception will require prior approval from the CHFA Underwriting Manager. 203(k) Limited Rehabilitation Mortgage Loans may not be submitted as 203(k) Standard Rehabilitation Mortgage Loans to collect the higher origination fee.

SECTION 5 – UNDERWRITING

(See Section 8 for DAP Underwriting)

Section 5 – Underwriting

5.1 Credit Review

A. Evaluation

The Participating Lender is responsible for evaluating applicants for CHFA Loans. Evaluation of creditworthiness must be done on a case-by-case basis, but standards for determining income shall be applied to each applicant in the same manner.

B. Income

1. Aggregate borrower and/or co-borrower's income (gross income) shall include income from whatever source derived, including without limitation, regular earnings; part-time earnings; unemployment compensation; bonuses; dividends; interest (except on funds which will be used for downpayment and closing costs); commissions; military allowances; welfare payments; disability payments; pension, annuity, retirement and social security benefits; and reimbursement for services in military reserve or National Guard. Overtime income, whether or not guaranteed by an employer, shall be included unless of short duration and of a temporary nature. Generally, unemployment compensation is not to be considered as part of income in determining whether the borrower has the ability to repay the Loan. CHFA reserves the right to consider unemployment compensation as acceptable qualifying income when:

    a. The borrower and/or co-borrower is employed in a seasonal occupation and receives unemployment compensation in "off season" periods;

    b. The borrower and/or co-borrower's employer schedules mandatory "shut- downs" or furloughs on a recurring basis and provides unemployment compensation benefits to eligible employees;

    VA educational benefits are not to be considered part of income in determining whether the borrower has the ability to repay the loan.

2. Although the qualifying income for the CHFA income limits will be based solely on the income of the borrower and/or co-borrower applicants, the family size, (1 or 2 persons; 3 or more) will determine the amount of income the borrower and/or co-borrowers may earn to participate in the CHFA loan program, when applicable. In order for an unborn child to be considered a member of the family in determining the number of family members for income limit purposes, proof of pregnancy must be provided to CHFA. A doctor's certificate is sufficient proof. The prior annualized income of the borrower and/or co-borrower must be included if they have been employed during the ninety (90) days prior to the date of the application. This requirement is not applicable if the date of termination of employment is fully documented.

3. In cases where the applicant is self-employed, or one of the principal owners of a business, the applicant's Schedule C from the applicant's two most recent federal income tax return or the business income tax return will be used, without adjustment, to determine the income for purposes of eligibility. Self-employment or investment losses and employee expenses on Form 2106 will not be reflected for purposes of eligibility under (Section *3.1B*), but will be reflected for qualifying underwriting ratios.

4. CHFA will accept FHA, USDA-RD, VA or PMI guidelines for the percentage of the fair market income from all rental units in an Eligible Dwelling of two to four units to be included in total gross income for underwriting purposes. For loans with 20% or more in downpayment, CHFA will accept 75% of the fair market rent for underwriting purposes. In determining whether or not the applicant meets the applicable CHFA income limit, the amount of income from the rental units will be based on the percentage of the anticipated fair market income consistent with the loan program, i.e. follow the guidelines of the insurer, FHA, VA, USDA-RD, PMI or CHFA special program, when applicable. This total income must fall within the applicable income limit established by CHFA, whether or not the mortgage is insured by FHA, VA, USDA-RD or PMI**.** Prospective rental income from boarders in a one-family Eligible Dwelling is not included in total gross income of the applicant for underwriting purposes. Alimony, child support or maintenance payments are to be included in income only to the extent that they are likely to be consistently made. Factors which the Participating Lender should consider in determining the likelihood of consistent payments include, but are not limited to:

    - Whether the payments are received pursuant to a written agreement or court decree,
    - The length of time the payments have been received,
    - The regularity of receipt,
    - The availability of procedures to compel payment,
    - Whether full or partial payments have been made,
    - The age of the child, and
    - The creditworthiness of the borrower(s), including the credit history of the borrower(s) where available to the Participating Lender under the Fair Credit Reporting Act or other applicable laws; and
    - The participating Lender will submit to CHFA evidence adequate to support its determination.

5. Income must be supported by copies of the borrower(s) federal income tax returns in accordance with (Section *3.1C.4*) and copies of the applicant(s) three most recent pay stubs under (Section *5.1.B.1.*) The prospective Eligible Borrower(s) must demonstrate stability of income from all sources. Such wage and employment verification shall be obtained from the applicant's employer.

C. Co-signors

Co-signors or guarantors are not permitted on a Loan.

D. Underwriting Ratios

1. Monthly Housing Expense-to-Income Ratio

On uninsured, FHA insured, and PMI-insured Loans CHFA will require the monthly housing expense ratio (principal, interest, taxes, insurance, [PITI] including payment on subordinate financing [downpayment assistance loans other than CHFA DAP], along with any other applicable housing expenses required to be paid in accordance with the Loan terms) to be in compliance with the insurer and investor guidelines. If the applicant is purchasing a condominium or Planned Unit Development (PUD), the periodic condominium common charges i.e. Home Owner Association or HOA fees or PUD fees to cover operating charges (excluding heat) and maintenance costs and reserves must be included in the monthly housing expense. When applicable, CHFA DAP underwriting guidelines will also apply.

Monthly housing expense-to-income ratio must be in compliance with the insurer, (i.e. FHA, VA, USDA- RD, PMI or investor, i.e. FNMA/FHLMC) guidelines up to a maximum of 45%. (FHA Pilot Program up to a maximum of 50%)

2. Monthly Debt Payment-to-Income-Ratio

On uninsured, FHA-insured, and PMI-insured Loans, CHFA will require that the total amount of monthly housing expense plus all other monthly payments on installment loans, student loans, and revolving credit is 45% of the borrower(s) gross monthly income. Alimony, child support and maintenance payments are to be considered in this category. The USDA-RD-guaranteed and VA-guaranteed loans maximum monthly housing debt-to-income ratio allowed, must be in compliance with the insurers underwriting guidelines.

3. The Participating Lender must determine that the applicant(s) housing payments plus other obligations do not constitute an undue strain on the applicant’s ability to make all such payments promptly and that a good credit reputation is evidenced.

E. Credit Reports

CHFA requires all credit reports to be in a form acceptable to the mortgage insurers. Additional credit information normally used by a Participating Lender in the underwriting evaluation must also be submitted to CHFA for review with the loan submission. In addition:

1. A history of slow payments on previous indebtedness must be satisfactorily explained and the account(s) must be either paid current or paid in full.

2. The Participating Lender must provide a satisfactory explanation for the determination of creditworthiness for applicants with a credit history that reports prior bankruptcy; foreclosure; short sale or deed-in-lieu delinquency.

3. Frequent changes in employment or residence within the past five years must be explained satisfactorily.

F. Credit Scores

CHFA is not a "credit score" driven program. CHFA will accept applications from borrower and/or co-borrowers for mortgage loan financing regardless of credit score, with traditional or nontraditional credit references. Additional documentation may be required when there is a history of slow payments, collections, judgments, charge-offs or otherwise delinquent accounts.

Participating Lenders submitting Loan applications with FHA, USDA-RD, VA or PMI insurance are required to follow the Credit Score Guidelines of the insurer and may not submit a loan application to CHFA that is noncompliant with the insurer criteria. CHFA may also require Lenders to comply with credit overlays of Secondary Market investor program(s) for specific loan products. The Participating Lender will be required to repurchase a loan if it is rejected by the insurer or the investor for noncompliance.

G. Delinquent Credit

The Participating Lender must follow the Automated Underwriting System (AUS) or FHA Total-Scorecard findings regarding obtaining supporting documentation for prior delinquent credit if required.

1. The payment history of all applicants (borrower and co-borrower) must be examined for credit worthiness. Credit history must comply with all applicable insurer, (i.e. FHA, VA, USDA or PMI) or investor (i.e. FNMA / FHLMC) underwriting guidelines regarding the treatment of delinquent credit for loan approval. *(This is not applicable to the treatment of outstanding judgment accounts. CHFA will continue to require all outstanding judgment accounts to be paid in full.)*

2. CHFA will continue to require payoff of all outstanding judgment accounts without exception.

3. Eligible borrowers with Bankruptcy discharged, Foreclosure, Short-Sale or Deed-in-Lieu must meet applicable insurer (i.e. FHA, VA, USDA or PMI) or investor (i.e. FNMA/FHLMC) guidelines. (*This does not apply to loans submitted with applications for CHFA Downpayment Assistance Program (DAP) loan financing. See CHFA Operating Manual Section 8 – Downpayment Assistance Program for details.)*

4. All outstanding tax liens must be paid in full regardless of any established repayment arrangements in force at the time of the application.

H. Debt Ratios

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) guidelines up to a maximum of 45%.

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

I. Secondary Market (Fannie Mae) – Underwriting DU

The first submission to DU for underwriting purposes must occur before closing of the mortgage loan. When the loan or borrower information changes and it no longer matches the information used when the file was last underwritten with DU, the lender must update the data and resubmit. Exceptions are specified in FNMA Selling Guide section B3-2-09, Accuracy of DU Data, DU Tolerances, and Errors in the Credit Report.

When the loan file is resubmitted to DU after closing and prior to delivery, the lender is responsible for ensuring that:

a. All information provided in the final submission to DU matches the terms of the closed loan;

b. The loan complies with the requirements specified in FNMA Selling Guide section A2-2.1-04, Limited Waiver of Contractual Warranties for Mortgages Submitted to DU;

c. The loan delivery data matches both the closed loan and the final data submitted to DU; and

d. The loan file receives an eligible recommendation from DU on the final submission.

The DU Underwriting Findings report summarizes the overall underwriting recommendations and lists the steps necessary for the lender to complete the processing of the loan file. This report is described in FNMA Selling Guide section B3-2-10, DU Underwriting Findings Report.

J. Gift Letters

In the event that a borrower uses gift monies to meet all or part of the downpayment requirement for a Loan, a gift letter containing FNMA documentation requirements or a substantially similar form, must be submitted with supporting documentation in the Loan submission package. *(See FNMA Selling Guide, B3-4.3-04, Personal Gifts)*

K. Age of Documents

Participating Lenders are responsible for ensuring the age of the appraisal and credit documents are in compliance with Secondary Market and Mortgage Insurer guidelines at the time of the loan closing.

1. **HUD Appraisal Validity Period** – effective January 1, 2010

   The validity period for all **appraisals** on existing and proposed and under construction properties is **120 days.** (See HUD Mortgagee Letter 2009-30)

2. **HUD Age of Mortgage Loan Application Documentation**

   At the time that the loan closes, all documents in the mortgage application may be up to 120 days old, or 180 days for new construction unless a different timeframe is specified by HUD. *(See HUD Handbook 4155.2.3.C.2.d)*

   Mortgage Loan Application Documentation includes:

   - Credit Report(s)
   - Employment Information
   - Income information
   - Asset Documentation

3. **Secondary Market (Fannie Mae) Appraisal Validity Period**

   Properties must be appraised within the 12 months that precede the date of the note and mortgage.

   When an appraisal report will be more than four (4) months old on the date the note and mortgage are executed, regardless of whether the property was appraised as proposed or existing construction, the appraiser must inspect the exterior of the property and review current market data to determine whether the property has declined in value since the date of the original appraisal. This inspection and results of the analysis must be reported on the *Appraisal Update and/or Completion Report* -FNMA Form 1004D. *(See Fannie Mae Selling Guide B4-1.2-02).*

4. **Secondary Market (Fannie Mae) Age of Credit Documents**

   The maximum age of credit documents is no more than four (4) months old on the date the note is signed for all mortgage loans (existing and new construction).
   (See Fannie Mae Announcement SEL 2013-4)

   CHFA loans with Private Mortgage Insurance (PMI) will be required to meet the minimum Fannie Mae requirements referenced above.

NOTE: CHFA loans committed for purchase that do not close within the documentation expiration periods will require the Participating Lender to update and/or recertify documents as needed. Substantial changes in the integrity of a loan application, including deterioration of credit history, loss of income, increase in debt ratios must be reported to CHFA. CHFA reserves the right to re-underwrite the application at its discretion.

L. Equal Opportunity for CHFA Loans

All financing for which funds are provided by CHFA shall be open to all persons, regardless of race, color, creed, national origin and ancestry, religion, sex, marital status, physical or mental disability.

5.2 Applicant Processing

A. Forms

Applications for Loans must be submitted on the current standard FHLMC/FNMA form or on the current FHA or VA form where applicable.

B. Location of Property Determines Income and Sales Price Limit

CHFA's income limits and sales price limits must be applied according to the town in which the property is located. *(Special programs may follow statewide income limits*)

C. Records of Declined Applications

Participating Lenders should maintain accurate records and related forms for each Loan application that is declined. If any such records are requested by CHFA, they must be delivered promptly.

5.3 Mortgage Insurance or Guaranty

A. Unless an applicant is making a 20% down payment towards the purchase of a property, CHFA requires mortgage insurance on the property and the Lenders are required to follow the guidelines of the insurer i.e. FHA, VA, USDA-RD or PMI. Mortgage insurance is not required or allowed on loans with LTV's less than or equal to 80%.

B. Each Loan application submitted for commitment to CHFA by a Participating Lender must be accompanied by a mortgage insurance or guaranty commitment unless the downpayment (not borrowed) on the property is 20% or more, based on the lower of the purchase price or property appraised value. CHFA independently reviews each Loan application and in appropriate instances CHFA may decline to commit to purchase loans despite earlier review and approval for insurance or guaranty by FHA, USDA-RD, VA or PMI. CHFA will make a firm commitment to purchase only those loans that satisfy the requirements of this Manual.

C. Mortgage Insurance or Guaranty is required on all CHFA Loans with the exception of:

Private Mortgage Insurance (PMI) Eligibility

Loans for new construction single family properties and 1 – 2 family existing properties located in CHFA designated Targeted Areas (or Targeted Census Tracts) where the borrower is making a downpayment in an amount greater than or equal to 19.00% of the contract sales price from an acceptable source of funds may be insured by Private Mortgage Insurance. Acceptable source of funds include:

a. Borrower(s) own funds
b. CHFA / HUD approved nonprofit agency DAP or Grant Program
c. CHFA approved Government or Municipal DAP or Grant Program

Participating Lenders submitting applications for Loans on properties located in **CHFA Non-Targeted Areas that are not originated under the HFA Preferred or HFA Advantage Program, will require FHA Insurance, VA or USDA-RD Guaranty** unless the loan application is originated in partnership with a CHFA approved nonprofit, municipal or federal government homeownership program.

For loans originated in partnership with the CHFA Approved nonprofit, municipal or federal government homeownership programs where acceptance of such insurance is a requirement of the homeownership program provider, CHFA will allow FHA, VA, USDA-RD or PMI insurance in both CHFA Non-Targeted and Targeted Areas (or Targeted Census Tracts).

Loans on properties that are located in CHFA designated Targeted Areas (or Targeted Census Tracts) are eligible for FHA, VA, USDA-RD or PMI insurance.

D. General Mortgage Insurance or Guaranty Considerations

The Participating Lender is responsible for ensuring the Borrower and/or Co-Borrower obtains (and maintains in force) mortgage insurance or guaranty by a qualified insurer or guarantor. The insurance or guaranty or a firm commitment therefore must be in effect at the time CHFA purchases the Loan and CHFA must be named as the insured or guaranteed mortgagee. The amount, terms and extent of coverage of the insurance or guaranty shall be in accordance with the terms of this Manual.

E. Private Mortgage Insurance (PMI) Loans

1. **Loans Which May Be PMI-Insured** - CHFA will accept PMI insurance on:

a. Loans originated under the Connecticut Housing Finance Authority (CHFA) *Fannie Mae (FNMA) HFA Preferred™ and Freddie Mac (FHLMC) HFA Advantage® Products;* See FNMA Selling Guide B7-1-02 - Mortgage Insurance Coverage Requirements and Freddie Mac guidelines.

b. Loans originated in partnership with a CHFA Approved Affordable Housing Program provider (these loans may also be uninsured if applicable to the provider program criteria);

c. Loans originated under new product initiatives as authorized by the Board of Directors.

2. **CHFA Approved Affordable Housing Provider listing can be found on the loan reservation screen within CHFA Loan Origination System.**

3. **Acceptable Insurers:**

PMI Insurance is acceptable only from the following CHFA-approved companies which meet Fannie Mae eligibility requirements:

a. Arch Mortgage Ins. Co. (CMG)
b. Essent Guaranty Inc. (Essent)
c. Genworth Mortgage Ins. Corp. (Genworth)
d. Mortgage Guaranty Insurance Corp. (MGIC)
e. National Mortgage Ins. Corp. (NMI)
f. Radian Guaranty Inc. (Radian)
g. United Guaranty Residential Ins. Co. (UGI)

4. **Required Coverage:**

The minimum insurance coverage required for CHFA HFA Preferred and HFA Advantage loans is:

Loan-to-Value Ratio	PMI Coverage Required
95.01% - 97.00%	Top 18%
90.01% - 95.00%	Top 16%
85.01% - 90.00%	Top 12%
80.01% - 85.00%	Top 6%

The minimum insurance coverage required for all other transactions as applicable:

Loan-to-Value Ratio	PMI Coverage Required
95.01 – 96.50%	Top 35%
90.01 – 95.00%	Top 30%
80.01 – 90.00%	Top 25%

F. FHA Insured, USDA-RD and VA-Guaranteed Mortgage Loans

1. CHFA accepts FHA Insurance or USDA-RD and VA Guarantees new or existing Eligible Dwellings.

2. Federal Programs - Each FHA, USDA-RD or VA Loan must be insured or guaranteed under one of the following provisions of law:

   a. FHA Section 203(k) Rehabilitation
   b. FHA 213: Cooperative Financing
   c. FHA Section 221(d) (2): Low and Moderate Income
   d. FHA Section 222: Serviceman
   e. FHA Section 233: Experimental Housing
   f. FHA Section 234: Individual Condominium Unit
   g. FHA Section 235: Lower Income (Interest Subsidy)
   h. FHA Section 237: Special Credit Risks
   i. FHA Section 245: Graduated Payment Mortgages
   j. FHA Section 745: Direct Endorsements
   k. FHA Section 809: Armed Services Civilian Employees
   l. FHA Section 810: Armed Services Housing
   m. USDA/Rural Development Section 502 Guaranteed Rural Housing Program
   n. VA - Chapter 37 Title 38, U.S. Code (which includes Section 501 of the Servicemen's Readjustment Act of 1944, as amended)
   o. Loans may be insured under any other FHA insurance program with the prior approval of CHFA.

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

3. In the case of a VA-guaranteed Loan, the Participating Lender must inform the applying veteran of the restriction on the veteran's ability to assign the Loan and must obtain a Veteran's Statement-Due on Sale (CHFA Form 018-0296), as required by 36 CFR Section 36.4306(a) and (e). The Participating Lender must include the signed consent statement with the application to CHFA.

G. Minimum Downpayment

1. FHA, USDA-RD, or VA insured loans will meet the minimum requirements of the insurer (as described in Section *5.3D3* of this Manual). The minimum down payment for *PMI must be equal to a minimum of 3.00% of the sales price.

2. **Equity**

   In some cases CHFA may require a downpayment in excess of these minimums. Examples include: requiring application of equity from the sale of residential property; requiring reduction of monthly payments on the Loan to a level consistent with the Borrower's ability to pay; or reducing the Loan to the maximum permitted by the mortgage insurer or guarantor.

3. **Maximum Mortgage Amount**

In no event may the Loan amount exceed the lower of the purchase price or appraised value.

H. Uninsured Loans and Insurance Coverage

1. Mortgage insurance coverage is required for all loans except for those loans with a downpayment (not borrowed) of 20% or more and an LTV of 80% or less based on the lower of cost or the appraised value. CHFA first mortgage loan financing is available to borrowers whose downpayment is ≥ 20% state wide in both Targeted and Non-Targeted Areas and census tracts.

2. **Amount and Duration of Coverage**

All mortgage insurance or guarantees by FHA must be maintained for the life of the Loan. Private Mortgage Insurance for Single Family loans is subject to the Homeowners Protection Act of 1998. Servicers will follow Fannie Mae guidelines as applicable for one to four family properties as referenced in their Seller/Servicing Guide. Applicable annual notices and disclosure requirements apply as mandated by the Homeowners Protection Act of 1998 and termination of coverage as applicable to loans closed on or after July 29, 1999 as outlined by the Act regarding:

a. Borrower initiated cancellation of mortgage insurance;
b. Automatic termination of mortgage insurance;
c. Final termination of mortgage insurance coverage

Important Note: All loans with terminated Private Mortgage Insurance must be reported to CHFA Finance Department on a monthly basis. Notification of terminations should be sent to CHFA monthly by emailing sfmicancel@chfa.org.

3. **Full Force and Effect**

As of the closing date, mortgage insurance must be in full force and effect, the benefits of such mortgage insurance must run to CHFA and nothing shall have been done or omitted to impair the rights of CHFA thereunder.

4. **No Commissions**

A private mortgage insurer may not charge a commission, fee or other compensation for providing mortgage insurance other than normal premiums.

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 1 point (1.00%) as determined by the applicant.
- Loan Processing Fee = $395.00
- Loan Underwriting Fee = $395.00

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 Section1-9A.)*

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

C. Seller Paid Closing Costs

Seller paid closing costs are permitted to the extent of the mortgage insurers' (FHA, VA, USDA-RD and PMI) and program guidelines (HFA Preferred). In the case of a PMI-insured loan and an uninsured loan (20% downpayment), the total allowable seller paid closing costs shall not exceed 6% of the purchase price.

5.5 Loan Submission to CHFA for Commitment

A. Exhibits for Commitment package

Please submit all documentation in the following descending order:

a) STANDARD DOCUMENTS REQUIRED FOR ALL LOAN TYPES

a. Completed applicable CHFA servicer, Processing Checklist & Loan File Submission Order form:

I. **Idaho Housing and Finance Assoc.** CHFA Form #009–1107A- Conventional **-or-** CHFA Form #009-1107B Government - Processing Checklist & File Submission Order Form, as applicable. **- or -**

II. **AmeriNat** CHFA Form #009-1108A Conventional **-or-** CHFA Form #009-1108B Government - Processing Checklist & File Submission Order Form, as applicable. (Service Retained Lenders must use CHFA Form #009-1108B for Government loan file submissions).

b. The CHFA "Additional Data" screen within LOS must be completed and an updated Uniform Residential Loan Application, FNMA Form 1003 must be uploaded to the LOS portal for Loan submission. The loan package will be counted as "arrived" and included for review only upon receipt of these updated and completed items.

c. Documents Specific to the Insurer/Guarantor:

i. FHA Loans:
-HUD Form 92900 LT-Transmittal (FHA Direct Endorsement)

ii. VA Loans:
-VA Form 26-6393 Loan Analysis or Form 26-1866 Commitment
-Veterans Statement Re: Due on Sale (Orig. Signature -CHFA Form 018-0296)

iii. PMI Loans:
-FNMA Form 1008 (Uniform Underwriting and Transmittal Summary)
-Copy of PMI commitment

iv. USDA-RD Loans:
-FMHA 3555-18 Conditional Commitment
-FNMA Form 1008 (Uniform Underwriting and Transmittal Summary)

v. Uninsured:
-FNMA Form 1008 (Uniform Underwriting and Transmittal Summary)

d. Automated Underwriting Risk Status Printout (if available)

e. Uniform Residential Loan Application (FNMA Form 1003)

f. Credit Report

g. Verification of Income / Employment (or Alternative Documentation)

h. Verification of Employment (VOE) and three most recent pay stubs or as an alternative to obtaining a VOE, the lender may choose to submit all of the following:

i. Original pay stubs covering the most recent 30-day period, which must at a minimum clearly show the borrower's name, social security number, and year-to-date earnings; and

ii. Original copies of the previous two years' W-2 forms. The "original" of the W-2 may be any of the copies of the W-2 not submitted to the IRS with the borrower's income tax returns. These original documents may be photocopied and returned to the borrower; and

iii. A verbal verification of employment for the past two years. The loan file must include a certification from the lender that original documents were examined and the name, title, and telephone number of the person from whom employment was verified.

NOTE: If the employer will not give telephone confirmation of employment, or if the W-2 indicates inconsistencies (e.g. FICA payments not reflecting earnings), standard verification of employment documentation must be used.

i. Pay stub(s) as required

j. Verification of Deposit (or Alternative Documentation). Verification of Deposit (VOD) or as an alternative to obtaining a VOD, the lender may choose to obtain from the borrower original bank statement(s) covering the most recent three-month period.

k. Gift Letter (if applicable)

l. Signed Copies of Federal Income Tax Returns for 3 most recent years (only one year if targeted area or targeted census tract)

m. Signed Sales Contract

n. Amendment to Sales Contract re: Energy Efficiency Standards (if Single Family new construction)

o. Appraisal Report and Photographs – Street View and Property

b) <u>CHFA FORMS</u> – *Note: Original signature/initials required (CHFA will accept faxed copies of original documents. Participating Lender must certify the faxes are true copies of the originals)*

a. CHFA Federal Recapture Tax Form (CHFA Form 051-0597)

b. IRS Form 4506-T or 8821 – Request for Copy or Transcript of Tax form or Tax Information Authorization (request for 3 years, 1 year if Targeted Area)

c. Borrower Eligibility Certificate (CHFA Form 014-1107)

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 document.

c) <u>PRODUCT-SPECIFIC FORMS</u>

a. <u>Rehab Loans</u>

i. HUD Form 92700-203(k) Maximum Mtg Worksheet (203k Rehab loans only).
ii. Copy of Contractor's current license.
iii. Copy of Rehabilitation Work write-up and signed contracts.
iv. Copy of Contractor's valid Certificate of Liability insurance.

b. <u>Homeownership Program Loans</u>

i. Landlords Verification of Tenants address CHFA Form 060-1195 or Copy of Lease or Recertification.
ii. Counseling Certificate of completion (from counseling agency)

c. <u>Downpayment Assistance Program (DAP) Loans</u>

i. CHFA DAP Loan Application & Qualification:
For loans requiring downpayment assistance only - Form DAPappONLY;
For loans requiring downpayment <u>and</u> closing costs assistance -Form DAPappcc

ii. DAP Borrower's Certificate - CHFA Form DAP95-05
iii. TILA Loan Estimates (LE)1st Mortgage__ 2nd Mortgage__
iv. Counseling Certificate of completion (from counseling agency)

d. <u>Teachers Mortgage Assistance Program</u>
Teachers Statement of Eligibility – CHFA Form 031-030

e. <u>Police Homeownership Program</u>
Police Eligibility Letter – CHFA Form 031-027

f. Special Programs / Pilot Program Documentation
CHFA may require additional documentation specific to a Special Program or Pilot Program initiative. When applicable refer to the Special Program or Pilot Program product description and eligibility requirements for the program.

B. Processing Time

After eligibility processing and credit review of an Eligible Borrower, the Participating Lender must obtain a firm commitment for mortgage insurance or guaranty. The Eligible Borrower must be advised that four to six weeks may be necessary for processing, and that delays by agencies of the federal government are not caused by nor are they the responsibility of CHFA.

C. Issuance of Commitment

CHFA underwriters will review each loan submission package for accuracy, consistency, completeness and compliance with the eligibility provisions in this Manual. If the Loan is unacceptable, an Adverse Action Notice will be issued to the Participating Lender only. Acceptable Loan submissions will be kept on file at CHFA and a written Commitment to purchase will be issued for each acceptable submission. A Commitment is valid for the term stated therein, and may be canceled or extended upon written request from the lender which should be received at least 10 days prior to the expiration date. The closed Loan must be submitted for purchase before the Commitment expiration date.

D. Reservation and Commitment Date Expirations

CHFA will automatically cancel outstanding loan reservations not received for processing on the day the reservations expire. Additionally, CHFA will automatically cancel all outstanding Loan Commitments that have not been submitted to CHFA for purchase on the date the Commitment expires.

1. CHFA Loan Reservations

CHFA reservation shall expire on:

a. 90 days from the date of the reservation, or

b. On the date the Loan Commitment to Purchase is issued.

c. Requests for extensions of reservations must be received a minimum of seven (7) days prior to the expiration date for consideration.

2. **CHFA Loan Commitment to Purchase**

   a. CHFA Loan Commitments to Purchase shall expire 90 days from the date the Commitment is issued.

   b. Requests for an extension or cancellation of a Commitment shall be from the Participating Lender only and must be in writing.

   c. Requests for extensions of the commitment must be received a minimum of seven (7) days prior to the expiration date for consideration.

E. Re-submission of Declined Loan Commitment Requests

When a Loan has been declined by CHFA for any reason specified on the Adverse Action Notice, a Participating Lender may re-submit the Mortgage ***Loan package for review only once***. Such re-submission shall include additional evidence to assist CHFA in evaluating the application. Different CHFA staff members authorized to review mortgage loans shall review the submission and any re-submission of an application. If declined a second time, an application may not be re-submitted.

5.6 Limited Documentation and Delegated Underwriting

CHFA will delegate underwriting of loans to Lenders meeting the criteria in this section and accept limited documentation as described in *5.6D*. CHFA review of these loans is for the purpose of program compliance and issuance of a commitment letter.

A. Eligible Lenders

Participating Lenders must submit a request for approval to the Single Family Underwriting Unit in writing for approval to participate in this program. CHFA will evaluate the lenders overall performance when considering approval. CHFA will also monitor and evaluate lenders participation in this program and reserves the right to rescind approval.

Lender acceptance into the Delegated Underwriting Program will include a review of the following:

1. The average number of days from loan reservation to file submission

2. The quality and completeness of loan files submitted

3. The number and percentage of loans that are submitted with missing documentation (based on individual lender volume)

B. Eligible Loans

1. Homebuyer Program loans with ratios conforming to (Section 5.1.D) of the CHFA Operating Manual and/or

2. Loans processed through an approved automated underwriting system (i.e.: Fannie Mae DU, Freddie Mac LP,) which receive an “accept” or greater approval through the system.

C. Ineligible Loans

1. CHFA first mortgage with DAP second loans.

2. Homeownership Program loans for tenants in public housing or publicly assisted housing.

3. Rehabilitation loans.

D. Required Exhibits for the Limited Documentation and Delegated Underwriter’s Commitment Package

Please submit all documentation in the following descending order:

1. STANDARD DOCUMENTS REQUIRED FOR ALL LOAN TYPES

a) A completed CHFA Processing Checklist & Loan File Submission Order Form, as applicable for the appropriate CHFA Loan servicer. **Idaho Housing and Finance Association** (Conventional or Government) or **AmeriNat**, Conventional or **AmeriNat** Government/**Service Retained Lenders** Form.

b) The CHFA “Additional Data” screen within LOS must be completed and an updated Uniform Residential Loan Application, FNMA Form 1003 must be uploaded to the LOS portal for Loan submission. The loan package will be counted as “arrived” and included for review only upon receipt of these updated and completed items.

Documents Specific to Insurer / Guarantor:

i. FHA Loans:

- HUD Form 92900-LT
- FHA Automated Underwriting Risk Status

- FHA requires the **Employment Identification Number** (EIN) of any government, state, county, city municipalities and non-profit organization that provides secondary financing assistance, grants, or gifts to an approved borrower reflected on the HUD-92900LT. The **CHFA EIN Number is 06-1267528**

ii. <u>VA Loans:</u>

-VA Form 26-6393 Loan Analysis or VA Form 26-1866 Commitment
-Veterans Statement Re: Due on Sale (Orig. Signature-CHFA Form 018-0296)

iii. <u>PMI Loans</u>:

-FNMA Form 1008 (Uniform Underwriting and Transmittal Summary)
-Copy of PMI commitment

iv. <u>USDA- RD Loans</u>:

-FMHA 3555-18 Conditional Commitment
-FNMA Form 1008 (Uniform Underwriting and Transmittal Summary)

v. <u>Uninsured Loans</u>

-FNMA Form 1008 (Uniform Underwriting and Transmittal Summary)

c. Automated Underwriting Risk Status Printout

d. Uniform Residential Loan Application (FNMA Form 1003)

e. Verification of Income/Employment (or Alternative Documentation)

f. Pay Stub/s (3) /Divorce Decree/Legal Separation/Child Support

g. Signed Copies of federal income tax returns for three (3) most recent years (one (1) if targeted area)

h. Amendment to Sales Contract, Re: Efficiency Standard (New Construction)

i. First four (4) pages of the subject property Appraisal

2. CHFA REQUIRED FORMS

Note: Original signature/initials required (CHFA will accept faxed copies of original documents. Participating Lender must certify the faxes are true copies of the originals)

a. The Federal Recapture Tax – Notice to Mortgagor of Potential Tax - (CHFA Form 051-0597)

b. IRS Form 4506-T or 8821 – Request for Copy or Transcript of Tax form or Tax Information Authorization (request for 3 years, only one year if Targeted Area)

c. Borrower Eligibility Certificate (CHFA Form 014-1107)

d. Police Statement of Eligibility (CHFA Form 031-027)

e. Teachers Statement of Eligibility (CHFA Form 031-030)

SECTION 6 – LOAN PREPARATION

Section 6 – Loan Preparation

6.1 Terms and Conditions of Loans

A. Priority of Lien

Each loan must be secured by a valid first lien on the Eligible Dwelling. The property must be free and clear of all prior encumbrances and liens except as approved by CHFA, and no rights may be outstanding that could give rise to such liens.

B. Validity and Enforceability

The note, mortgage deed, and any other instruments securing the Loan must be legal, valid and binding obligations of the borrower, enforceable in accordance with their terms, free from any right of set-off, counterclaim or other claim or defense. The terms of the Loan may not be modified, amended, waived or changed, except as approved by CHFA.

CHFA does not allow anyone that is not a mortgage loan applicant (i.e. borrower or co-borrower) to sign the CHFA Mortgage Note or the CHFA Mortgage Deed on any CHFA Residential Mortgage loan transaction.

If a spouse or Fiancée, or any other member of the household, is not an applicant on the mortgage loan, (i.e. borrower or co-borrower), they may not execute the CHFA Mortgage Note or the CHFA Mortgage Deed at closing, or otherwise secure an ownership interest in the subject property.

No other person or entity may be added to the CHFA Mortgage Deed.

C. Terms

1. **Fee Interest:** The original term of a mortgage Loan shall not exceed thirty (30) years.

2. **Leasehold Interest**: The original term of a mortgage Loan shall not exceed thirty (30) years, and the term of the underlying lease shall not expire for at least such number of years beyond the maturity date of such loan as is equal to the number of years remaining to maturity. (Section 3.2D3)

D. Amortization

Each Loan must be for a minimum of $10,000 and provide for regular monthly payments, interest payable in arrears, with full amortization by maturity. Amortization must commence within two months after closing. Monthly payments shall be due on the first day of each month, and the final payment date must be shown on the Loan documents.

E. Prepayment Penalty and Late Charges

Prepayment penalties are not permitted on ***any*** Loan. A Loan may provide for a late charge in an amount not to exceed 5% on payments that are 15 days or more past due.

F. Principal Amount Advanced; No Mandatory Future Advances

The full principal amount of the Loan must be advanced to the borrower or at his direction at the closing. The borrower shall not have an option under the Loan to borrow, from the Participating Lender, or any other person, additional funds secured by the lien of the mortgage without the consent of CHFA.

G. Escrow Payments

Each payment must provide for the monthly collection of escrow payments for real estate taxes, mortgage insurance premiums, hazard insurance premiums in addition to the monthly installment of principal and interest. The Participating Lender or Servicer shall pay interest on escrow deposits at a rate not less than the minimum set forth in applicable statutes or regulations.

H. Maintenance and Insurance

The mortgage must obligate the borrower to maintain the Eligible Dwelling in good repair and condition, to keep the premises free and clear from other liens and encumbrances and to maintain hazard insurance in accordance with the requirements set forth in section *6.3*.

I. Interest Rate

The interest rate applicable to any Loan shall be the interest rate that is shown on the Mortgage Loan Commitment.

J. Forms

Each Loan must be executed on printed forms approved by FHA, USDA-RD, or VA, where applicable, or on FNMA/FHLMC uniform instruments approved for use in the State. The CHFA Uniform Mortgage Rider must be executed and recorded. Condominium or PUD riders, as appropriate, must be executed and recorded. The promissory note for each Loan must be endorsed by the Participating Lender to CHFA unless the loan is being released for servicing pursuant to Section *7.3.C.*

K. Compliance with Laws

All requirements of federal and state laws, rules and regulations now existing or hereafter adopted, applicable to mortgages and mortgage loan transactions, including without limitation, truth-in-lending laws, equal opportunity laws, usury laws and laws regulating interest on escrow accounts, must be complied with, and the mortgage and the Participating Lender must not violate any such laws, rules or regulations. In the case of any conflict between the requirements of this Manual and any federal or state law, rule or regulation, the provisions of federal or state law, rule or regulation shall govern and the Manual will be deemed to be amended to conform thereto. CHFA must be notified of any such conflict known to the Participating Lender.

6.2 Title Insurance

A. Original Mortgagee's Policy

The mortgage must be covered by a mortgagee's title insurance policy which shows good and marketable title to the mortgaged property. The benefits of such insurance must run to CHFA and must be issued on a form consistent with the standard ALTA form by a title insurer acceptable to CHFA. The policy must be in an amount equal to the original principal balance of the Loan. The original policy must accompany the Loan purchase package and must be signed by a licensed agent. The borrower shall be advised of the availability, coverage, and cost of simultaneous issuance of owners' title insurance; however, owners' coverage is not required by CHFA.

B. Additional Requirements – Schedule A

1. The name insured should be in the following form: "(Participating Lender) and/or Connecticut Housing Finance Authority, its successors and/or assigns, as their interest may appear". (The following abbreviation is also acceptable: "…as their interests may appear" = ATIMA)

2. Recording data for both the mortgage deed and the assignment of mortgage to CHFA must be shown. **(Note: CHFA is not a member of the Mortgage Electronic Registration System, (MERS).** Assignment of CHFA mortgage loans in MERS is strictly prohibited. All CHFA mortgage loan assignments must be in the name of the Connecticut Housing Finance Authority (CHFA).

   This policy may be amended by CHFA at will to accommodate the sale of mortgage loan pools to GNMA or any other CHFA designated authorized entity.

3. For all CHFA first mortgage loans delivered to CHFA sub-servicer, (AmeriNat) the assignments must be in the name of the Connecticut Housing Finance Authority, 999 West Street, Rocky Hill, CT 06067.

4. The title policy shall be endorsed from time to time as applicable to show mortgage modifications and other correcting documents which may be recorded.

C. <u>Additional Requirements – Schedule B</u>

1. If required, the survey must be an exhibit to the title insurance policy.

2. Exceptions for agreements or restrictive covenants of record relating to cost, use, set-back, minimum-size, building materials, architectural, aesthetic or similar matters (other than single family use restrictions on two-to-four family properties) are acceptable to CHFA if:

   a. There is no reversion or forfeiture of title in the event of violation hereof;

   b. The terms and provisions of such agreements or restrictive covenants are commonly and customarily acceptable to prudent lending institutions in the area in which the property is located; and

   c. No violation of any such agreement or restrictive covenant exists.

3. Covenants, restrictions, agreements and other encumbrances must be covered by title policy language which affirmatively insures that a breach or violation of such covenants, restrictions, agreements and encumbrances will not result in a forfeiture or reversion of title.

4. The following additional exceptions will be acceptable to CHFA:

   a. Any mutual agreement of record which establishes a joint driveway or an adjoining property, but only if the easement agreement allows all present and future owners, their heirs and assigns forever, unlimited use of the driveway or party wall without any restriction other than restrictions by reason of the mutual easement owner's rights in common and duties as to joint maintenance as applicable.

b. Encroachments on the subject property by improvements on adjoining property where such encroachments extend one foot or less over the property line, have a total area of fifty square feet or less, do not touch any building and do not interfere with the use of any improvements on the subject property or the use of property not occupied by improvements.

c. Liens for real estate or other taxes and assessments not yet due and payable.

d. Normal utility easements benefiting the subject property.

D. <u>Standard Endorsements</u>

The title insurance policy shall include the following standard endorsements, on forms substantially the same as those indicated herein:

1. Residential Mortgage Endorsement – CTA Form 001 (where applicable).

2. Environmental Lien Endorsement – ALTA Form 8.1.

3. Condominium Endorsement – ALTA FORM 4 (where applicable).

6.3 <u>Hazard/Flood Insurance</u>

A. <u>Coverage</u>

An Eligible Dwelling securing the Loan must be covered by hazard insurance as follows:

1. Fire and extended coverage insurance in an amount sufficient to cover the outstanding principal balance of the Loan or the full insurable value of the improvements on the mortgage property, whichever is less. In no event shall the amount of coverage be less than the amount required by the mortgage insurer or guarantor. Policies may contain a deductible clause up to a maximum of $1,000.

2. The Participating Lender shall advise CHFA of the nature of any hazard not covered under the previous section and the additional insurance coverage, if any, which has been obtained against such hazard. If adequate insurance has not been obtained against such hazard, CHFA may require the Participating Lender to obtain such coverage.

3. The Participating Lender is responsible for and warrants compliance with the provisions of the Flood Disaster Protection Act of 1973 as amended (42 U.S.C. 4001-4129), and the Biggert-Waters Flood Insurance Reform Act of 2012, whenever such provisions would be applicable to any Loan.

   If the Eligible Dwelling is located in an area having special flood hazards, as identified by FEMA flood hazard mapping, flood insurance shall be obtained in an amount equal to the lesser of (i) the outstanding principal balance of the Loan(s), or (ii) the maximum limit of coverage available under the National Flood Insurance Program, or (iii) the insurable value (must include foundation) of the structure(s).

   a. Flood Deductibles – The deductibles may not exceed the minimum and maximum deductibles currently allowed under the NFIP for all policy types.

4. Each hazard insurance policy must be written by a hazard insurance carrier licensed to do business in the State.

5. Such insurance must be in effect on the closing date of the Loan and must be paid in advance for a full year after the closing.

B. Policy Requirements

1. All policies of hazard insurance must contain or have attached a standard mortgagee clause naming The Connecticut Housing Finance Authority C/O, "(The loan servicer) its successors and/or assigns as their interest may appear" as the insured. The following abbreviations are acceptable:

   its successors and/or assigns = ISAOA
   as their interest may appear = ATIMA

2. The policy must provide that the insurance carrier will provide written notice to the loan servicer at least ten (10) days in advance of the effective date of any change or cancellation of the policy.

3. The Participating Lender shall give any necessary notices in order to fully protect the interest of CHFA as first lienholder under the terms of the policy and applicable law.

4. Refer to Section 7 – Loan Purchase for additional mortgagee clause information as follows: Section 7.3.B – Release of Servicing for Conventional Loans (Non-Government Insured Loans) or Section 7.3.C – Release of Servicing and Loan Funding for Conventional Loans and Government Insured Loans.

C. Unacceptable Policies

Policies are unacceptable if:

1. Under the terms of the carrier's charter, by-laws or policy, contributions or assessments may be made against CHFA or its designee; or

2. Contributions or assessments may be made against the borrower, which could become a lien on the dwelling superior to the lien of the mortgage; or

3. By the terms of the carrier's charter, by-laws or policy, loss payments are contingent upon action by the carrier's board of directors, policyholders, or members; or

4. The policy includes any limiting clauses (other than insurance conditions) which could prevent CHFA or the owner of the property from collecting insurance proceeds.

6.4 Property Description

A. Legal Description

The legal description in the mortgage deed, mortgagee's title insurance policy and other documents will be acceptable in the following forms and shall include the property address and lot number if any:

1. Metes and bounds; or

2. Reference to lots which include reference to a filed map on which the lots are delineated; or

3. Reference to the boundary lines of abutting streets and owners.

B. Loan Documents to be Consistent

The Participating Lender must check the Loan documents to assure that the legal description contained or referred to in each document is accurate and consistent with those in the others.

6.5 Appraisal Requirements

A complete property appraisal report is required to be submitted by the Participating Lender with each Loan submission except in the case of a loan eligible for the Compliance Limited Documentation Program which requires submission of only the first four (4) pages. Appraisals are required for all Loan submissions for purchases of units in eligible condominium projects for verification of current investor ratio concentration. All appraisals for Mortgage Loans must be made by appraisers who are licensed or certified by the State of Connecticut, acceptable to CHFA and as per FNMA Guidelines. Participating Lenders must adhere to the Appraiser Independence Requirements as outlined in the FNMA Selling Guide.

a. Forms - The report must be prepared on a current FNMA/FHLMC appraisal form or on the appropriate FHA form which meets the minimum HUD requirements, including any additional attachments or addenda necessary to provide an adequately supported opinion of market value.

b. Appraised Value - Appraisals should report the highest price which the property will bring contemplating;

    (i) The consummation of a sale and the transfer of title from a seller to buyer who are participating in a bona-fide, arm's-length transaction and are motivated by no more than the goals of typical participants;

    (ii) Both parties are well informed or well advised and act prudently, each for what he considers his own best interest;

    (iii) Reasonable exposure is given to the property in the open market;

    (vi) Payment is made in cash or on terms reasonably equivalent to cash, assuming typical financing terms are available in the community for similar property.

c. Repairs - CHFA requires all mortgaged properties to be in good repair. Appraisal reports shall indicate whether a building code inspection is necessary. If the appraisal report indicates that repairs are needed, a recertification by the appraiser must be obtained prior to the closing of the Loan. The certification must provide the Eligible Borrower's name and the property address and must state that the property has been inspected and the indicated repairs have been completed except in the case in which an escrow has been established for such repairs. (See 203(k) Standard or 203(k) Limited Programs – Section 4).

d. Exterior Photographs – Clear, descriptive photographs showing the front, back, and a street scene of the subject property and the front of each comparable. The subject and all comparables must be appropriately identified.

e. Interior Photographs – At a minimum, the appraisal report must include photographs of the following:

- The Kitchen
- All bathrooms
- Main Living Area
- Examples of physical deterioration, if present; and
- Examples of recent updates, such as restoration, remodeling, and renovation, if present.
(*FNMA Selling Guide B4-1.2-01*)

f. The validity period for all appraisals on existing and proposed and under construction properties is less than 4 months. Appraisals may not be more than 4 months old from the loan closing date to the date the loan is sold to FNMA. (*See FNMA announcement 09-19*)

g. UCDP – Must obtain and provide a "successful" SSR report for loans delivered to FNMA (uninsured – HFA Preferred Programs). *(FNMA Selling Guide B4-1.1-06)*

SECTION 7 - LOAN PURCHASE

SECTION 7 - Loan Purchase

7.1 Closing Procedures

A. Scheduling

Participating Lenders are expected to close Loans in accordance with their established practices. After receipt of a Commitment, the Participating Lender shall make advance arrangements with the borrower to ensure agreement and understanding as to the amounts of and who will pay closing costs, prepaid items and other escrows, costs and fees. The closing must be scheduled at a time prior to the expiration of the Commitment and at a time which is convenient for the borrower. However, the loan may not be scheduled for closing until the Lender has received a CHFA loan commitment letter. The Participating Lender should advise the borrower, at least twenty-four hours prior to closing, of the total amount of funds which the borrower must have at closing and the form in which such funds are to be made available.

B. Compliance with Laws

1. The Participating Lender shall be familiar with the Real Estate Settlement Procedures Act (RESPA) and other federal or state laws applicable to closing procedures for home mortgage loans, and must comply with their provisions.

2. None of the Mortgage loans are subject to, covered by, or in violation of the Home Ownership and Equity Protection Act of 1994 (HOEPA) and its implementing regulations (Reg. Z) or classified as “high cost”, “covered”, “high risk”, “threshold” or “predatory loans” under any other applicable state, federal or local law, including any predatory or abusive lending laws (or similarly classified loans using different terminology under a law imposing heightened scrutiny or additional legal liability for residential mortgage loans) or in violation of any state law or ordinance comparable to HOEPA or Anti-Predatory Lending Laws.

3. In order to comply with Connecticut General Statutes 42-151 et. seq. (the Connecticut Plain Language Law), a borrower with a Mortgage amount of $25,000 or less shall be required to be represented by an attorney at the closing.

C. Escrows

1. The Participating Lender shall determine the amount of escrow payments with respect to any Loan and make arrangements for the establishment of an escrow account with the Servicer if the servicing is not to be done by the Participating Lender. The Participating Lender or Servicer is to comply with the Department of Housing and Urban Development Real Estate Settlement Procedures Act Escrow Accounting Procedures.

2. The Servicer shall escrow for real estate taxes, mortgage insurance premiums and hazard & flood insurance premiums (when hazard insurance or flood insurance premiums are required to be escrowed by the mortgage insurer or guarantor). Servicer shall pay interest on escrow deposits at a rate not less than the minimum set forth in applicable statutes or regulations. CHFA does not prohibit reasonable and prudent investments of such escrow funds.

3. The Participating Lender shall escrow for undisbursed rehabilitation construction amounts for Rehabilitation Mortgage Loans – currently 203(k) Standard or 203(k) Limited Programs. (See Section 4).

   Idaho Housing and Finance Association will take prepaid interest in the wire from the date of purchase adjusting interest accordingly; see specific Idaho Housing and Finance Association funding procedures, 7.3.C

D. Completed CLOSING Documentation

1. The Participating Lender shall verify that all Loan closing documents are properly executed and witnessed and that signatures on all documents conform with one another and to those on the original application.

2. Any erasures or corrected errors which appear on the note or mortgage deed must be initialed by all parties who signed the documents.

3. Documents executed pursuant to a power of attorney should be accompanied by a certified copy of the recorded power of attorney.

4. The Participating Lender must verify that the mortgage deed and assignment of mortgage are complete, correct, properly acknowledged and otherwise in recordable form. **CHFA is not a member of the Mortgage Electronic Registration System (MERS) and assignment of CHFA mortgage loans in MERS is strictly prohibited.**

5. For all CHFA first mortgage loans delivered to CHFA sub-servicer, (AmeriNat) the assignments must be in the name of the Connecticut Housing Finance Authority, 999 West Street, Rocky Hill, CT 06067.

6. The Participating Lender shall confirm that any special CHFA Commitment instructions or conditions have been complied with.

E. Mortgage Insurance and Guaranty Requirements

1. All required mortgage insurance or guaranty forms and certificates shall be properly completed and executed.

2. Evidence shall be obtained indicating that any special terms and conditions stated by the insurer or guarantor on its commitment have been satisfied.

3. The Participating Lender shall promptly notify the mortgage insurer of the assignment of the mortgage:

    a. Proof of the electronic mortgagee change is required for FHA loans.
    b. The Loan Sale Notice form is required for PMI loans.
    c. No form or notice is required for VA loans.
    d. USDA-RD Form 3555-11, Guaranteed Rural Housing Lender Record Change.

F. Collection of Initial Payments

The Participating Lender should collect initial escrow payments, prepaid interest and applicable fees at the closing.

G. Fees

1. All fees collected from the Borrower, including but not limited to, application fees and processing fees shall not in their aggregate exceed the amount allowed by the program. No additional fees may be charged by the Participating Lender to either the seller or the borrower.

2. The Participating Lender will be allowed to recover from the borrower all reasonable out-of-pocket expenses incurred in the Loan application in an amount not to exceed 100% of actual cost. Out-of-pocket expenses include those cash expenditures incurred by the Participating Lender to pay for outside services rendered, such as appraisals by outside independent fee appraisers and credit reports by independent credit reporting agencies.

3. 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:

    a. Loan Origination Fees = 0 point (0.00%); or One point (1.00%) as determined by the applicant.

    b. CHFA Loan Processing Fee = $395.00

    c. CHFA Loan Underwriting Fee = $395.00

4. Document preparation fees may 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 RE-5 Settlement Requirement Section 1-9A)*

H. TILA RESPA Integrated Disclosure

The borrower and the seller should receive a final itemized settlement statement of loan terms and closing costs. (TILA RESPA Integrated Disclosure Form H-25(B) Eff. 10-3-2015). A signed copy of the form must be obtained.

I. Recording

Following the closing, the mortgage deed together with any necessary riders and the assignment of mortgage shall be promptly recorded on the land records of the town(s) in which the property is located.

7.2 Purchase of Committed Loans

A. Loan Purchase Procedure

1. CHFA will generally fund Loans on the date of the loan closing provided that the Participating Lender faxes the CHFA Loan Purchase Request Form (Form 066-0408) with copies of the Note/s prior to 12:00 noon in order for CHFA to be in a position to affect same day purchase.

   a. Originating Lenders are required to fax the CHFA Loan Purchase Request form (066-0408-F) with Note copies prior to the 12:00 P.M. funding deadline for all loans closed prior to the deadline.

   b. Faxes received after 12:00 noon will be funded the following business day.

   c. If the loan is funded and does not close, the Lender will be required to return purchase funds and will incur a penalty of $250.

   d. Government Insured loans which are assigned and sold to Idaho Housing and Finance Association will be purchased pursuant to the instructions in Section 7.3.C.

e. CHFA will not pay interest on purchases made after the date of loan closing if the delay in purchase results from Participating Lender's failure to fax by the 12:00 noon deadline.

f. All loan purchase requests must be faxed to CHFA <u>within 48 hours</u> of loan closing. Please fax completed CHFA Loan Purchase Request Form (CHFA form 066-0408) and executed and endorsed Note to (860) 721-9244.

2. The note amount must be what was issued on the commitment letter.

3. The interest rate must be what was issued on the commitment letter.

4. The amount of prepaid interest collected at closing should be calculated as a per diem based on the actual number of days in the relevant year (365 or 366).

5. Calculate the interest payment from and including the closing date to but excluding the date of the first monthly payment.

6. For all loans where prepaid interest is collected from the borrower at closing, CHFA will collect prepaid interest from CHFA's purchase date, not the closing date provided that the loan is purchased by CHFA no later than two (2) business days after closing.

7. For all loans purchased by CHFA three (3) or more business days after closing, CHFA will continue to collect prepaid interest from the closing date of the loan.

8. After verifying that there is a valid CHFA Commitment, CHFA will confirm the total amount of the purchase, net of prepaid interest and disburse this amount to the Participating Lender.

9. *Inasmuch as the Loan purchase is made prior to the review of the closed loan documentation, the Loan is subject to repurchase by the Participating Lender as explained in Section 7.2.C.*

B. <u>SUBMISSION OF LOAN DOCUMENTS FOR PARTICIPATING LENDERS WHO RETAIN SERVICING</u>

<u>NOTE*: Loans released for servicing shall follow the Submission of Loan Documentation as described in Section 7.3. "Release of Loan Servicing".*</u>

Participating lenders who retain servicing shall follow the instructions in this section.

a. Each Loan purchase package shall contain all applicable documents properly completed, IN A SINGLE PACKAGE.

b. This package shall be delivered to CHFA, Attention: Finance Department, for review within 90 days after the date of the Loan closing. The Loan purchase package must be identified clearly with the CHFA Loan number which appears on the CHFA Commitment. All further correspondence regarding a Loan file must refer to the CHFA Loan number.

c. CHFA Documents may not be changed or altered in any manner without the prior approval of CHFA. The Participating Lender must use CHFA forms where applicable; computer generated forms, in place of CHFA forms, are acceptable with prior written approval.

d. The Participating Lender will receive written notice of any defects in the Loan or the documentation. The Participating Lender shall make prompt and diligent efforts to supply adequate correcting or supplemental documentation. In the event that the Loan purchase package is not brought into compliance, repurchase may be required and the Lender will incur a penalty of $250.

The following documents are required with each Loan purchase package submitted

1. Promissory Note (must be submitted at time of request)

A copy of the original executed promissory note, endorsed to CHFA as follows:

Loans sold to CHFA are to be endorsed as "Pay to the order of Connecticut Housing Finance Authority without recourse”.

(PARTICIPATING LENDER)

BY ________________________

TITLE ________________________

DATE ________________________

a. CHFA is not a member of the Mortgage Electronic Registration System (MERS) and assignment of CHFA mortgage loans in MERS is strictly prohibited. All CHFA mortgage loan assignments must be in the name of the Connecticut Housing Finance Authority.

b. In addition, loans in the amount of $25,000 or less must bear the following attorney's statement, signed and dated by the borrower's closing attorney: "I am an attorney at law and I represented the borrower at this closing".

2. Certificate of Mortgage Insurance or Guaranty
   A copy of the mortgage insurance certificate must be submitted. (FHA, VA, USDA- RD or PMI)

3. Participating Lender Certification (CHFA Form 019-1101) - A copy of the completed certification must be signed by an authorized officer of the Participating Lender.

4. A copy of the executed and **recorded** Assignment of Mortgage to CHFA (CHFA Sample Form 036-1014-S).

5. A copy of original, executed DAP Note (CHFAFormDAP07NOT), if applicable.

CHFA DOWNPAYMENT ASSISTANCE LOANS

Depending on the Loan Servicer assigned, the following documents must be delivered to Capital For Change, Inc. (C4C) or Idaho Housing and Finance Association (IHFA) as follows:

CAPITAL FOR CHANGE, INC. (C4C)

Fax To: Capital For Change, Inc. (C4C) to Loan Servicing (860) 233-5165
Mail To: Capital For Change, Inc. (C4C) at 121 Tremont Street, Hartford, CT 06105

IDAHO HOUSING AND FINANCE ASSOCIATION (IHFA)

Upload in Lender Connection for Idaho Housing and Finance Association.

a. A copy of the executed & endorsed original DAP Note (CHFA Form DAP07NOT).

b. The ORIGINAL executed & endorsed DAP Note (CHFA Form DAP07NOT) and the ORIGINAL, recorded DAP mortgage deed (CHFA Form DAP08MD) are to be sent, within 90 days of closing.

c. A copy of the TRID Closing Disclosure (CD) (*formerly HUD-1 Settlement Statement).*

d. A copy of Hazard & Flood Insurance policies.

e. A copy of Uniform Residential Loan Application –

   - First page only, sent to **Capital For Change, Inc.** (C4C).

   - Full application included in first mortgage loan documents sent to **Idaho Housing and Finance Association** (IHFA).

f. A copy of W-9 Form/s for all borrowers.

g. A copy of the executed DAP commitment letter.

h. A copy of the executed Borrower Signature Affidavit for each borrower.

NOTE: A copy of the executed & endorsed, original DAP Note (CHFA Form DAP07NOT) must also be sent to CHFA Finance Dept. – 999 West Street, Rocky Hill, CT 06067.

C. Repurchase Requirements

Upon a Participating Lender's failure to comply with reasonable requests from CHFA to correct or complete documentation for any Loan purchase package or upon other breach of the terms of the Master Commitment Agreement for Mortgage Purchases, or any failure to comply with the requirements for eligibility set forth in this Manual (which failure is to be determined in the sole discretion of CHFA) without regard to whether the Participating Lender may be at fault, the mortgage will be reassigned to the Lender. Lender shall repurchase the Mortgage Loan as provided in the Master Commitment Agreement for Mortgage Purchases and the lender will incur a penalty of $250.

Please Note: CHFA will require the Participating Lender to repurchase any loan that has been closed in a loan amount and/or interest rate different than the loan amount and interest rate stated in the commitment letter and the lender will incur a penalty of $250.

7.3 RELEASE OF LOAN SERVICING

A. General

A Participating Lender who does not service CHFA mortgages must submit all loan documentation as described in 7.3.B.1., 7.3.C.1. and 7.3.C.2. to the assigned Servicer listed on the CHFA commitment. All servicing shall be carried out under the terms of the CHFA Home Mortgage Servicing Agreement.

B. Release of Servicing - Conventional Loans (Non-Government Insured) to: AMERINAT *(formerly AmeriNational Community Services, LLC).*

1. CHFA will purchase loans released for servicing to AmeriNat, pursuant to Section 7.2.A. of this Manual. Participating Lenders, releasing servicing to AmeriNat, will deliver to AmeriNat within ten (10) days of the loan closing all those loan documents pursuant to the Conventional Loan Delivery Checklist.

2. Submission of Final Loan Documentation

The items listed in Section 7.3.B.1. will be sufficient for AmeriNat to set up servicing. The originating Participating Lender must also submit the following documents to CHFA immediately following the loan closing. Documents must be submitted no later than 90 days from the date the loan is closed.

Loans in the amount of $25,000 or less must bear the following attorney's statement, signed and dated by the borrower's closing attorney: "I am an attorney at law and I represented the borrower at this closing".

CHFA is not a member of the Mortgage Electronic Registration System (MERS) and assignment of CHFA mortgage loans in MERS is strictly prohibited. All CHFA mortgage loan assignments must be in the name of the Connecticut Housing Finance Authority.

a. A copy of the Certificate of Mortgage Insurance or Guaranty

b. A copy of the completed Participating Lender Certification (CHFA Form 019-1101) signed by an authorized officer of the Participating Lender.

c. A copy of the executed and recorded Assignment of Mortgage to CHFA (CHFA Sample Form 036-1014-S).

The remaining final loan documentation including the following shall be submitted within 90 days of loan closing:

AmeriNat
Attn: Wanda Attig
217 South Newton Avenue
Albert Lea, MN 56007

g. Original Note.

h. Original recorded Mortgage Deed with CHFA Uniform Mortgage Rider/Owner Occupancy Certificate, (and Condominium or PUD Rider, if applicable).

i. Original Title Insurance Policy.

j. Original PMI Certificate of Insurance, FHA Mortgage Insurance Certificate, or the VA Loan Guaranty or USDA/Rural Development Guaranty, as applicable.

k. Original Participating Lender Certification (CHFA Form 019-1101).

l. Original Notice to Mortgagor of Max Recapture Tax (Form 051-0597).

m. Original recorded Assignment of Mortgage.

3. Mortgage Insurance Escrows

a. PMI (monthly) insured loans - Two month's mortgage insurance is to be collected and remitted by the Participating Lender to the PMI Company, at time of closing, in order to initialize the mortgage insurance. In addition, the Participating Lender must file the applicable notice of transfer form required by the PMI Company and notify the customer that the first payment will include the monthly PMI premium. AmeriNat will begin paying PMI premiums in the month of the customer's first due date.

b. PMI (annual) insured loans. Two month's mortgage insurance is to be collected for deposit into the escrow reserves by the Participating Lender at time of closing. In addition, the first year's premium should be delivered to the PMI Company by the Participating Lender along with the notice of transfer form.

4. Tax Escrows

Sufficient Tax Reserves should be collected for all Tax escrow items. All taxes due within 30 days of closing must be paid at the closing and a paid receipt provided with the original faxed package. Tax escrows should only be established for real estate and fire district taxes. Escrows for other taxing authorities should not be made part of the escrow account unless it is part of the real estate tax bill (sewer and water use fees, etc).

5. Hazard/Flood Insurance Escrows

Two month's hazard insurance reserve should be collected by the Participating Lender at closing for the escrow reserves. Participating Lending will notify the borrower at closing that one month's premium will be part of the first monthly payment.

6. Remitting Escrow Funds to AmeriNat

CHFA will wire Net Escrow Funds to AmeriNat

7. Borrower Notification

a. The Participating Lender will notify the borrower that AmeriNat will be servicing the loan per "RESPA" requirements and in compliance with Federal Consumer Financing Laws applicable to servicing transfers as outlined by CFPB in 12 CFR 1024.33, 1024.38, 10247.41.

b. The Participating Lender will notify the borrower that AmeriNat will bill the borrower monthly for the mortgage payments which are to be mailed to:

AmeriNat
217 South Newton Avenue
Albert Lea, MN 56007

c. When the loan is purchased by CHFA; borrower servicing inquiries should be directed to:

AmeriNat
Toll Free at 1 (888) 263-7628 or Fax to (562) 745-1281
Website at: www.amerinatls.com

C. Release of Servicing and Loan Funding for Conventional & Government Loans: IDAHO HOUSING AND FINANCE ASSOCIATION

This section relates to servicing transfers for loans delivered to Idaho Housing and Finance Association such as:

a. Conventional Loans - (FNMA, CHFA uninsured)

b. HFA Preferred Program, PMI - (FNMA)

c. HFA Advantage Program, PMI - (FHLMC)

d. Government Loans - FHA, VA, USDA-RD - (GNMA)
(Service Release Lenders only)

1. The Participating Lender, releasing servicing to Idaho Housing and Finance Association, will ship closed loan files immediately after closing, pursuant to the Idaho Housing and Finance Association Loan Delivery Checklist.

In those commitment letters that CHFA issues for government-insured loans to service-released Participating Lenders, CHFA shall specify the Mortgage Loans to be assigned and sold to Idaho Housing and Finance Association. After the closing of each Mortgage Loan, the Participating Lender shall upload the loan file via the Lender Connection portal to Idaho Housing and Finance

Association immediately following the Mortgage Loan closing, or by overnight mail, those documents identified in Idaho Housing and Finance Association Loan Delivery Checklist.

Idaho Housing and Finance Association shall be entitled to rely upon the Participating Lender as assembler and preparer of all Mortgage Loan documents, and is under no duty whatsoever to investigate or confirm any of the information set forth therein as to its honesty, accuracy, or completeness with respect to the origination, underwriting, and closing of the loan file. Idaho Housing and Finance Association reviews the pertinent documents necessary to ensure the loan meets secondary marketing guidelines, and is under no obligation to re-verify the information contained in such documents for accuracy.

a. Within 48 hours of the loan closing, please fax the completed CHFA Loan Purchase Request Form (CHFA form 066-0408) to the purchase desk at (860) 721-9244.

b. Idaho Housing and Finance Association will be responsible for purchasing the first mortgage and service released lenders should follow the instructions below (Submission of Loan Documentation).

c. If applicable, the DAP Loan will be funded by CHFA only upon receipt and satisfactory review by Idaho Housing and Finance Association of first mortgage loan documentation described in the Loan Delivery Checklist, and upon CHFA's receipt of the accurately completed Loan Purchase Request Form (CHFA Form 066-0408) and executed DAP Note.

2. Submission of Loan Documentation

a. Receipt of loan files through the Idaho Housing and Finance Association's Lender Connection portal https://www.lenderct.com will initiate set up of the loan on Idaho Housing and Finance Association's servicing system to begin servicing of the loan. Idaho Housing and Finance Association will notify Lender of any purchase conditions to be cleared.

b. The Participating Lender must include the Loan Document Checklist in stacking order, with the post-closing package. The Checklists can be found on the CHFA website under the Lender section as (CHFA Approved Servicer – Idaho Housing and Finance Association Reference Guides) or within the Idaho Lender Connection portal website.

c. The originating Participating Lender must submit closed loan files to:

Idaho Housing and Finance Association through the Lender Connection portal found at https://www.lenderct.com.

Inquiries may be directed to:
Idaho Housing and Finance Association
Phone: 1(800) 219-2285 or RESLOAN@HomeLoanServ.com

d. Note Endorsement as follows:

Pay to the order of Idaho Housing and Finance Association
(No Ampersand signs, must spell out "And")
Without Recourse
Lender Name
(signature)
Signatory's typed name, Title

e. Assignment of Mortgage must be assigned to:

Idaho Housing and Finance Association
P.O. Box 7899
Boise, ID 83707 - or - MERS: IHFA #1009670

f. Conditions (files with document deficiencies) are communicated by Idaho Housing and Finance Association through the Lender Connection portal and by an email sent to the Participating Lenders assigned contact person.

g. Participating Lenders must submit corrective/missing documentation to Idaho Housing and Finance Association as soon as possible. Faxed documentation submitted to clear conditions must include a fax cover sheet, for each loan, clearly indicating the Idaho Housing and Finance Association loan number.

h. Complete compliant loan files are purchased daily. If the loan is not purchased sooner than within 15 days of the first payment due, the first payment will be netted out of purchase amount (P&I only) and the Lender must retain the first payment. Idaho Housing and Finance Association will generate a Purchased Loan Summary Statement for each loan purchased which can be reviewed and printed through the Lender Connection portal – this statement will account for the monthly escrow.

i. Final recorded documents must be sent to Idaho Housing Finance Association within 90 days of loan purchase to:

Idaho Housing and Finance Association
565 West Myrtle Street
Boise, ID 83702
Phone: 1 (203) 331-4883

3. Repurchase

CHFA will enforce its repurchase policies in the event of any loan document deficiencies or loans that have been determined by the Servicer, FNMA, or GNMA to be a Non-Qualifying Mortgage Loan. “Non-Qualifying Mortgage Loan” shall mean any Mortgage loan received or serviced by Idaho Housing and Finance Association with respect to which:

a. The Participating Lender fails to deliver to Idaho Housing and Finance Association all documents of the first mortgage loan file (described in the CHFA Operating Manual) on a timely basis or Idaho Housing and Finance Association determines that such documentation for Mortgage Loans does not conform to the requirements of the Program, GNMA or FNMA Guide, or the CHFA Operating Manual.

b. FNMA, GNMA or Idaho Housing and Finance Association determine that the Mortgage Loan is not of acceptable quality or is not eligible for sale under the Program, FNMA or GNMA Guides, or the CHFA Operating Manual.

c. “Repurchase Price,” with respect to a Mortgage Loan to be repurchased from Idaho Housing and Finance Association by CHFA, is defined as the payment of:

(i) 100% of the unpaid principal balance of Mortgage Loan plus

(ii) any accrued and unpaid interest at the annual rate borne by the Mortgage Notes due and payable to FNMA or GNMA upon purchasing out of the pool or to the date of repurchase if not purchasing out of a pool plus,

(iii) the aggregate amount of any advances made by or on account of Idaho Housing and Finance Association for the Mortgage Loan,

(iv) any attorney's fees, legal expenses, court costs or other expenses which may have been incurred or expended by Idaho Housing and Finance Association in connection with said Mortgage Loan, and

(v) any fees charged Idaho Housing and Finance Association by FNMA, GNMA for repurchase or withdrawal of the Mortgage Loan out of the applicable pool.

4. Escrows

a. Mortgage Insurance Escrows - FHA Insured Loans - No monthly FHA premiums should be collected at closing for deposit into the escrow account (in compliance with RESPA), however, Participating Lender is responsible to collect and remit any upfront FHA premium due to HUD and provide proof of such remittance with closing package. In addition, Lender must advise borrower that first payment will include monthly FHA premium.

b. Tax Escrows – Two months tax reserves should be collected for all tax escrow items. All taxes due within 30 days of closing must be paid at the closing and a paid receipt provided with the original package. Tax escrows should only be established for real estate and fire district taxes. Escrows for other taxing authorities should not be made part of the escrow account unless it is part of the real estate tax bill (sewer and water use fees, etc).

c. Hazard/Flood Insurance Escrows - Two months hazard insurance reserve should be collected by the Participating Lender at closing for the escrow reserves. The Lender will notify the borrower at closing that one month's premium will be part of the first monthly payment.

d. Hazard Insurance Mortgagee Clause - **HomeLoanServ** its successors and / or assigns as their interests may appear, P.O. Box 7899, Boise, ID 83709

5. Borrower Notification

a. As per "RESPA" requirements and in compliance with Federal Consumer Financing Laws applicable to servicing transfers as outlined by CFPB in 12 CFR 1024.33, 1024.38, 10247.41. The Participating Lender will notify the borrower that **HomeLoanServ** will be servicing their loan.

b. The Participating Lender will notify the borrower that **HomeLoanServ** will provide monthly billing statements.

c. Payments are to be mailed to:
Idaho Housing and Finance Association, **Attn: HomeLoanServ**
P.O. Box 7541, Boise, ID 83707-1899

d. Payments can also be made online thru: https://www.borrowerct.com

e. Borrower(s) Mortgage servicing inquiries should be directed to:
Idaho Housing and Finance Association, **Attn: HomeLoanServ**
Customer Service Toll Free**:** 1 (800) 526-7145
Mon. – Fri. (8:00 a.m. – 5:00 p.m. Mtn. time)
Website at www.mortgageserv@ihfa.org.

f. The Participating Lender will provide the borrowers with the initial Escrow Account Disclosure Statement.

6. DAP Loan Document Delivery Requirements

a. A Copy of the original DAP Note must be sent to the Capital For Change, Inc. (C4C) within 24 hours of DAP loan closing.

b. The Original DAP Note and the original, recorded DAP mortgage deed are to be sent, within 90 days of closing, to Capital For Change, Inc. (C4C), 121 Tremont Street, Hartford, Connecticut 06105 or Idaho Housing and Finance Association, as applicable.

7. Funding General

Upon receipt and satisfactory review by Idaho Housing and Finance Association of required first mortgage loan documentation described in Loan Delivery Checklists and if there is a DAP 2nd mortgage, CHFA's receipt of the accurately completed Loan Purchase Request Form (CHFA Form 066-0408) and copy of executed DAP Note; the loan(s) will be funded.

a. First Mortgage Funding - All CHFA first mortgage loans will be funded by Idaho Housing and Finance Association after receipt by Idaho Housing and Finance Association of complete, satisfactory documentation. Loans will be funded daily by wire. If the loan was not purchased sooner than within 15 days of the first payment due, the first payment will be netted out of purchase amount (P&I only with Lender retaining first payment).

b. DAP Second Mortgage Funding - Upon notification from Idaho Housing and Finance Association to CHFA that the first mortgage loan has been funded, CHFA will purchase the DAP second loan for the full Note amount, net of prepaid interest and disburse funds via the wiring instructions CHFA has on file for the Participating Lender, provided CHFA has received the Loan Purchase Request Form (CHFA Form 066-0408) with the 2nd mortgage data section accurately completed and a copy of executed DAP Note was provided.

7.4 Preparation of Mortgage Releases for Loans Owned by CHFA

General

The Servicer of the CHFA first Mortgage loan (and UR Home Grant loan, if applicable) will prepare and execute the Release of Mortgage on behalf of CHFA.

a. **Limited Power of Attorney**
CHFA gives a Limited Power of Attorney to each servicer to authorize the servicer to release CHFA Home Mortgage loans that it services when the loans are paid in full.

b. **Standard Release for CHFA First Mortgage** (and UR Home Grant Ln, if applicable)
The servicer must prepare the applicable standard release of mortgage for all CHFA loans serviced.

c. **DAP Loans**
Capital For Change, Inc. (C4C), the servicer of DAP loans, will prepare and execute the release of mortgage on behalf of CHFA for DAP loans or Idaho Housing and Finance Association, as applicable.

7.5 Assumption of Loans

Important note: The following guidelines do not apply for loans purchased and serviced by Idaho Housing and Finance Association

General

The Participating Lender will be required to provide different supporting documentation and to observe different procedures for assumption of Loans committed by CHFA prior to January 1, 1982, than for Loans committed by CHFA after January 1, 1982. The first two digits of the CHFA Loan number indicate the year of commitment for this purpose. Those procedures are discussed separately as follows:

A. Assumption of Loans Committed Prior to January 1, 1982

1. PMI Loans.

   a. A PMI Loan may not be assumed without prior written approval from CHFA. If the assuming borrower and the Eligible Dwelling meet CHFA requirements in effect at the time of the assumption, approval will not be unreasonably withheld.

   The Participating Lender shall submit a Request for Approval of Assumption together with the following forms and documents concerning the assuming borrower:

   1) FHLMC Loan Application Form
   2) FHLMC Residential Loan Appraisal
   3) Credit Report
   4) Copy of Purchase Agreement
   5) Verification of Income:
      (a) Employment
      (b) Federal Income Tax Return (latest year)
      (c) Three most recent pay stubs

   b. The assuming mortgagor will be required to execute a Loan Assumption Agreement which shall include language affirming the outstanding mortgage and promising to pay the remaining principal balance of the debt, with interest. Said agreement shall be recorded on the land records, and the original provided to CHFA with the Participating Lender's notice of assumption.

   c. The Participating Lender may charge an assumption fee of 1% of the current outstanding balance of the Loan.

2. FHA Insured and VA-Guaranteed Loans.
   A loan insured by FHA or guaranteed by VA may be assumed pursuant to applicable federal requirements.

3. Notice. Notice of any assumption of mortgage shall be forwarded to CHFA.

   a. Notice of an FHA or VA assumption must include:
      (1) Copy of recorded warranty deed and, if used, the original recorded assumption agreement.
      (2) Evidence of hazard/flood insurance coverage.

b. Notice of a PMI assumption must include:
   (1) Original recorded assumption agreement and copy of recorded warranty deed.
   (2) Evidence of hazard/flood insurance coverage.
   (3) Owner-Occupancy Certificate.
   (4) Endorsement to mortgage insurance to show new borrowers
   (5) TRID Closing Disclosure (CD) *(formerly HUD-1).* If there is no HUD-1, a copy of a signed, itemized statement will be acceptable.

c. An application for CHFA mortgage insurance may be submitted in lieu of the above.

B. Assumption of Loans Committed After January 1, 1982

1. Qualifications Prior to Assumption

No Loan may be assumed without prior written approval of CHFA. CHFA may approve an assumption of a Loan only if the assuming party qualifies as an Eligible Borrower under Section 3.1 and the property qualifies as an Eligible Dwelling under Section 3.2. In addition, disclosure and acknowledgment requirements of VA, FHA, and USDA-RD rules and regulations relating to assumption of mortgages, as applicable, must be met.

2. Mortgage Insurance and Guaranty Restrictions

In order to meet the requirements of Federal law relating to non-assumption of Mortgage Loans, CHFA requires provisions to be stated in all Loans which provide for acceleration of the maturity ("Due on Sale" provisions) on the sale or conveyance of the security property to a person ineligible for a CHFA Loan.

CHFA may only approve assumptions if the following additional criteria, as applicable, are satisfied:

a. In the case of a VA-guaranteed Loan, a copy of the veteran's consent statement, as required by 36 CFR Section 36.4306(a) and (e), must be on file with CHFA.

b. In the case of a PMI-insured Loan, the assumption must obtain written PMI approval for the transfer of interest or obtain CHFA mortgage insurance.

c. In the case of a USDA-RD-guaranteed loan, the assumption must obtain written USDA-RD approval to be provided to CHFA.

3. **Required Documentation**

The Participating Lender shall submit a request for assumption approval together with evidence to establish the eligibility of the borrower and of the dwelling as of the time of the assumption request to CHFA. Such evidence shall be a Loan submission package with the forms and documents required in Section 5.5.

4. **Assumption Closing**

a. CHFA will review the eligibility of the proposed assumption and the dwelling. If acceptable, CHFA will issue written approval of assumption. The assumption closing may not take place unless the Participating Lender has received approval from CHFA.

b. CHFA will require the following documents to be submitted with a Notice of Assumption letter from the Participating Lender subsequent to the closing:

(1) Original assumption agreement which shall have been recorded on the land records and shall include language affirming the outstanding mortgage and a promise to pay the remaining principal balance of the debt, with interest.

(2) Evidence of PMI Mortgage Insurance, if a PMI Loan.

(3) USDA-RD Form 3555-17 with the completed assumption agreement block in the case of an USDA-RD Loan.

(4) Participating Lender Certification (CHFA Form 019-1101).

(5) TRID Closing Disclosure (CD) *(formerly HUD-1)*. If there is no form, a copy of a signed, itemized statement will be acceptable.

5. **Fees**

The Participating Lender may charge an assumption fee of 1% of the current outstanding balance of principal for a PMI insured loan. In the case of an FHA insured and VA Guaranteed loans, a loan insured by FHA or guaranteed by VA may be assumed pursuant to applicable federal requirements.

C. **Release of Liability**

CHFA will not release any borrower from liability following an assumption.

SECTION 8 – DOWNPAYMENT ASSISTANCE PROGRAM

Section 8 - Downpayment Assistance Program

The Downpayment Assistance Program (DAP) provides financial assistance in the form of second mortgage loans to eligible first-time home buyers based on their financial needs to assist in the purchase of a one-to-four family, condominium or planned community development eligible property.

8.1 Qualification of Participating Lenders

All CHFA Participating Lenders and Correspondent Lenders are eligible to Participate in the DAP program. Participating and Correspondent Lenders will be required to agree to the following terms and conditions for authorization to originate the CHFA DAP second mortgage product.

1. Written Agreement

Participating and Correspondent Lenders musts execute a DAP Participating Lender Agreement. The Participating Lender will be required to comply with the terms of the Agreement.

2. Termination

CHFA may terminate a Participating or Correspondent Lender for any reason. In the event of termination, CHFA will provide the Lender with written notice specifying the reason for the removal. Termination will become effective 30 days from the date of the written notice to the Lender.

3. Training

Prior to originating a CHFA DAP loan, the Lender will be required to send designated representatives to a CHFA DAP training class to learn the procedures for completing DAP Loan Applications and for qualifying and calculating DAP loan amounts for eligible borrowers. This class is offered **FREE** and is open to Loan Originators, Underwriters and Loan Processors.

CHFA shall have the right to require a Participating or Correspondent Lender to attend a re-training session when deemed appropriate.

8.2 Funds Availability

1. Notice

CHFA will not provide Participating Lenders with written notice of funds availability. Generally, mortgage money is available on a continuous basis. The interest rate for the DAP Loan Program including any information on specific targeted funding special initiatives will be included on the CHFA Loan Rate Sheet published on the CHFA website at www.chfa.org.

2. Funds Registration

Participating and Correspondent Lenders shall register funds for the CHFA DAP second mortgage loan simultaneously when registering funding for the CHFA first mortgage loan program on the CHFA On-Line Reservation System. The Participating/ Correspondent Lender Account Administrators will coordinate their staff access to the Reservation System that is found on the CHFA website at www.chfa.org.

8.3 Eligibility

1. Eligible Borrowers and Dwellings

Eligibility for a CHFA DAP second mortgage loan shall follow the same criteria established for the CHFA Home Mortgage Program **Statewide** except that borrower(s) may not exceed the established CHFA Home Buyer Mortgage Program income limits for the area.

Borrower(s) purchasing an eligible dwelling in designated Targeted Area Towns or Targeted Area Census Tracts that are applying for CHFA DAP must have income that is within the established income limit for the area. The Targeted Area income limit exemption will not apply for these transactions.

2. Submission for CHFA Review

CHFA underwriters will review each DAP loan submission concurrently with the first mortgage loan package. CHFA will make the final determination of the borrower's eligibility for the program and may adjust the DAP loan request. If the loan is acceptable, CHFA will issue a written loan commitment for loan purchase.

Eligible dwellings must meet all established criteria as described in (Section *3.2 A. and 3.2 B.)* of this manual.

The following DAP documentation shall be submitted for review with each first mortgage loan package:

1) DAP Application and Asset Qualification Form (Available in CHFA LOS).

2) DAP Borrower's Certificate (CHFA Form DAP95-05).

3) A copy of the TRID Loan Estimate (LE) closing costs for first and second mortgages.

4) Copy of Counseling Certificate from CHFA sponsored class or other approved housing counseling.

8.4 Computation of DAP Loans

1. Minimum Loan Amount

There is a $3,000 minimum loan amount.

2. Maximum Loan Amount

a. To obtain a DAP second mortgage; the first mortgage loan amount must be the maximum loan-to-value (LTV) that the program allows.

b. The maximum CLTV for a CHFA DAP loan is 100%. (if applicant receives subordinate financing for closing costs from another CHFA approved provider, the CLTV may go up to 105%.

c. Effective with Loan Reservations dated on or after February 1, 2015, CHFA will allow Participating Lenders to calculate the CLTV for loans with CHFA DAP using the Base loan amount (excluding UFMIP) added to the Total DAP loan amount divided into the sales price. (See Bulletin 79)

3. Asset Limitation

a. Qualified borrower(s) may keep up to $10,000 of their own assets. All other liquid assets owned must be used for the down payment and/or closing costs, with the exception of the $10,000. The $10,000 may include $1,000 of equity in real property which may be retained. The applicant(s) will only be permitted to retain his own liquid assets and will not be permitted to use DAP funds to increase his assets.

b. 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.

c. In the case of a 2 – 4 family home, applicants(s) may exceed the $10,000 limit (if necessary) 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.

1. **Definition of Liquid Assets**

Assets include all assets of the applicants, (borrower and co-borrowers).

a. Any and all cash in checking and saving accounts; certificates of deposit (CD); or money market funds;

b. Monies in trustee and or/or custodial accounts listed under the social security number of the borrower(s);

c. Stocks, bonds and treasury bills;

d. 100% of the funds in any retirement plan including, but not limited to IRA accounts and 401k plans may be excluded from inclusion in the DAP asset test calculations even if the plan allows the applicant to borrower or withdraw from the plan.

e. Other assets which the Authority determines to be readily convertible to cash, including but not limited to, equity in vacation homes, equity in mobile homes, equity in real property and seller paid costs.

8.5 Application Processing

1. **Application**

The Participating Lender and borrower will complete and sign a DAP Loan application and Asset Qualification Form. This form serves the dual purpose of a mortgage loan application and a calculation worksheet for the maximum DAP loan amount necessary based on the borrower's needs for down payment assistance.

2. **DAP Borrower's Certificate**

The Participating Lender will provide and the borrower shall complete and execute a DAP Borrower's Certificate (CHFA Form DAP95-05).

3. **Counseling**

At least one borrower listed on the DAP loan application must attend a homebuyer education class facilitated by a CHFA approved Homebuyer Education Counselor. The design of the course curriculum must include a minimum of 3 hours of class instruction. The lender must advise the borrower of his/her responsibility to attend one of these classes and provide him/her with a copy of the CHFA sponsored counseling session classes or the names of other CHFA approved counseling providers. The CHFA sponsored schedules can be found on the CHFA website at www.chfa.org shown within the “Homebuyer Education Calendar”.

4. **Underwriting**

The Authority will underwrite CHFA Downpayment Assistance Program loans in accordance with underwriting criteria established by the Authority and as described in this section of CHFA’s Home Mortgage Programs Operating Manual. First mortgages underwritten in conjunction with DAP are subject to the same underwriting criteria as described herein.

8.6 Loan Preparation

1. **Terms and Conditions**

The term of the DAP loan shall be the same as the term of the first mortgage loan. If the homebuyer assigns, transfers, or otherwise conveys his/her interest in the dwelling or ceases to occupy the dwelling, the unpaid principal balance of the loan shall become due and payable.

2. **Loan Amount**

The DAP loan amount will be the minimum down payment amount necessary based upon borrower’s financial needs in the purchase of an eligible dwelling.

3. **Interest Rate**

The interest rate for the DAP Second Mortgage Loan Program shall be listed on the CHFA Interest Rate Sheet published on the CHFA website at www.chfa.org. CHFA reserves the right to provide a sliding scale interest rate based on the borrower’s income under CHFA’s Homeownership Program for any CHFA designated Special Program Initiative. The maximum DAP interest rate will be capped at 6.00%.

4. **Fees**

The Participating Lenders may charge a $200.00 application fee for processing DAP loans and the actual costs for the recording fees which is retained by the Lender.

Title Insurance is not required on a DAP loan, however, Participating Lenders may collect up to a maximum of $150.00 for settlement agent expenses associated with closing the second mortgage loan.

If the Participating Lender charges the $200.00 application fee and the actual recording fees exceed $100.00, the maximum settlement agent fee must be decreased to ensure the total allowable fees do not exceed $450.00.

5. **Closing CHFA DAP Loans**

All CHFA Downpayment Assistance Program loans (DAP) must be closed in the name of the Connecticut Housing Finance Authority, 999 West Street, Rocky Hill, CT, 06067. Loans closed in the name of the Connecticut Housing Finance Authority do not require an assignment.

6. **Prepayment Penalty**

There is no prepayment penalty.

7. **Late Charge**

There is a $5 late charge for each monthly installment paid more than 15 days after the due date.

8. **Insurance**

The Participating Lender will provide evidence of hazard insurance naming the Connecticut Housing Finance Authority as the insured on the second mortgage. The second mortgagee clause should read:

When the first mortgage is retained by the Lender for servicing OR the loan is a CHFA whole loan serviced by AmeriNat: The Connecticut Housing Finance Authority, Its successors and/or assigns, as their interest may appear, C/O **Capital For Change, Inc.** (C4C).

When the first mortgage is serviced by Idaho Housing Finance Association (IHFA): The Connecticut Housing Finance Authority, Its successors and/or assigns, as their interest may appear, C/O **HomeLoanServ.**

8.7 Loan Purchase

1. **Scheduling**

Participating Lenders are expected to close DAP loans in accordance with their established practices (See CHFA Operating Manual - Section *7.1A*). The closing of the CHFA first mortgage and the DAP second mortgage will be scheduled concurrently.

2. Loan Purchase Procedure

The Participating Lender shall follow (Section *7*) of the Operating Manual. The CHFA first and DAP second mortgages will be purchased concurrently. CHFA will purchase the DAP second mortgage, less the prepaid interest.

3. Documentation

When the first mortgage loan is retained by the Lender for servicing OR the loan is a CHFA whole loan serviced by AmeriNat, the DAP loan will be serviced by Capital for Change, Inc. (C4C).

When the first mortgage loan is serviced by Idaho Housing and Finance Association (IHFA), the DAP loan will also be serviced by Idaho Housing and Finance Association (IHFA).

The following documentation must be submitted to CHFA to request purchase and funding of all CHFA DAP loans whether serviced by Capital for Change, Inc. (C4C) or Idaho Housing and Finance Association (IHFA).

1) A fully completed CHFA Loan Purchase Request Form #066-408 signed by a "Duly Authorized Signatory" staff or designee.

2) A copy of the fully executed Loan Note endorsed to CHFA.

3) A copy of the fully executed 2nd Mortgage (DAP) Note closed in the name of CHFA.

Note: The information reflected on the executed Note(s); Commitment letter(s); and Loan Purchase Request (CHFA Form 066-408), must match exactly and be accurately stated. Funding may be delayed for any incomplete or inaccurate requests or documents submitted.

The original signed DAP Note and recorded DAP Mortgage Deed must be submitted to the applicable loan servicer within 90 days of the loan closing:

Capital for Change, Inc. – ATTN: Loan Servicing Department., 121 Tremont Street, Hartford, CT 06105 within 90 days of loan closing.

Idaho Housing and Finance Association – ATTN: Loan Servicing Department, P.O. Box 7541 Boise, ID 83707-7145 within 90 days of loan closing.

8.8 Servicing

The servicing of the CHFA DAP second mortgage loan will be released to a CHFA assigned third party servicer, currently Capital For Change, Inc. (C4C) OR Idaho Housing and Finance Association (IHFA); each CHFA DAP second mortgage loan commitment will list the name of the servicer assigned to that loan and the necessary instructions to set up the release of servicing.

Assigned Loan Servicer Contact Information:

Capital For Change, Inc. (C4C)
Attn: Loan Servicing Department, 121 Tremont Street, Hartford, CT 06105
Fax - (860) 920-2041 Phone - (860) 233-5165 Ext. 2041
Email: azielke@capitalforchange.org

Idaho Housing and Finance Association (IHFA)
Attn: Loan Servicing Department, P.O. Box 7541 Boise, ID 83707-7145
Toll Free: 1- (800) 526-7145
Email: Mortgageserv@ihfa.org

The following documents will be required to be faxed or delivered overnight to Capital for Change (C4C) OR uploaded in IDAHO Lender Connection within 24 hours of loan closing:

1. A copy of the signed DAP second mortgage Note;
2. DAP second mortgage Deed – (original/recorded);
3. A copy of the TRID Closing Disclosure (CD) (*Settlement Statement formerly HUD–1*)
4. A copy of the declaration page/s of the mortgagor's homeowners and flood insurance policies and paid receipt with the proper second mortgagee clause;
5. A copy of the Uniform Residential Loan Application (1st page only);
6. A copy of Form W-9, Request for Taxpayer Identification Number and Certification;
7. A copy of the fully executed DAP Commitment Letter for all loans with DAP.

8.9 Credit Review

Evaluation

The Participating Lender is responsible for evaluating applicants for CHFA Loans. Evaluation of creditworthiness must be done on a case-by-case basis, but standards for determining income shall be applied to each applicant in the same manner.

8.10 Income

Restricted Use of Income from Overtime and Part Time Employment

Income used to calculate housing and debt ratios will be limited to a total of 60-hours of income from either full-time employment combined with over-time earnings; or full-time employment combined with part-time employment earnings.

1. Aggregate borrower and/or co-borrower's income (gross income) shall include income from whatever source derived, including without limitation, regular earnings; part-time earnings; unemployment compensation; bonuses; dividends; interest; commissions; military allowances; welfare payments; disability payments; pension; annuity; retirement and social security benefits; and reimbursement for services in military reserve or National Guard. Overtime income, whether or not guaranteed by an employer, shall be included unless of short duration and of a temporary nature.

2. Generally, unemployment compensation is not to be considered as part of income in determining whether the borrower has the ability to repay the Loan. CHFA reserves the right to consider unemployment compensation as acceptable qualifying income when:

    a. The borrower and/or co-borrower is employed in a seasonal occupation and receives unemployment compensation in "off season" periods;

    b. The borrower and/or co-borrower's employer schedules mandatory "shut-downs" or furloughs on a recurring basis and provides unemployment compensation benefits to eligible employees;

    c. VA educational benefits are not to be considered part of income in determining whether the borrower has the ability to repay the loan.

3. A divorced person shall submit a copy of the decree of dissolution of marriage as proof of such status. A person who is separated from a spouse will be treated for income limit purposes as being married, unless such person submits evidence of separation for more than three years or a judicial decree of separation dated prior to the date of application. An applicant's fiancé will be considered part of the family unit regardless of the proposed marriage date. In order for an unborn child to be considered a member of the family in determining the number of family members for income limit purposes, proof of pregnancy must be provided to CHFA. A doctor's certificate is sufficient proof.

4. In cases where the applicant is self-employed, or one of the principal owners of a business, the applicant's Schedule C from the applicant's two most recent federal income tax returns or the business income tax return will be used, without adjustment, to determine the income for purposes of eligibility. Self-employment or investment losses and employee expenses on FORM 2106 will not be reflected for purposes of eligibility under (Section 3.1B), but will be reflected for underwriting ratios.

5. Bonus and/or commission income may not be included as qualifying income unless the borrower has a documented two (2) year history of receiving income from either of these sources.

6. CHFA will accept FHA, USDA-RD, VA or PMI guidelines for the percentage (%) of the fair market income from all rental units in an Eligible Dwelling of two to four units to be included in total gross income for underwriting purposes.

7. Prospective rental income from boarders in a one-family Eligible Dwelling is not included in total gross income of the applicant for underwriting purposes and CHFA income limits.

8. Alimony, child support or maintenance payments are to be included in income only to the extent that they are likely to be consistently made. Factors which the Participating Lender should consider in determining the likelihood of consistent payments include, but are not limited to:

    a. Whether the payments are received pursuant to a written agreement or court decree;

    b. The length of time the payments have been received;

    c. The regularity of receipt;

    d. The availability of procedures to compel payment;

    e. Whether full or partial payments have been made;

    f. The age of the child; and

    g. The creditworthiness of the oblige, including the credit history of the oblige where available to the Participating Lender under the Fair Credit Reporting Act or other applicable laws.

    The Participating Lender will submit to CHFA evidence adequate to support its determination.

9. Income must be supported by copies of the borrower's federal income tax returns in accordance with Section 3.1.C.4 and copies of the three most recent pay stubs of the borrower(s). The prospective borrower(s) must demonstrate stability of income from all sources. Such wage and employment verification shall be obtained from the applicant's employer.

8.11 Co-Signors – Co-signors or guarantors are not permitted on a Loan.

8.12 Underwriting Ratios - (*NO EXCEPTIONS ALLOWED)*

1. **Monthly Housing Expense-to-Income Ratio**
   CHFA will require that the monthly housing expense ratio (principal, interest, taxes, insurance, [PITI] including payment on down payment assistance loans, along with any other applicable housing expenses required to be paid in accordance with the Loan terms) be less than or equal to 35% of the borrower's gross monthly income.

2. If the applicant is purchasing a Condominium or Planned Unit Development (PUD), the periodic Condominium common charges i.e. Home Owner Association or HOA fees or PUD fees to cover operating charges (excluding heat) and maintenance costs and reserves must be included in the monthly housing expense.

3. **Monthly Debt Payment-to-Income-Ratio** – CHFA will require that the total amount of monthly housing expense plus all other monthly payments on installment loans, student loans, revolving credit debts does not exceed 43% of the borrower's gross monthly income.

4. Reserve requirements for 2-4 family properties must be in compliance with the insurer (i.e. FHA, VA, USDA or PMI) or investor (i.e. FNMA / FHLMC) guidelines. The funds needed to meet the reserve requirements will not be included in the $10,000 asset test for DAP.

5. The Participating Lender must determine that the applicants housing payments plus other obligations do not constitute an undue strain on the applicant's ability to make all such payments promptly and that a credit reputation is evidenced which would be acceptable to a prudent institutional lender. Payment shock should be considered when submitting a loan for down payment assistance.

6. **No Exceptions Allowed** - CHFA will not consider compensating factors for eligible borrower(s) with debt ratios that exceed the maximum CHFA acceptable limits of 35% for the monthly housing expense-to-income ratio and 43% for the monthly debt payment-to-income ratio.

8.13 Credit Reports

CHFA requires all credit reports to be in the form acceptable to the mortgage insurers. Additional credit information normally used by a Participating Lender in underwriting evaluation must also be submitted to CHFA with the Loan submissions. In addition:

1. A history of slow payments on previous indebtedness must be explained satisfactorily.

2. Frequent changes in employment or residence within the past five years must be explained satisfactorily.

8.14 Credit Scores

CHFA is not a "credit score" driven program. CHFA will accept applications from Eligible Borrowers for mortgage loan financing regardless of credit score, with traditional or nontraditional credit references. Additional documentation may be required when there is a history of slow payments, collections, judgments, charge-offs or otherwise delinquent accounts.

Participating Lenders submitting Loan applications with FHA, USDA-RD, VA or PMI insurance are required to follow the Credit Score Guidelines of the insurer and may not submit a loan application to CHFA that is noncompliant with the insurer criteria. The Participating Lender will be required to repurchase a loan if it is rejected by the insurer for noncompliance.

8.15 Delinquent Credit

The Participating Lender must include a signed and dated written credit explanation from the borrower for all Loans submitted with credit reports that show delinquencies of 60-days or more in the most recent 12 month period regardless of Automated Underwriting System (AUS) or FHA Total-Scorecard findings.

1. Major indications of derogatory credit – including judgments, collections, charge-offs, and other recent credit problems require satisfactory signed and dated written explanations from the borrower.

2. 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.

3. CHFA DAP loans will also require payment of all State or Federal past due tax obligations, including accounts with established payment arrangements, without exception.

4. Applicants with a Discharged Bankruptcy, Foreclosure, Short-sale or Deed-in-lieu reporting on their credit report will be eligible for DAP financing.

   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, i.e. FHA, VA, USDA or PMI, or the investors guidelines, i.e. FNMA or FHLMC.

   The date of the event will be determined by the discharge, or dismissal date (as applicable) of the derogatory credit event. (The applicable date of the event will be the same for all types of Bankruptcy).

The following information must be provided:

a) The Borrower(s) must provide a signed and dated written credit explanation for the delinquency;

b) The Borrower(s) has re-established traditional credit history (Non-traditional not allowed). Re-established credit history shows **on-time** payments for the most recent 12 month period;

c) The debt ratios are conforming and do not exceed 35% / 43%;

d) The Borrower(s) meet all other CHFA program eligibility and underwriting criteria.

8.16 <u>Property Repairs</u>

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 (any request for escrows to repair items related to "health and safety" will not be allowed). Request for escrow holdbacks must be submitted in writing from the Lender for CHFA approval, (memos in the file or emails to the Director of Single Family Programs are acceptable).

If the escrow holdback request is approved:

1. It must meet the requirements of the insurer and/or investor, i.e. FHA, VA, USDA-RD, PMI, FNMA or FHLMC (depending on the product the loan is originated under);

2. The escrow must be for a minimum of 1.5 times the cost to cure;

3. The cost of repairs must be paid by the seller;

SECTION 9 – HFA PREFERRED™ PROGRAM

Section 9 - HFA Preferred™ Program

The HFA Preferred™ loan program provides first and second mortgage loan financing for eligible first-time homebuyers in compliance with CHFA and Fannie Mae eligibility requirements following Idaho Housing and Finance Association parameters for delivery, and purchase. Loans originated under this program may be insured by Private Mortgage Insurance (PMI) and will be subject to the underwriting criteria of the Company insuring the loan.

9.1 Eligible Loan Purpose

Purchase Only

9.2 Principal Residence Requirement; Owner-Occupancy

Owner occupancy is required for all CHFA loans including HFA Preferred™. The residence must become the permanent principal residence of the Eligible Borrower(s) within 60 days after the closing date of the Mortgage Loan.

Investment properties are not eligible and borrower(s) may not own any other property at the time of the loan closing.

9.3 Eligible Property Types

a. All eligible properties must be located in the State of Connecticut. Eligible properties include:
    - 1– 4 unit dwellings
    - Townhomes
    - Planned unit developments
    - FNMA eligible condominiums and PUDs

b. Ineligible properties include:
    - Manufactured housing
    - Co-Ops
    - Mixed use properties

9.4 Sales Price Limits

FNMA conforming loan limits apply to this program. The sales price must also be within the CHFA Sales price limit for the area. FNMA conforming limits are as follows:

- 1 unit = $ 453,100
- 2 unit = $ 580,150
- 3 unit = $ 701,250
- 4 unit = $ 871,450

CHFA Sales Price limits can be found on our website at www.chfa.org.

9.5 <u>Closing Costs</u>

a. <u>Lender Origination fee:</u> Calculations are based on the interest rate option applicants select for the 1st mortgage loan financing. The following point options are available:

- 1.00 % - (One Point)
- 0.00 % - (Zero Point)

b. <u>Allowable Fees</u>:

- Underwriting - $395.00
- Processing - $395.00

9.6 <u>Interest Rate</u>

HFA Preferred™ Interest rate is the same rate as the CHFA Regular Homebuyer Program interest rate in effect at the time of reservation.

9.7 <u>Loan-to-Value</u>

The maximum LTV and CLTV limits set by FNMA for HFA Preferred™ loans are:

a. <u>LTV's less than or equal to 95% / 105%</u>

- Single family residences
- 2 - 4 Family Units
- Approved Condos, and Townhomes
- Manufactured Homes are ineligible

Mortgage Insurer CLTV limit will also apply and may be lower.

b. <u>LTV's equal to 95.01% - 97% / 105%</u>

- One-Unit: **Single Family residences**
- Approved Condos, and Townhomes
- 2 - 4 Family Units are ineligible
- Manufactured Homes are ineligible

Maximum LTV for each transaction is determined by credit score. Lenders are required to follow the guidelines of the Mortgage Insurer; the maximum LTV/CLTV may not exceed the limits established by FNMA.

9.8 Subordinate Financing

HFA Preferred™ loans may be submitted with subordinate financing from FNMA Approved Community Seconds Programs or CHFA Downpayment Assistance Program (DAP). To determine whether a subordinate mortgage program complies with Fannie Mae's guidelines visit www.efanniemae.com to obtain a copy of the Fannie Mae Community Seconds checklist or see the Fannie Mae Selling Guide.

See Section 8 (Downpayment Assistance Program) of this manual for the eligibility requirements for CHFA DAP second mortgage loan financing.

The maximum LTV/CLTV limit set by FNMA [or as determined by the MI Company insuring the loan] will apply. If using a Financed Single Premium, the maximum LTV may not be increased above the FNMA established limit of 97%.

9.9 Income Limits and Borrower(s) Income

Fannie Mae HFA Preferred™ and Freddie Mac HFA Advantage® loans utilize Housing Finance Authority (HFA) Mortgage Revenue Bond (MRB) established income limits. *CHFA Regular Homebuyer Program Income Limits* will apply. The income limits apply for applications submitted with CHFA Downpayment Assistance Program loans. Income limits are waived for purchases in designated CHFA Targeted areas, if not applying for CHFA DAP financing.

Evaluation of income must be in compliance with Section 5.1.B of this manual.

9.10 Eligible Borrower(s)

To qualify for **CHFA** financing, an applicant must meet the eligibility criteria set forth in Section 3.1 of this manual. HFA Preferred™ is restricted to eligible first-time homebuyers (waived if purchasing in a targeted area – borrower(s) may not own any other property at the time of loan closing).

Co-signors or guarantors are not permitted.

9.11 Credit Scores

CHFA Homebuyer Mortgage Loan Programs do not have a set minimum credit score requirement; however, Lenders are required to follow the guidelines of the loan Guarantor or Insurer, i.e. FHA, VA, USDA-RD or PMI, as applicable.

a. Borrowers ***without credit scores only*** are eligible for manual underwrites and non-traditional credit following FNMA underwriting guidelines for file submission. *(All other applicants must meet the minimum credit score requirement described in section b.)*

b. The minimum credit score requirement for HFA Preferred™ loans delivered to Idaho Housing and Finance Association is 620 with a DU Approve/Eligible. Loans purchased and serviced by Idaho Housing and Finance Association must meet this minimum credit score requirement for delivery.

The designated loan servicer will be reflected on the CHFA Commitment to Purchase Letter sent to the Lender for all approved loans. Lenders will deliver loans to the designated Master Servicer following the procedures described in the CHFA Homebuyer Mortgage Program Operating Manual Section 7 – Loan Purchase.

9.12 Underwriting Ratio

Qualifying ratios for HFA Preferred™ loans must be in compliance with the insurer and/or investor guidelines and may not exceed the maximum monthly housing expense-to-income ratio of 50% and the total monthly debt-to-income ratio of 50%. Loans with ratios exceeding 50% are not eligible for delivery to Idaho Housing and Finance Association.

a. All loans must be entered into Desktop Underwriter (DU) and a recommendation of Approve/Eligible is required.

b. Manual underwrites are not permitted except for loans without credit scores that are eligible following FNMA underwriting guidelines.

c. Loans with CHFA DAP must meet CHFA DAP ratio guidelines of 35% / 43%.

9.13 Borrower Contribution

HFA Preferred™ loans will be insured by Private Mortgage Insurance (PMI). Lenders are authorized to select the PMI provider from the list of CHFA approved Mortgage Insurance Companies. The minimum borrower contribution must comply with the underwriting requirements of the selected Mortgage Insurance provider.

Fannie Mae Minimum Borrower Contribution requirements are:

- One- unit and Condominium: $0
- 2 – 4 units: 3% from borrowers own funds. (Maximum LTV = 95%)

Borrower/s that purchase a 2-4 unit property 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 down payment to meet the maximum LTV requirement of 95% and closing costs (if needed); Applicants must meet all CHFA DAP eligibility and underwriting criteria for DAP approval.

9.14 Mortgage Insurance

Mortgage Insurance Companies approved by CHFA to provide MI coverage on HFA Preferred™ loans include:

- Arch Mortgage Ins. Co. (CMG)
- Essent Guaranty Inc. (Essent)
- Genworth Mortgage Ins. Corp. (Genworth)
- Mortgage Guaranty Insurance Corporation (MGIC)
- National Mortgage Ins. Corp. (NMI)
- Radian Guaranty Inc. (Radian)
- United Guaranty Residential Ins. Co. (UGI)

Mortgage Insurance Coverage Requirements are as follows:

Loan-to-Value Ratio	PMI Coverage Required
95.01% - 97.00%	18.00%
90.01% - 95.00%	16.00%
85.01% - 90.00%	12.00%
80.01% - 85.00%	6.00%

9.15 Reserves

Fannie Mae requirements for reserves under the HFA Preferred™ product will be based on the DU Findings; additionally, Mortgage Insurer and/or DAP or Community Second Programs guidelines will apply if applicable.

9.16 Interested Party Contributions

Seller contributions may be applied towards borrower closing costs only.

- 3% maximum contribution for CLTV greater than 90%
- 6% maximum contribution for CLTV less than or equal to 90%

9.17 Homebuyer Education

Homebuyer Education is required. One borrower or co-borrower is required to complete Homebuyer Education (HBE). A copy of the Certificate of Completion must be included in all files submitted to CHFA for review and to Idaho Housing and Finance Association for purchase. If purchasing a 2-4 family unit, a Landlord Counseling Certificate is also required.

Visit our website at www.chfa.org to view the schedule of classes being offered by CHFA / HUD Approved Housing Counseling Agencies.

SECTION 10 - APARTMENT CONVERSION FOR THE ELDERLY (ACE) PROGRAM

Section 10 - Apartment Conversion For The Elderly (ACE)

The ACE program is offered by the Authority to enable elderly homeowners to convert space in their single family homes into accessory apartments or to build additions to the home for that purpose. Program based on availability of CHFA funding.

10.1 Eligibility

A. All homeowners must be 62 years of age or older.

B. Only single family owner-occupied homes in Connecticut are eligible.

10.2 Application Process

A. The applicant submits an application information form to the Authority.

B. A representative from the Authority contacts the applicant to complete an application and obtains information regarding the homeowner’s financial status.

C. The Authority arranges for an appraisal of the home, as determined by the Authority.

D. The Authority notifies the applicant of the final determination as to eligibility.

10.3 Terms and Conditions

A. Owner occupancy of the home is required during the duration of the mortgage loan.

B. The loan amount may not exceed 80 percent of the appraised value of the home, subject to a maximum loan amount determined by the Authority.

C. The construction funds shall be disbursed a the work is completed, as determined by the Authority. The Authority shall review requests for construction advances.

D. During the construction period, interest only will be charged on the funds disbursed to the borrower.

E. The borrower may choose to live in the newly converted apartment or in the primary portion of the home.

F. The borrower must be represented by an attorney.

10.4 Construction Requirements

A. The proposed accessory apartment may be constructed either either within the existing walls of the home or as an addition.

B. The apartment must contain its own kitchen, bathroom, living and sleeping facilities.

C. The apartment must be constructed by a contractor registered with the Connecticut Department of Consumer Protection.

D. The apartment must conform to applicable local ordinances.

SECTION 11 – INVESTOR REPORTING AND REMITTANCE GUIDELINES

Section 11 – Investor Reporting and Remittance Guidelines

The Investor Reporting and Remitting Guidelines (IRRG) have been prepared by the Connecticut Housing Finance Authority (CHFA) for institutions who service CHFA loans under its Home Mortgage Program and other programs administered by CHFA on behalf of other investors (i.e., State of Connecticut Down Payment Assistance Program).

The IRRG are intended to provide instructions for the performance of the written agreements between CHFA and the institutions which service CHFA loans. Accordingly, the provisions of the IRRG are subject in all respects to the provisions in CHFA's Procedures, the terms of the Master Commitment Agreement for Mortgage Purchases, as amended, the Home Mortgage Servicing Agreement, as amended and the CHFA Lender Guide-Operating Manual.

From time to time, CHFA may revise the IRRG and will provide notification to all Servicers.

11.1 Billing Overview

At loan purchase, CHFA disburses funds to the originating lender and the loan becomes active on CHFA's records. Concurrently, the Servicer establishes the loan on its records.

Prior to the end of each month, CHFA will send a Summary Level Payment Billing report to the Servicer that will show the Net Amount Due.

3/24/2014
1:10 PM

Connecticut Housing Finance Authority
Summary Level Payment Billing
For Due Date: 03/2014

Servicer Name

Total Level Payment Due:	15,293.95
Add:	
Short Remittance Last Period:	0.00
Short Remittance Payoffs (see attached):	0.00
Less:	
Over Remittance Last Period:	16.00
Over Remittance Payoffs (see attached):	0.00
Net Amount Due:	15,277.95
(Enter on Line 1 of MRR)	

Your mid-month payment in the amount of 10,705.76 which is 70% of 15,293.95 is due by the 15th of April

CHFA will also send the Detailed Level Payment Billing report that will show the detailed billing amounts by loan of level payments due CHFA for each loan in the Servicer's portfolio.

3/24/2014
1:10 PM

Connecticut Housing Finance Authority

Detailed Level Payment Billing

Servicer Name: For Due Date: 03/2014 Servicer #:

Loan Number	Interest Rate	Current Prin.Bal	Due Date	Level Payment	Principal Due	Interest Due	Less Servicer Fee	Net Due	Mor Nan
050584	4.7500	123,525.21	03/2014	772.04	283.09	488.95	38.60	733.44	RAY
061342	5.3750	165,997.71	03/2014	1,063.95	320.42	743.53	51.87	1,012.08	FRE
064333	5.5000	176,151.08	03/2014	1,133.88	326.52	807.36	55.05	1,078.83	ROS
070453	5.3750	170,541.14	03/2014	1,075.15	311.27	763.88	53.29	1,021.86	WHI
071002	5.2500	62,668.12	03/2014	0.00	0.00	0.00	0.00	0.00	PALI
073300	5.8750	143,023.34	03/2014	0.00	0.00	0.00	0.00	0.00	FEN
081050	5.6250	83,640.42	03/2014	0.00	0.00	0.00	0.00	0.00	WYD
081125	5.3750	149,141.70	01/2014	912.76	244.73	668.03	46.61	866.15	BELI
			02/2014	912.76	245.83	666.93	46.53	866.23	
			03/2014	912.76	246.93	665.83	46.45	866.31	
081386	5.5000	128,581.80	03/2014	794.91	205.58	589.33	40.18	754.73	SCO
081390	5.2500	116,464.01	01/2014	704.06	194.53	509.53	36.40	667.66	LUC
			02/2014	704.06	195.38	508.68	36.33	667.73	
			03/2014	704.06	196.24	507.82	36.27	667.79	
081391	5.6250	152,740.44	03/2014	0.00	0.00	0.00	0.00	0.00	SCO
081396	5.6250	91,897.96	03/2014	0.00	0.00	0.00	0.00	0.00	HAR
081733	5.6250	108,096.78	03/2014	0.00	0.00	0.00	0.00	0.00	CUN
083579	6.2500	139,997.35	03/2014	923.58	194.43	729.15	43.75	879.83	CRA
101076	4.5000	116,040.10	03/2014	0.00	0.00	0.00	0.00	0.00	MAC
110775	3.7500	73,576.77	03/2014	358.92	128.99	229.93	22.99	335.93	JAC
110790	3.7500	83,670.92	03/2014	407.55	146.08	261.47	26.15	381.40	DRU
111365	3.8750	72,831.41	03/2014	0.00	0.00	0.00	0.00	0.00	MAL
111416	3.8750	137,225.06	03/2014	0.00	0.00	0.00	0.00	0.00	STO
120649	3.2500	106,070.24	03/2014	478.73	191.46	287.27	33.15	445.58	CON
120656	3.2500	31,635.26	03/2014	0.00	0.00	0.00	0.00	0.00	ROB
120828	3.1250	84,350.92	03/2014	0.00	0.00	0.00	0.00	0.00	GOD
121151	3.0000	151,051.24	03/2014	657.71	280.08	377.63	47.20	610.51	BRO
121893	2.6250	63,852.98	03/2014	263.08	123.40	139.68	19.95	243.13	COT
130285	2.7500	121,983.11	03/2014	506.22	226.68	279.54	38.12	468.10	KEE
130357	2.5000	164,781.71	03/2014	0.00	0.00	0.00	0.00	0.00	SAN
130358	2.7500	83,195.82	03/2014	0.00	0.00	0.00	0.00	0.00	CUS
130401	2.7500	108,411.41	03/2014	449.07	200.63	248.44	33.88	415.19	ZOP
130445	2.5000	59,073.90	03/2014	237.07	114.00	123.07	18.46	218.61	ROB
130646	2.7500	92,813.54	03/2014	0.00	0.00	0.00	0.00	0.00	CEC
130687	2.5000	99,033.53	03/2014	395.12	188.80	206.32	30.95	364.17	DUN
130881	2.7500	122,434.91	03/2014	506.22	225.64	280.58	38.26	467.96	HES
131083	2.8750	100,117.34	03/2014	420.29	180.43	239.86	31.29	389.00	LADI
Grand Totals:		3,684,617.23		15,293.95	4,971.14	10,322.81	871.73	14,422.22	Cou
Delinq. Totals:		265,605.71		3,233.64	880.47	2,353.17	165.87	3,067.77	Cou

This billing report represents the amount of the level payments due for the Servicer's next reporting period. Each Servicer is required to reconcile the Net Amount Due from CHFA's Summary Level Payment Billing report to actual cash collected and remitted to CHFA. The IRRG require that Servicers report only exceptions to normal loan activity (i.e., delinquencies, prepayments, curtailments, reversals). This activity is processed and reconciled by CHFA. A Servicer's portfolio will not be amortized by CHFA until all exception details reported by the Servicer have been balanced against the Monthly Remittance Reconciliation ("MRR") form. Once in balance, CHFA allows the amortization of the Servicer's portfolio.

After receiving the monthly billing reports from CHFA, it is the responsibility of the Servicer to prepare and reconcile the MRR form along with the supporting exception schedules to the Net Amount Due from the CHFA Summary Level Payment Billing report. The Servicer's Reporting Package (refer to the Reporting section) is due to CHFA no later than the 10th of each month.

CHFA's system will calculate the principal, interest and servicing fee due for each loan based upon the exceptions reported by the Servicer. CHFA then compares this activity to the Servicer's remittance amount reported on the Funds Transmittal Advice (FTA) form. Any over/short remittance will be used to reduce or increase the next billing report.

All exceptions reported to CHFA by the Servicer must reflect the unique six or seven digit CHFA loan identification number which is assigned to each CHFA loan.

11.2 Remittance of Funds

Servicer shall send all remittances via the FED wire transfer system using the following instructions:

US BANK
225 Asylum Street, 23rd floor
Hartford, CT 06103
ABA#: 091000022
A/C#: 173103321076
Account Name: US Bank Trust N.A.
Attn: Hartford Corporate Trust

For Further credit to CHFA# ***see table below for account # & description***

Re: Serv# ____, (select one): **Mid-Month** *or* **Month-End** *or* **Payoff Remittance**

Servicer Type	***Account # and Description***
Regular Servicer	100006774 Holding Sub Acct
NIBP Servicer (700 series servicer #)	144148001 Securities-Revenue
DAP Servicer	100002747 Securities-DAP Esc
DAP Veteran's Servicer	100006819 Esc VA DAP

All wires must be received on or before 2:00 PM EST for same day credit.

Mid-Month Payment

On the 15th day of each month, the Servicer must remit at least 70% of the total amount of scheduled monthly level payments due on mortgages as shown on CHFA's Summary Level Payment Billing report.

Total Level Payment Due:	15,293.95
Add:	
Short Remittance Last Period:	0.00
Short Remittance Payoffs (see attached):	0.00
Less:	
Over Remittance Last Period:	16.00
Over Remittance Payoffs (see attached):	0.00
Net Amount Due:	15,277.95
(Enter on Line 1 of MRR)	

Your mid-month payment in the amount of 10,705.76 which is 70% of 15,293.95 is due by the 15th of April

In the event that the Servicer's actual collections, up to and including the 14th day of the month are less than 70% of the Total Level Payments Due, the Servicer may remit the lesser amount collected with written indication that such is the case.

Month-End Payment

On the 10th day of the following month, the Servicer must remit the total amount of collections (exclusive of escrow) through the month-end reporting date, less any servicing fee retained and less the mid-month payment already remitted.

Loan Payoffs

The Servicers must remit, within three (3) business days after receipt, the amount of any mortgage loan payoff, together with interest collected, less a pro-rated portion of the servicing fees earned.

Late Remittances

Servicer shall pay a late charge billed by CHFA at CHFA's current earnings rate for any period of lateness. This includes late remittance of payoffs, mid-month and month-end payments.

11.3 Reporting

The Servicer's Reporting Package must be received by CHFA by the 10th calendar day of each month (or the first business day following the 10th if the 10th falls on a weekend or holiday).

The Servicer's Reporting Package will consist of the following:

a) Servicer's Month-End Trial Balance report, **REQUIRED**

b) Servicer's Month-End Collections report, **REQUIRED**

c) FTA (Funds Transmittal Advice) form, **REQUIRED**

d) MRR (Monthly Reconciliation Report) form, **REQUIRED**

e) Prepayments form/report, if applicable

f) Curtailments form/report, if applicable

g) Delinquent Level Payments form/report, if applicable

h) Reversals (Curtailments/Level Payments) form/report, if applicable

i) Delinquent Level Payments at Payoff form/report, if applicable

See ***Appendix A*** for sample forms. CHFA will accept all required monthly exception reporting via paper or electronic file format as defined in ***Appendix B***.

1. MONTH-END TRIAL BALANCE

The Servicer must send a copy of the Month-End Trial Balance report that shows the Principal Balance and PTD of each loan at month-end. Each loan must be identified with CHFA's six digit loan number. The Servicer may elect to send this report electronically via the specifications outlined in Appendix B. Please note, if opting to send electronically, Servicer must ensure that the report is formatted to print properly without manipulation by CHFA staff.

2. MONTH-END COLLECTIONS REPORT

The Servicer must send a copy of the Month-End Collections report. Each loan must be identified with CHFA's six digit loan number. The Servicer may send this report electronically via the specifications outlined in Appendix B. Please note, it opting to send electronically, Servicer must ensure that the report is formatted to print properly without manipulation by CHFA staff.

3. FTA (FUNDS TRANSMITTAL ADVICE)

** REQUIRED FORM **

CONNECTICUT HOUSING FINANCE AUTHORITY

CONNECTICUT HOUSING FINANCE AUTHORITY

FUNDS TRANSMITTAL ADVICE (FTA)

USE FOR NON-NIBP SERVICER PORTFOLIOS ONLY

PERIOD ENDING: ____________

CHFA SERVICER NAME: ____________
CHFA SERVICER #: ____________
SUBMITTED BY: ____________

PLEASE COMPLETE THE FOLLOWING FOR THE ENTIRE PERIOD'S COLLECTIONS, EXCLUDING PAYOFFS.

SERVICER COLLECTION TOTALS		FOR CHFA USE ONLY CHFA TOTALS	
PRINCIPAL COLLECTIONS	-	101.1101.164	
INTEREST COLLECTIONS	-	101.1300.164	
SERVICER FEE RETAINED	-	101.1410.000	
SHORTAGE(+) OR OVERAGE (-) FROM BILLING	-	101.1180.191	
		101.1180.191	
SHORTAGE (+) OR OVERAGE (-) FROM PAYOFFS	-	101.1180.168	
		101.1180.168	
TOTAL MONTHLY REMITTANCE	-	101.1111.165	

REVIEWED BY:
INV RPTING ____
INV RPTING ____
ACCTING ____
ACCTING ____

SERVICER TOTALS (ACTUAL WIRE DATE & AMOUNT)

MID-MONTH PAYMENT
DATE REMITTED: / / -

MONTH-END PAYMENT
DATE REMITTED: / / -

OTHER PAYMENTS (EXCLUDING PAYOFFS)
DATE REMITTED: / / -

TOTAL MONTHLY REMITTANCE -

IRRG\FTA FORM.XLSX

This form is used to report the monthly collections of principal and interest, net of servicing fee retained. Any overages/shortages from the previous billing period and/or overages/shortages related to payoffs should also be reported. The Total Monthly Remittance from the Servicer Collection Totals should equal the Total Monthly Remittance of the Servicer Remittance Totals for Mid-Month and Month-End payments remitted.

A. Servicer Collection Totals

Principal Collections

This amount should be comprised of all principal collected during the month including curtailments, principal on regular payments, principal on prior due payments, principal on prepayments and net of any principal returned due to reversal of curtailment or reversal of previously paid level payments.

Interest Collections

This amount should be comprised of all interest collected during the month on regular payments, interest on prior due payments, interest on prepayments and net of any interest returned due to reversal of previously paid level payments.

Service Fee Retained
This amount should be the Service Fee earned on regular payments, prepayments and prior due payments. This amount would be decreased by Servicer Fee returned due to the reversal of previously paid level payments.

Over/Short Remittance
This is the amount billed or credited on the CHFA Summary Billing Detail report. Over/Short remittances must be researched before remitting/netting.

Over/Short Remittance on Payoffs
This is the amount billed or credited on the CHFA Summary Billing Detail report. Over/Short from payoffs must be researched before remitting/netting.

Total Monthly Remittance

Use the following formula to obtain this amount

	Principal Collections
+	**Interest Collections**
-	**Service Fee retained**
+/-	**Over/Short Remitted/Netted**
+/-	**Over/Short on Payoffs Remitted/Netted**
=	**Total Monthly Remittance**

B. Servicer Remittance Totals

Mid-month Remittance
This amount represents the collections from the 1st through the end of business on the 14th day of the month or the 70% requirement billed on the CHFA Summary Billing Detail report. It should be the amount wired to CHFA on the 15th of the month being reported.

Month-end Remittance
This amount represents the collections from the 15th through the end of business on the last day of the month. It should be the amount wired to CHFA on the 10th of the month following the month being reported.

Other Payments
Indicate other remittances to CHFA during the reporting month, excluding payoffs. Please include a brief description if any other monies were remitted.

Total Monthly Remittance

Use the following formula to obtain this amount.

	Mid-month Remittance
+	**Month-end Remittance**
+	**Other Payments (if any)**
=	**Total Monthly Remittance**

Both the Total Monthly Remittance lines *must* be the same amount.

Troubleshooting:

a. **Principal**
Adjust this amount for any adjustment transactions posted during the month to correct for prior month errors. Make sure this amount does not include any principal amounts collected at payoff.

b. **Interest**
If necessary, deduct prepaid interest posted on new loans. Adjust this amount for any adjustment transactions posted during the month to correct for prior month errors. Make sure this amount does not include any interest amounts collected at payoff.

c. **Service Fee**
Adjust this amount for any transactions posted during the month to correct for prior month errors. Make sure this amount does not include any servicer fees retained on payoffs.

d. **Mid-Month & Month-End Remittances**
Verify the dollar amounts and dates wired for compliance with requirements. The Total Monthly Remittance from the Servicer Collection Totals should equal the Total Monthly Remittance of the Servicer Remittance Totals for Mid-Month and Month-End payments remitted.

4. MRR (MONTHLY REMITTANCE RECONCILIATION)

** REQUIRED FORM **

CONNECTICUT HOUSING FINANCE AUTHORITY

MONTHLY REMITTANCE RECONCILIATION (MRR)

PERIOD ENDING: ____________________

CHFA SERVICER NAME: ____________________

CHFA SERVICER #: ____________________

TOTAL LEVEL PAYMENT DUE (FROM LEVEL PAYMENTS BILLING REPORT): ________ -

PLUS:

PREPAYMENTS	(PP)	-
CURRENT CURTAILMENTS	(CC)	-
PREPAID CURTAILMENTS	(CF)	-

MINUS:

DELINQUENT LEVEL PAYMENTS	(D)	-
CURTAILMENT AND/OR LEVEL PAYMENT REVERSALS	(RN/RC)	-
DELINQUENCIES AT PAYOFF	(DP)	-
SERVICER FEE RETAINED		-

EQUALS:

NET AMOUNT DUE		-
TOTAL MONTHLY REMITTANCE		-
OVER/SHORT REMITTANCE	**	-
ENDING LOAN COUNT		
ENDING PRINCIPAL BALANCE		-

IRRG\MRR FORM.XLSX

This form is used to reconcile the Net Amount Due from the CHFA Summary Level Payment Billing to the Total Monthly Remittance wired to CHFA. The supporting exception detail listings, collections report and trail balance will provide the detail for this form.

Total Level Payments Due

This amount comes from the Net Amount Due on the CHFA Summary Level Payments Billing report.

Prepayments

The total level payment amount collected and reported on the Prepayments exception detail report/form.

Current Curtailments

The total of all curtailment amounts collected that are reported as "C" on the Curtailments exception detail report/form. If the report does not distinguish between current and prepaid curtailments, it will have to be done manually.

Prepaid Curtailments

The total of all curtailment amounts collected that are reported as "F" on the Curtailments exception detail report/form. If the report does not distinguish between current and prepaid curtailments, it will have to be done manually.

Delinquent Level Payments
The total level payment amount of all delinquencies reported on the Delinquent Level Payments exception detail report/form.

Curtailment and/or Level Payment Reversals
The amount of all reversals of transactions from a previous month, including both curtailments and level payments are reported on the Reversal of Curtailment or Level Payment report/form.

Delinquencies at Payoff
The amount of all uncollected level payments for any Payoffs remitted for the current reporting period are reported on the Delinquent Level Payments at Payoff report/form.

Service Fee Retained
The amount calculated as Due from CHFA on the collections report. This amount must agree with the Service Fee Retained reported on the FTA form.

Net Amount Due
The formula for arriving at this number is as follows:

Total Level Payment Due (from CHFA Summary Level Payment Billing Report)

+	**Prepayments**
+	**Current Curtailments**
+	**Prepaid Curtailments**
-	**Delinquent Level Payments**
-	**Curtailment and/or Level Payment Reversals**
-	**Delinquencies at Payoff**
-	**Servicer Fee Retained**
=	**Net Amount Due**

Total Monthly Remittance
The amount of the Total Monthly Remittance reported under Servicer Collection Totals and Servicer Remittance Totals on the FTA. The Total Monthly Remittance amounts reported on the FTA form *must* agree with the Total Monthly Remittance reported on the MRR form.

Over/Short Remittance
This amount is the difference between the Net Amount Due and the Total Monthly Remittance. Ideally, this difference should be zero. Frequently, there is a difference which should be identified. See the descriptions for each line of the MRR below for common reconciling tips that may help identify this difference. Common reconciling items are often identified in Delinquencies at Payoff, Curtailments, Reversals and Over/Short remittances from a prior month.

Proceeding through the guidelines, items reported incorrectly will be identified and the amounts reported above will have to be adjusted accordingly. The ultimate goal is to have a zero Over/Short Remittance or an Over/Short Remittance that can be explained.

Ending Loan Count

This is the total number of active loans at the end of the month being reported, which can usually be obtained from the Trial Balance.

Ending Principal Balance

This is the aggregate outstanding balance at the end of the month being reported, which can usually be obtained from the Trial Balance.

5. PREPAYMENTS

Connecticut Housing Finance Authority

PREPAYMENTS

PERIOD ENDED: ______ / ______ / ______

IF MULTIPLE PREPAID LEVEL PAYMENTS PER LOAN USE A SEPARATE LINE FOR EACH PAYMENT.

MORTGAGOR'S LAST NAME	SIX DIGIT CHFA LOAN #	PREPAYMENT AMOUNT	PTD OF PREPAYMENT
	TOTAL (P):		

IRRG\EXCEPT-P FORM.DOCX

A loan is considered prepaid when a full level payment is collected for a future scheduled payment. A future scheduled payment is any payment collected and applied after the current period.

For Example: The reporting month is May 2014. All loans on the Servicer's Trial Balance with paid-to-dates of June 2014 or greater are considered prepaid.

Use the CHFA Prepayments form. A computer facsimile is acceptable in lieu of this form provided the following information is reported: CHFA Loan Number, Prepayment Amount (must be equal to one level payment), Paid-To-Date of the loan after the payment is applied and Total of all prepayments. Report only those prepayments collected during the current reporting period.

Enter the Total from the Prepayments form/report on line 2 of the MRR form.

Troubleshooting:

a. Verify all the prepayments being reported were collected in the reporting month;

b. Scan the prepayment report for paid-to-dates less than or equal to reporting month;

c. If there are negative amounts, check to see if they are offset by positive amounts for same loans. These would be payments that were made then reversed during the same month so should not be reported. If not, refer to the loan history or collection report to identify true prepayment reversals. If true reversals exist, these amounts will need to be reported on the Reversal of Curtailment or Level Payment form.

6. CURTAILMENTS – CURRENT AND PREPAID

Connecticut Housing Finance Authority

CURTAILMENTS

PERIOD ENDED: ______ / ______ / ______

IDENTIFY WITH "C" FOR CURRENT MONTH CURTAILMENT OR "F" FOR CURTAILMENT ON A PREPAYMENT

MORTGAGOR'S LAST NAME	SIX DIGIT CHFA LOAN #	AMOUNT OF CURTAILMENT	MONTH TO BE APPLIED	C or F
	TOTAL (CC/CF):			

IRRG\EXCEPT-CC/CF FORM.DOCX

There are two types of curtailments: Current and Prepaid (or Future Curtailments). Curtailments are unscheduled payments applied towards the borrower's unpaid principal balance. Curtailments may be made for any amount less than the loan balance.

CHFA DOES NOT ACCEPT CURTAILMENTS ON DELINQUENT LOANS.

Use the CHFA Curtailments form. A computer facsimile is acceptable in lieu of this form provided the following information is reported: CHFA Loan Number, Curtailment Amount, Date the Curtailment is being applied for, 'C' or 'F' to delineate a Current or a Future curtailment.

Report only those curtailments collected during the current reporting period. If a computer generated report is submitted instead of the CHFA Curtailments form, identify the prepaid (future) curtailments from the current curtailments by highlighting, asterisking or some other mechanism. One way to differentiate between current and prepaid (future) is the paid-to-date.

Current Curtailments

Current curtailments can only reported on current loans. Current curtailments must always be applied after the current month's level payment has been applied.

Prepaid (Future) Curtailments

Prepaid (future) curtailments can only be reported on prepaid loans. The miss-application of prepaid curtailments can create principal balance differences between the Servicer and CHFA.

Enter the Total from the Curtailments form/report on line 3 of the MRR form.

Troubleshooting:

a. Scan the paid-to-dates of each loan to separate the Current Curtailment total from the Future Curtailment total.

b. If there are negative amounts, check to see if they are offset by positive amounts for same loans. If so, remove both the positive and negative amount from the report.

c. If not, refer to loan history or collection report to identify true curtailment reversals or internal adjustments from previous months.

d. If true reversals exist, these amounts will need to be added back to the curtailment report totals and the reversals will need to be reported on the Reversal of Curtailment or Level Payment form.

e. If a reversal exists on the curtailment report that is due to the reversal of a previous months curtailment on delinquent loan, this amount will need to be added back to the Curtailment report totals and the reversal will not reported on the Reversal of Curtailment or Level Payment form. This negative amount will offset with previous month's overage reported by CHFA.

7. DELINQUENT LEVEL PAYMENTS

Connecticut Housing Finance Authority

DELINQUENT LEVEL PAYMENTS

PERIOD ENDED: ______ / ______ / ______

MORTGAGOR'S LAST NAME	SIX DIGIT CHFA LOAN #	TOTAL DELINQUENCY AMOUNT	# OF PAYMENTS DELINQUENT	PTD OF LOAN
	TOTAL (D):			

IRRG\EXCEPT-D FORM.DOCX

The Delinquent Level Payments must always be in a multiple of the loan's level payment amount. Once a delinquency is reported for a given reporting period, it should continue to be reported as long as any level payment delinquency remains outstanding.

Use the CHFA Delinquent Level Payments form. A computer facsimile is acceptable in lieu of this form provided the following information is reported: CHFA Loan Number, Total Delinquency Amount thru the current month end reporting period, Total number of level payments delinquent and the Paid-To-Date of the loan.

CHFA's will not accept any partial payments. Therefore, if a partial payment is received, it will result in a delinquency. Partial payments are to be held by the Servicer until a full level payment can be processed on the loan. At that time, the full level payment will be due in the remittance.

Continue to report delinquencies, even if foreclosure proceedings have commenced, until title is taken and reported to CHFA. Once title is taken, the loan should be moved off the Trial Balance (many Servicers transfer the loan to another Investor number until all claims are filed and property is disposed of.)

Enter the Total from the Delinquent Level Payments form/report on line 4 of the MRR form.

Troubleshooting:

a. If CHFA has removed loan(s) from the CHFA Detailed Level Payment Billing report due to title being taken and the loan still resides on the Servicer's Trial Balance report, it will have to be manually deducted from the Delinquent Level Payments report and the Total delinquency amount.

8. REVERSAL OF CURTAILMENT OR LEVEL PAYMENT

Connecticut Housing Finance Authority

CONNECTICUT HOUSING FINANCE AUTHORITY

REVERSAL OF CURTAILMENT OR LEVEL PAYMENT

PERIOD ENDED: ______ / ______ / ______

IF MULTIPLE LEVEL PAYMENTS ARE TO BE REVERSED, USE A SEPARATE LINE FOR EACH PAYMENT. IDENTIFY WITH "C" FOR REVERSAL OF CURTAILMENT OR "N" FOR REVERSALOF LEVEL PAYMENT.

MORTGAGOR'S LAST NAME	SIX DIGIT CHFA LOAN #	AMOUNT OF REVERSAL	ORIGINAL DATE REPORTED	C or N
	TOTAL (RC/RN):			

IRRG\EXCEPT-RC/RN FORM.DOCX

Use the CHFA Reversal of Curtailment or Level Payment form. A computer facsimile is acceptable in lieu of this form provided the following information is reported: CHFA Loan Number, Amount of Reversal, the Original Date Reported for the transaction and a 'C' or 'N' to indicate that it is a Curtailment or NSF (reversal of level payment).
Please review the collections report for reversal transactions. If there is a negative transaction for a loan during the reporting period, then identify whether it is a curtailment reversal, a payment reversal, an adjustment for prior period error or a wash. Refer to the loan history or collections report to identify the type of reversal.

Curtailment Reversal

A curtailment reversal consists of principal only. If a curtailment reversal exists, identify the month the curtailment was reported and remitted to CHFA. CHFA cannot reverse a curtailment that has not been previously reported and remitted. Each curtailment reversal must be reported individually.

Payment Reversal

A payment reversal consists of both interest and principal. Please make sure the payment amount being reversed equals one full level payment amount. Multiple payment reversals for one loan must be reported individually.

If the reversal causes the loan to be delinquent, the reversals and delinquencies must be reported separately. It will be necessary to manually adjust the delinquency amount by the reversed payment(s). CHFA cannot reverse a payment that has not been reported and remitted.

Reversal for a prior period posting error

Adjustment reversals are commonly used to reverse curtailment on delinquent loans from a prior period, to apply principal balance adjustments due to incorrect amortization from a prior period or to process a reapplication of payments. This type of reversal should not be reported to CHFA. The amount of the adjustment reversal should be added back to the appropriate category on the MRR form and also back into the Total Monthly Remittance reported on the FTA form.

Offsetting Transactions

If the net of all transactions for a loan is zero, then there is no need to report a reversal.

Enter the Total from the Reversal of Curtailment or Level Payments form/report on line 5 of the MRR form.

9. DELINQUENT LEVEL PAYMENTS AT PAYOFF

Connecticut Housing Finance Authority

DELINQUENT LEVEL PAYMENTS AT PAYOFF

PERIOD ENDED: ______ / ______ / ______

MORTGAGOR'S LAST NAME	SIX DIGIT CHFA LOAN #	TOTAL DELINQUENCY AMOUNT	# OF PAYMENTS DELINQUENT @ PAYOFF	PTD OF LOAN
	TOTAL (DP):			

IRRG\EXCEPT-DP FORM.DOCX

Use the CHFA Delinquent Level Payments at Payoff form to report level payments included on the current month's Level Payments Billing report but not collected on payoffs or foreclosures. A computer facsimile is acceptable in lieu of this form provided the following information is reported: CHFA Loan Number, Total Delinquency Amount of all delinquent payments, # of Payments Delinquent at Payoff, and the Paid-to-Date of the loan at payoff.

Payoffs

It is necessary to report to CHFA all level payments not collected for the loan up to and including the current month's level payment. Do not report the payoff anywhere if the borrower made a payment up to current month because the billing report anticipated its collection.

Foreclosures

All level payments not collected should be reported. Once reported, the foreclosed or assigned loan should no longer be carried on the Trial Balance (many Servicers transfer the loan to a different Investor number). CHFA will no longer bill for the delinquent level payments.

Enter the Total from the Delinquent Level Payments at Payoff form/report on line 6 of the MRR form.

Troubleshooting:

a. Take the previous month's payoff/removals report to make sure the loans paid off are removed from the CHFA Detailed Level Billing report. If loan(s) have been paid off but are still on CHFA's Detailed Level Payment Billing, it is necessary to manually adjust the total delinquency amount.

b. **CHFA removes loans upon receipt of funds.** Due to the three (3) days remittance period, loans that are paid off at the end of the month may still be billed. Any loan paid off but still being billed by CHFA will have to be manually added to the form/report.

10. LOAN PAYOFF

CONNECTICUT HOUSING FINANCE AUTHORITY

LOAN PAYOFF

CHFA SERVICER #: ______________

CHFA SERVICER NAME: ______________

PREPARED BY: ______________ CONTACT PHONE #: ______________

CHFA LOAN #: ______________ SERVICER LOAN #: ______________

MORTGAGOR'S NAME: ______________

LOAN PAYOFF DATE: ______________ DATE REMITTED: ______________

PRINCIPAL BALANCE PRIOR TO PAYOFF, PER LATEST CHFA DETAILED LEVEL PAYMENT BILLING:		______
DATE OF CHFA DETAIL LEVEL PAYMENT BILLING REPORT USED: ______		
INTEREST P-T-D @ PAYOFF: ______		
PRINCIPAL PORTION OF LEVEL PAYMENTS APPLIED PIROR TO PAYOFF:	-	______
PRINCIPAL PORTION OF NSF REVERSALS:	+	______
CURTAILMENTS APPLIED PRIOR TO PAYOFF:	-	______
CURTAILMENT REVERSALS PRIOR TO PAYOFF:	+	______
UNIDENTIFIED (SEND A LOAN HISTORY):	+/-	______
SERVICER PRINCIPAL BALANCE AT PAYOFF (PRINCIPAL COLLECTED AT PAYOFF):	=	-
INTEREST COLLECTED AT PAYOFF:	+	______
SERVICER FEE RETAINED AT PAYOFF:	-	______
TOTAL REMITTED (WITHIN 3 BUSINESS DAYS AFTER PAYOFF DATE):	=	-

DO NOT WRITE BELOW THIS LINE

CHFA PROOF

$ ______________

$ ______________

PAYMENT IS OVER (SHORT): ______________

LATE ______ DAYS @ ______ %

PROCESSED BY: ______________

REVIEWED BY: ______________

INVESTOR REPORTING: ______________

INVESTOR REPORTING: ______________

ACCOUNTING: ______________

ACCOUNTING: ______________

IRRG\PAYOFF FORM.XLSX

Servicer must remit final payments within three (3) business days from the loan payoff date.

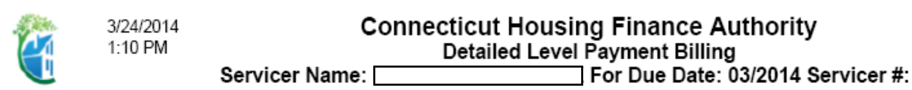
Use the CHFA Loan Payoff from to report/remit final payments to CHFA, along with the payoff report for verification.

Loan Payoff Date
The ***actual*** date the loan was paid in full.

Date Remitted
The ***actual*** date the funds were remitted to CHFA. This must be within 3 business days of payoff (including the date of payoff)

CHFA Balance Prior to Payoff, Per Latest Detailed Level Payment Billing
In order to reconcile the Servicer's to CHFA's principal balance, **always** report CHFA's Principal Balance prior to payoff from the most recent CHFA Detailed Level Payment Billing report.

Date of CHFA Detail Level Payment Billing Report Used
The Due Date shown in the header of the Summary Level Payment Billing report.


3/24/2014
1:10 PM
Connecticut Housing Finance Authority
Detailed Level Payment Billing
Servicer Name: For Due Date: 03/2014 Servicer #:

Interest P-T-D @ Payoff
This date is the Paid-to-Date on loan prior to receiving the payoff funds.

Principal Portion of Level Payments Applied Prior to Payoff
This amount is the total amount of principal collected for level payments and curtailments not yet reported to CHFA but collected and posted prior to payoff.

Principal Portion of NSF Reversals
This amount is the total amount of principal reversed due to NSF payments not yet reported to CHFA but posted prior to payoff.

Curtailments Applied Prior to Payoff
This amount is the total of all curtailments collected but not yet reported to CHFA prior to payoff.

Curtailment Reversals Prior to Payoff
This amount is the total amount of principal reversed due to curtailment back outs not yet reported to CHFA but posted prior to payoff

<u>Unidentified (Send a Loan History)</u>

This represents any unidentified balance difference between the Servicer's principal balance at payoff and the calculated CHFA principal balance. The following formula will calculate any Unidentified amount:

CHFA Principal Balance Per Latest Detailed Level Payment Billing
- Principal Portion of Level Payments Prior to Payoff
+ Principal Portion of NSF Reversals
- Curtailments Applied Prior to Payoff
+ Curtailment Reversals Prior to Payoff
- Servicer's Principal Balance at Payoff

= Unidentified

If unidentified differences exist, a loan history is required along with the Loan Payoff form and the Servicer's payoff report.

This next section of the form is to report the breakdown of the payoff remittance. Use the Payoff section of the collections report to this section of the form.

<u>Servicer Principal Balance at Payoff</u>

The principal balance of the loan when payoff funds are collected.

<u>Interest Collected at Payoff</u>

Interest remitted at payoff. Interest must be calculated using a 365/366 day year. Use the following formula to calculate the interest due CHFA within three (3) business days after the loan payoff date:

<u>Formula</u>:

(Principal Balance at Payoff x Note Rate / 365(366) x # of days from P-T-D through and including the date of payoff)

NOTE: If the loan was prepaid at the time of payoff, the Interest rebate will be netted from the remittance due amount.

<u>Servicer Fee Retained at Payoff</u>

Servicer fee due to the Servicer from CHFA for the final payment collection. Servicer Fee Retained must be calculated using a 365/366 day year. Use the following formula to calculate the servicer fee retained by Servicer at loan payoff:

<u>Formula:</u>

(Principal Balance at Payoff x Servicer Fee Rate / 365(366) x # of days from P-T-D through and including the date of payoff)

NOTE: If the loan was prepaid at the time of payoff, the Servicer Fee Retained rebate would be added to the remittance due amount.

Total Remitted

(Within 3 Business Days After Payoff Date [including date of payoff])

Calculate Total Remitted as shown below:

	Servicer's Principal Balance at Payoff
+	**Interest Due Calculated and Collected at Payoff**
-	**Servicer Fee Retained Calculated and Collected at Payoff**
=	**Total Remitted**

CHFA will review the payoff remittance including principal, interest and service fee for each loan. If CHFA's calculations do not reconcile with the Servicer's, a letter will be sent explaining the difference.

For each payoff, determine if there are any delinquent payments. Verify that all delinquent payments including the current month are reported on CHFA's Detailed Level Payments Billing report. If included on the Billing report, loan delinquency must be reported on the Delinquent Level Payment at Payoff form for the reporting period in which the loan paid off (refer to Delinquent Level Payments at Payoff section).

APPENDIX A

** REQUIRED FORM **

CONNECTICUT HOUSING FINANCE AUTHORITY

CONNECTICUT HOUSING FINANCE AUTHORITY

FUNDS TRANSMITTAL ADVICE (FTA)

USE FOR NON-NIBP SERVICER PORTFOLIOS ONLY

PERIOD ENDING: ______________________

CHFA SERVICER NAME: ______________________

CHFA SERVICER #: ______________________

SUBMITTED BY: ______________________

PLEASE COMPLETE THE FOLLOWING FOR THE ENTIRE PERIOD'S COLLECTIONS, EXCLUDING PAYOFFS.

SERVICER COLLECTION TOTALS		FOR CHFA USE ONLY CHFA TOTALS	
PRINCIPAL COLLECTIONS	-	101.1101.164	
INTEREST COLLECTIONS	-	101.1300.164	
SERVICER FEE RETAINED	-	101.1410.000	
SHORTAGE(+) OR OVERAGE (-) FROM BILLING	-	101.1180.191	
		101.1180.191	
SHORTAGE (+) OR OVERAGE (-) FROM PAYOFFS	-	101.1180.168	
		101.1180.168	
TOTAL MONTHLY REMITTANCE	-	101.1111.165	

REVIEWED BY:

INV RPTING ______________

INV RPTING ______________

ACCTING ______________

ACCTING ______________

SERVICER TOTALS (ACTUAL WIRE DATE & AMOUNT)

MID-MONTH PAYMENT	
DATE REMITTED:	-
/ /	
MONTH-END PAYMENT	
DATE REMITTED:	-
/ /	
OTHER PAYMENTS (EXCLUDING PAYOFFS)	
DATE REMITTED:	-
/ /	
TOTAL MONTHLY REMITTANCE	-

IRRG\FTA FORM.XLSX

** REQUIRED FORM **

CONNECTICUT HOUSING FINANCE AUTHORITY

FUNDS TRANSMITTAL ADVICE (FTA)

USE FOR NIBP SERVICER PORTFOLIOS ONLY

PERIOD ENDING: ______________________

CHFA SERVICER NAME: ______________________

CHFA SERVICER #: ______________________

SUBMITTED BY: ______________________

PLEASE COMPLETE THE FOLLOWING FOR THE ENTIRE PERIOD'S COLLECTIONS, EXCLUDING PAYOFFS.

SERVICER COLLECTION TOTALS		FOR CHFA USE ONLY CHFA TOTALS	
PRINCIPAL COLLECTIONS	-	109.1101.164	
INTEREST COLLECTIONS	-	109.1300.164	
SERVICER FEE RETAINED	-	109.1410.000	
SHORTAGE(+) OR OVERAGE (-) FROM BILLING	-	109.1180.191	
		109.1180.191	
SHORTAGE (+) OR OVERAGE (-) FROM PAYOFFS	-	109.1180.168	
		109.1180.168	
TOTAL MONTHLY REMITTANCE	-	109.1129.000	

REVIEWED BY:

INV RPTING ____________

INV RPTING ____________

ACCTING ____________

ACCTING ____________

SERVICER TOTALS (ACTUAL WIRE DATE & AMOUNT)

MID-MONTH PAYMENT	
DATE REMITTED: / /	-
MONTH-END PAYMENT	
DATE REMITTED: / /	-
OTHER PAYMENTS (EXCLUDING PAYOFFS)	
DATE REMITTED: / /	-
TOTAL MONTHLY REMITTANCE	-

IRRG\FTA-NIBP FORM.XLSX

** REQUIRED FORM **

CONNECTICUT HOUSING FINANCE AUTHORITY

CONNECTICUT HOUSING FINANCE AUTHORITY

MONTHLY REMITTANCE RECONCILIATION (MRR)

PERIOD ENDING: ____________________

CHFA SERVICER NAME: ____________________

CHFA SERVICER #: ____________________

TOTAL LEVEL PAYMENT DUE (FROM LEVEL PAYMENTS BILLING REPORT): ________ -

PLUS:

PREPAYMENTS	(PP)	-
CURRENT CURTAILMENTS	(CC)	-
PREPAID CURTAILMENTS	(CF)	-

MINUS:

DELINQUENT LEVEL PAYMENTS	(D)	-
CURTAILMENT AND/OR LEVEL PAYMENT REVERSALS	(RN/RC)	-
DELINQUENCIES AT PAYOFF	(DP)	-
SERVICER FEE RETAINED		-

EQUALS:

NET AMOUNT DUE		-
TOTAL MONTHLY REMITTANCE		-
OVER/SHORT REMITTANCE	**	-
ENDING LOAN COUNT		
ENDING PRINCIPAL BALANCE		-

IRRG\MRR FORM.XLSX

CONNECTICUT HOUSING FINANCE AUTHORITY

LOAN PAYOFF

CHFA SERVICER #: ____________________

CHFA SERVICER NAME: ____________________

PREPARED BY: ____________________ **CONTACT PHONE #:** ____________________

CHFA LOAN #: ____________________ **SERVICER LOAN #:** ____________________

MORTGAGOR'S NAME: ____________________

LOAN PAYOFF DATE: ____________________ **DATE REMITTED:** ____________________

PRINCIPAL BALANCE PRIOR TO PAYOFF, PER LATEST CHFA DETAILED LEVEL PAYMENT BILLING:		
DATE OF CHFA DETAIL LEVEL PAYMENT BILLING REPORT USED:		
INTEREST P-T-D @ PAYOFF:		
PRINCIPAL PORTION OF LEVEL PAYMENTS APPLIED PIROR TO PAYOFF:	-	
PRINCIPAL PORTION OF NSF REVERSALS:	+	
CURTAILMENTS APPLIED PRIOR TO PAYOFF:	-	
CURTAILMENT REVERSALS PRIOR TO PAYOFF:	+	
UNIDENTIFIED (SEND A LOAN HISTORY):	+/-	
SERVICER PRINCIPAL BALANCE AT PAYOFF (PRINCIPAL COLLECTED AT PAYOFF):	=	-
INTEREST COLLECTED AT PAYOFF:	+	
SERVICER FEE RETAINED AT PAYOFF:	-	
TOTAL REMITTED (WITHIN 3 BUSINESS DAYS AFTER PAYOFF DATE):	=	-

DO NOT WRITE BELOW THIS LINE

CHFA PROOF

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PAYMENT IS OVER (SHORT):

LATE ____________ DAYS @ ____________ %

PROCESSED BY: ____________________

REVIEWED BY: ____________________

INVESTOR REPORTING: ____________________

INVESTOR REPORTING: ____________________

ACCOUNTING: ____________________

ACCOUNTING: ____________________

IRRG\PAYOFF FORM.XLSX

Connecticut Housing Finance Authority

PREPAYMENTS

PERIOD ENDED: ______ / ______ / ______

IF MULTIPLE PREPAID LEVEL PAYMENTS PER LOAN USE A SEPARATE LINE FOR EACH PAYMENT.

MORTGAGOR'S LAST NAME	SIX DIGIT CHFA LOAN #	PREPAYMENT AMOUNT	PTD OF PREPAYMENT
	TOTAL (P):		

IRRG\EXCEPT-P FORM.DOCX

Connecticut Housing Finance Authority

CURTAILMENTS

PERIOD ENDED: ______ / ______ / ______

IDENTIFY WITH "C" FOR CURRENT MONTH CURTAILMENT OR "F" FOR CURTAILMENT ON A PREPAYMENT

MORTGAGOR'S LAST NAME	SIX DIGIT CHFA LOAN #	AMOUNT OF CURTAILMENT	MONTH TO BE APPLIED	C or F
	TOTAL (CC/CF):			

IRRG\EXCEPT-CC/CF FORM.DOCX

Connecticut Housing Finance Authority

DELINQUENT LEVEL PAYMENTS

PERIOD ENDED: ______ / ______ / ______

MORTGAGOR'S LAST NAME	SIX DIGIT CHFA LOAN #	TOTAL DELINQUENCY AMOUNT	# OF PAYMENTS DELINQUENT	PTD OF LOAN
	TOTAL (D):			

IRRG\EXCEPT-D FORM.DOCX

Connecticut Housing Finance Authority

DELINQUENT LEVEL PAYMENTS AT PAYOFF

PERIOD ENDED: ______ / ______ / ______

MORTGAGOR'S LAST NAME	SIX DIGIT CHFA LOAN #	TOTAL DELINQUENCY AMOUNT	# OF PAYMENTS DELINQUENT @ PAYOFF	PTD OF LOAN
	TOTAL (DP):			

IRRG\EXCEPT-DP FORM.DOCX

Connecticut Housing Finance Authority

REVERSAL OF CURTAILMENT OR LEVEL PAYMENT

PERIOD ENDED: _______ / _______ / _______

IF MULTIPLE LEVEL PAYMENTS ARE TO BE REVERSED, USE A SEPARATE LINE FOR EACH PAYMENT. IDENTIFY WITH "C" FOR REVERSAL OF CURTAILMENT OR "N" FOR REVERSALOF LEVEL PAYMENT.

MORTGAGOR'S LAST NAME	SIX DIGIT CHFA LOAN #	AMOUNT OF REVERSAL	ORIGINAL DATE REPORTED	C or N
	TOTAL (RC/RN):			

IRRG\EXCEPT-RC/RN FORM.DOCX

APPENDIX B

CHFA Automated Exception Reporting Requirements

- Must send electronic file within same time frames as paper files
- Must submit one file per Servicer #
- File can be either fixed length or .CSV format
- First line may contain column headers, all other lines must be data only

  File Format should include:
  - Exception Code (1 or 2 digits), valid inputs are:
    - P – Prepayment (must list each prepayment individually)
    - D – Delinquency (one record for total delinquency per loan)
    - DP – Delinquent Payments on Payoffs
    - CC – Current month curtailment
    - CF – Curtailment for future month
    - RN – Reversal of level payment
    - RC – Reversal of previous curtailment
    - RP – Reversal of prepayment
    - PO - Payoff
  - CHFA Loan # - 6 digits (must be no less, no more than 6 digits-required)
  - # Payments Delinquent – only required for delinquencies – code D or DP
  - Amount of Exception
    - Will be the monthly level payment amount for codes P, RN or RP.
    - Will be the total of all delinquent payments due from next due date thru the current reporting date for codes D or DP.
    - Will be the amount of additional principal paid for code CC, CF or RC. Note: any RC transactions must match exactly the amount of the original curtailment transaction being reversed.
    - Will be the total amount of the Payoff (Principal + Interest received) for PO transactions.
  - Payment Due Date of Exception (format is YYYYMMDD)
    - If prepayment, enter 1st of the month of the due date the payment is being made for.
    - If delinquency, enter 1st of the month of the due date of oldest payment still due.
    - If current month curtailment, enter any day after the first of the month.
    - If future month curtailment, enter any day after the first of the month of the prepayment.
    - Will be due date of the level payment being reversed for code RN or RP.
    - Will be the month the original curtailment was applied for code RC.
  - Comment (not required) up to 100 characters
- File Names
  - Naming convention: <Servicer#>_YYYYMMDDHHMM.csv
    - Example: 0102_201403041130.csv

SECTION 12 – DELINQUENCY & FORECLOSURE REPORTING

2.1 Law Firm Selection

Effective October 1, 2005, the servicer will hire a law firm to represent the Authority’s interests regarding collection and/or foreclosure of delinquent single family mortgages.

Attorney’s fees are allowed in accordance with the current HUD schedule of allowable attorney fees.

Servicers are required to monitor the performance of the hired law firms and are responsible for all issues regarding representation.

12.2 Claims Submission and Expense Reimbursement

- Servicers will use CHFA's mortgagee number for the filing of HUD claims, list CHFA as the Payee for all PMI claims, list CHFA as the Holder for all VA claims and provide CHFA copies of all claims at the point of submission to the insurer.

- CHFA will wire* to the Servicer, within 2 business days after its receipt, expense reimbursement proceeds. Debenture interest will be included in the case of HUD insured loans. In the event of HUD curtailment of amounts owed CHFA:

  - CHFA will deduct the amount of the curtailment from the expense claim proceeds and wire the net amount to the servicer within 2 business days after receipt. Upon CHFA's receipt and review of supporting documentation from the Servicer evidencing that they, or their attorney, were not responsible for the curtailment, the balance of expense proceeds received from the insurer will be remitted to the Servicer.

  - Servicer must continue to attempt collection of the curtailed amount from the responsible party and remit to CHFA immediately upon receipt. If, after 90 days of effort, Servicer is unable to collect and remit the curtailed amount to CHFA, Servicer must contact CHFA's Finance Department (860-571-4292) to discuss continued collection efforts.

  - For all expense reimbursements due the Servicer in excess of what the insurer will cover, the Servicer will continue to provide all supporting documentation as was required prior to the new process for reimbursement from CHFA.

  - In the event of an insurer audit, the Servicer will be liable for payment of any and all reimbursements and penalties assessed by the insurer for improper claim filing, including but not limited to lack of appropriate supporting documentation.

  - CHFA will no longer accept or reimburse for expenses submitted by the Servicer after six months from the date that the original insurer claim was filed on HUD and VA insured loans or after six months from title taken date on all other loans.

Failure to use CHFA's mortgagee number for claims filing will result in a penalty of $250 per claim.

CHFA Foreclosure Expense Pre-Reimbursement Option (the "Option")

In order to mitigate the impact of carrying large foreclosure expense balances on CHFA's behalf for extended periods of time on loans in foreclosure, each servicer desiring to participate may submit an Option package (the "Package") to CHFA for review and payment. This Package must include a cover page detailing each of the expenses for which reimbursement is being requested (with the total amount requested) along with all invoice support that CHFA requires for routine expense reimbursement for normal post-claim filings.

CHFA will pre-reimburse servicers selecting this new Option, for certain categories of expenses.

CHFA reserves the right to suspend availability of this Option either temporarily or permanently and/or change the parameters of this Option at any time without prior notice. CHFA may also suspend specific servicers from using this Option if CHFA determines, in its sole discretion, that the servicer has failed to follow the parameters of the Option to CHFA's satisfaction.

Option Parameters

- Foreclosure must have been initiated and a ***CHFA Foreclosure Approval Initiation/Mitigation/Action Notification*** form must have been submitted to CHFA prior to Package submission.

- For insured loans, servicer must file the 1st insurer claim within 60 days of receiving payment from CHFA for the Package. The ***only*** exceptions to this filing date are:

  - Legal delays such as court scheduling, mediation hearings and litigation✶
  - Delays due to eviction✶
  - Delays due to substantial rehabilitation✶
  - ✶ If the 60 day deadline is unable to be met due to any of these issues, the servicer must report the reason(s) for the delay as well as a detailed plan that includes the expected time frames to complete and file the applicable insurer claim on the Option Compliance Report.

- Servicer must file for the 2nd insurer claim (where applicable) within 30 days of the submission of the 1st claim on FHA insured mortgages and within 60 days for all other insurance types.

- By the 10th of each month, Servicer must submit the ***Option Compliance Report*** to CHFA effective as of the previous month end detailing each loan that CHFA reimbursed under this Option for which foreclosure or other property disposition has not been completed. Document Library Any loan that has failed the time frames established in the parameters will require an explanation in the *Comment/Plan* section of the report.

- The only foreclosure expenses available under this Option are:

  - Condo/Association Fees
  - Attorney Fees
  - Title Search
  - Sheriff Fees
  - Inspections
  - Appraisal
  - Property Preservation
  - Utilities
  - Committee Fees
  - Recording Fees
  - Bankruptcy Fee
  - Eviction Fee
  - Court Entry Fee
  - Title Insurance Policy
  - Mediation Fee
  - Property Registration

- As always, servicers will continue to be responsible for any curtailments imposed by the insurers (i.e. CHFA will net any curtailment due to servicer error/omission from proceeds received). Additionally – all proceeds are to be remitted directly to CHFA from the Insurer. Any sales proceeds received by the servicer must be immediately forwarded to CHFA.

*****Outgoing wire instructions must be provided to CHFA for expense. Wire instructions should be on Servicer's letterhead, signed by an authorized officer, and directed to Hazim Taib, Chief Financial Officer and must include the following information:

Servicer's Bank Name
Servicer's Bank Address and ABA Number
Account Name
Account Number
Mailing Address of the Account to be Credited

CHFA <u>will</u> <u>not</u> be responsible for any delays in the receipt of funds <u>if</u> the requested information is not provided on this form.

12.3 90 Days or More Delinquency Reporting

CHFA requires each servicer to report on a monthly basis for each loan that is 90 days or more delinquent. The attached ***Code Translation Table Form*** contains a list of valid reporting codes that must be assigned to each loan that is 90 days or more delinquent. CHFA has tried to stay as consistent as possible with current HUD reporting codes. In an effort to accommodate various servicing systems, CHFA will not require servicers to change their current reporting codes. Each servicer must fill out the attached ***Code Translation Table Form*** and return it to CHFA via fax @ (860) 257-8375, or e-mail to delqreport@chfa.org no later than close of business on February 15, 2005. Please note that you must indicate a Servicer Reporting Code for each CHFA Reporting Code listed. At any time in the future, if your code structure changes or you undergo a system conversion, etc., you are required to re-submit a new ***Code Translation Table Form*** to CHFA ***before*** you begin reporting using your new codes.

For all loans that are 90 days or more delinquent, you are required to report one of the codes listed on the ***Code Translation Table Form***. This reporting must be cut-off on the last business day of each month and be received by CHFA on or before the tenth day of the following month. This reporting will be accepted in one of the following three formats:

- Manually reported using the attached ***90 Day Delinquency Form***

- Via spreadsheet, using the format defined below and named as ###MMYY.xls where ### is your 3 digit CHFA servicer number and MMYY is the month and year being reported:

  - CHFA Loan # (text field) – 6 digit CHFA loan number
  - Servicer Loan # (text field) – loan number assigned by Servicer
  - Servicer Number (3 digit numeric field) – 3 digit code assigned by CHFA to identify Servicer
  - Servicer Reporting Code (may vary with each servicer - 2 digit numeric field for CHFA codes) – Servicer Reporting Code currently assigned to the loan 90 days or more delinquent as defined on the ***Code Translation Table Form***
  - Date Code Set (mm/dd/yyyy date field) – Date this code was assigned to the loan
  - Comment (text field) – should include any comments added to this loan during the most recent reporting period

- Via data file, in a comma delimited file format with the fields in the same order as listed above for reporting via spreadsheet and named as ###MMYY.txt where ### is your 3 digit CHFA servicer number and MMYY is the month and year being reported

Reporting of 90 day delinquency codes is required on a monthly basis until the loan either becomes less than 90 days delinquent or until all insurer payments have been received by CHFA.

If you have no loans within your portfolio that are 90 days or more delinquent, you are required to report this to CHFA as well. This may be done utilizing the *90 Day Delinquency Form* and writing in "No 90+ Day Loans" in the Comments section, or via email @ delqreport@chfa.org

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12.4 90 Day Delinquency Form

Use this form, or spreadsheet or data submission to report ALL loans that are 90 days or more delinquent. Information must be cut-off on the last business day of each month and be received by CHFA no later than the 10th day of the following month. If mailing, please submit to the attention of the Finance Department at the address below. Manually completed forms or spreadsheets may be faxed to (860) 257-8375 or e-mailed to delqreport@chfa.org. Data submissions must be e-mailed to delqreport@chfa.org.

Month End Date (month and year) ________________________________

CHFA Servicer # ____________________

Servicer Name _______________________________________

CHFA Loan #	Servicer Loan #	Reporting Code	Date Code Assigned	Comments (should include all comments added since the last reporting cycle)

12.5 Code Translation Table Form

Date ____________________

CHFA Servicer # __________________________

Servicer Name ____

CHFA Reporting Code	Code Description	Servicer Reporting Code
01	Chapter 13 Bankruptcy	
03	Cramdown	
04	Condo Action	
08	Chapter 7 Bankruptcy	
09	Forbearance	
10	Partial Claim	
11	Unable to Convey-Occupied	
12	Repayment	
15	Pre-Forc Acceptance Plan Available	
17	Pre-Forc Sale	
20	Reinstated by Mortgagor who Retains Ownership	
26	Refinance	
28	Modification	
30	Third Party Sale	
32	Military Indulgence	
42	Delinquent/Standard Collection Processes	
43	Foreclosure Started	
45	Foreclosure Completed	
46	Property Conveyed to Insurer & Claim Submitted	
47	Deed in Lieu	
49	Assignment/Refunding	
68	First Legal/Foreclosure In Process	
73	Charge Off-No Release	
78	Unclaimable Condition	

Completed By: ____

Printed Name: ____

12.6 Foreclosure Approval Initiation/Mitigation/Action Notification Reporting

The ***CHFA Foreclosure Approval Initiation/Mitigation/Action Notification*** form must be used to notify CHFA of any loan that is entering foreclosure or that has had an action for which CHFA must be notified immediately. These actions include Foreclosure Initiation, Date of First Legal, Title Taken Date, Bankruptcy Status and Date, Bankruptcy Dismissal Date, Date/Amount that Court/Attorney Proceeds Received, and Property Conveyance Date. This form must be legible and faxed to the number indicated on the form. This form can also be downloaded from CHFA's website at www.chfa.org from the Lender forms section.

Section A – **Loan Information**

This section must be filled out every time this form is faxed to CHFA. All information requested in Section A must be completed. This form should be faxed to CHFA on a "real time" basis (i.e. immediately upon the occurrence of any action listed on the form). All other monthly 90 day delinquency reporting must be cut-off on the last business day of each month and be received by CHFA on or before the tenth day of the following month.

- Date – Date form being completed and faxed to CHFA
- CHFA Loan # - 6 digit loan number assigned by CHFA
- Servicer Loan # - Loan number assigned by Servicer
- Borrower Name(s) – List all borrowers listed on mortgage
- Insurance Type – Check the correct box to indicate how the loan is insured
- Short Sale Prior to Foreclosure Initiation – Check box if this is occurring

Section B - **Foreclosure Initiation**

This section must be completed once all loss mitigation requirements have been satisfied and the loan is being assigned to an attorney for foreclosure action. Receipt by CHFA of this form with this Section completed constitutes CHFA's approval to foreclose.

- Date Counseling Letter Sent – Date 60 day counseling letter originally sent to borrower
- Owner Occupancy Verified – Must check box indicating whether owner occupancy was verified. If property is not owner occupied, Servicer must provide an explanation in the **Comments** section of the form.
- Check any/all loss mitigation codes that may apply for this loan
- Loss Mitigation Certification
    - By – Should be the signature of the authorized officer verifying all guidelines were followed
    - Printed Name – Name of person signing above
    - Phone # - Number at which person above can be reached with any questions
    - Email – Email address at which person above can be contacted
- Foreclosure Start Date – Date Servicer hired attorney to begin foreclosure process
- Attorney/Firm Assigned – Name of attorney/firm hired

Section C – **Foreclosure Action Notification**

This section must be completed anytime one of the six following actions occurs. CHFA must be informed of any of these actions as soon as they occur – ***this reporting cannot wait until the month end cut-off reporting cycle***

- Date of First Legal – Date Lis Pendens filed/Sheriff hired
- Title Taken Date – Date title was taken
- Bankruptcy Status/Date – The date the borrower filed for Bankruptcy protection and the type of bankruptcy filed
- Bankruptcy Dismissal Date – The date the Bankruptcy was dismissed by the court
- Date/Amount Court/Attorney Proceeds Received – Date proceeds were received from the court or the attorney and the amount of proceeds received

Property Conveyance Date – Date property conveyed to Insurer/CHFA

Section D – **Comments**

This section can be used to add any additional comments that are relevant to the action being reported, but is not required except as noted in Section B.

12.7 CHFA Foreclosure Approval/Mitigation/Initiation/Action Notification

Fax to: (860) 257-8375
ATTN: Finance Department

A. Loan Information

Date: ______________________

CHFA Loan #: ______________________ Servicer Loan #: ______________________

Borrower Name(s): ____

Insurance Type: ☐ FHA ☐ VA ☐ PMI ☐ CHFA ☐ Uninsured ☐ RDA

Check if Short Sale Prior to Foreclosure Initiation: ☐

B. Foreclosure Initiation

Date Counseling Letter Sent: ______________________________

Owner Occupancy Verified: ☐ Yes ☐ No (if No, Comment is required)

Check all boxes that may apply:

	Code	Description		Code	Description
☐	12	Repayment	☐	10	Partial Claim
☐	09	Forbearance	☐	17	Pre-Foreclosure Sale
☐	28	Modification	☐	47	Deed-In-Lieu
☐	49	Assignment/Refunding			

I certify that all CHFA guidelines, or any other requirements per the guarantor, were followed prior to initiating foreclosure: (*For CHFA or uninsured loans, HUD guidelines, excluding partial claims should be followed*)

By: ____

Printed Name: ____

Phone #: ____

Email Address: ____

Foreclosure Start Date: ______________________________
(Date Attorney hired)

Attorney/Firm Assigned: ____

C. Foreclosure Action Notification

Date of First Legal: ______________________ Title Taken Date: ______________________

Bankruptcy Status: ☐ Chap 7 ☐ Chap 13 Bankruptcy Date: ______________________

Bankruptcy Dismissal Date: ______________

Date Court/Attorney Proceeds Received: ______________ Amount: ______________________

Property Conveyance Date: ______________________________

D. Comments

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12.8 Additional Changes to Current Requirements

Beginning March 1, 2005, requirements under the following sections of the CHFA Home Mortgage Servicing Agreement shall be changed as follows:

The below changes DO NOT SUPERCEDE any insurer requirement. To the extent that there is a present or future conflict with this Supplement and/or the existing CHFA Home Mortgage Servicing Agreement and insurer requirements, the Servicer MUST FOLLOW ALL INSURER REQUIREMENTS in order to preserve CHFA rights under the terms of the mortgage insurance.

Inspections:

- Servicer shall make an inspection of the mortgaged property in the event of delinquency of 90 days *and* no contact has been made with the borrower. (Previously, inspections were required even if the Servicer was in contact with the borrower.)
- Servicer shall make an inspection of the mortgaged property if the loss claim for damage exceeds $5,000, up from $2,500

Notification by Servicer:

- Servicer shall notify CHFA of loss or damage to the mortgaged property in excess of $10,000, up from $2,500

90-Day Delinquencies:

- Servicer must comply with ***CHFA Delinquency Intervention Counseling Program*** requirements
- Servicer must continue to report monthly on a loan by loan basis for any loan that is 90 days or more delinquent until such time as the loan becomes less than 90 days delinquent or until all insurer payments have been received by CHFA
- Servicer shall send 30-day demand notices to mortgagors, as required by law, advising them of CHFA's intent to foreclose, and thereafter, in accordance with ***CHFA's Delinquency Intervention Counseling Program*** requirements

Foreclosures:

- Once a loan becomes 120 days delinquent or is determined to be in default, Servicer must fax the completed ***CHFA Foreclosure Approval Initiation/Mitigation/Action Notification*** form to CHFA.

Foreclosures – Sub-section: CHFA's Foreclosure Responsibilities:

- CHFA no longer designates a foreclosure attorney or issues a written foreclosure order
- CHFA will promptly reimburse Servicer for legal fees and expenses and for Servicer's out-of-pocket expense reasonably incurred during the foreclosure process. These expenses can only be submitted for reimbursement after the foreclosure has been completed. CHFA will no longer accept or reimburse for expenses submitted by the Servicer after six months from the date that the original insurer claim was filed on HUD and VA insured loans or after six months from title taken date on all other loans

Foreclosures – Sub-section: Servicer's Foreclosure Responsibilities:

- Servicer designates and hires a foreclosure attorney and issues a written foreclosure order
- Assist the foreclosure attorney in matters of a legal nature
- All other current responsibilities defined in this sub-section

12.8 Additional Changes to Current Requirements (cont)

Servicer's Compensation:

- Servicer's compensation related to delinquency/foreclosure servicing of a CHFA Mortgage shall cease upon commencement of foreclosure except for HUD insured loans or payoff of the loan in full. To the extent that CHFA receives gross interest from HUD, or the loan is paid in full, servicer fees related to this gross interest received by CHFA will be paid to the Servicer upon receipt by CHFA

Agency – Sub-section: Limited Agency:

- Servicer, on behalf of CHFA, may endorse insurance checks for any amount up to $10,000, up from $2,500, without prior approval of CHFA
- Servicer, on behalf of CHFA, may submit claims to FHA, VA or private mortgage insurers and must use CHFA's mortgagee number. Failure to use CHFA's mortgagee number will result in a $250 penalty per claim

Service-Operations:

- Servicer shall provide a toll free number for use by CHFA and mortgagors

12.9 Safekeeping of Authority Documents

Mortgage records, including but not limited to, promissory notes and mortgage deeds documenting CHFA loans will be delivered to Servicer for safe keeping. Servicer will act as document custodian for CHFA or designate a document custodian to hold all CHFA mortgage records. Servicer or its designated document custodian will comply with all state document preservation requirements applicable to CHFA. These requirements can be found at www.cslib.org. Mortgage records remain the property of CHFA, and Servicer will provide copies or return originals to CHFA promptly upon request at no cost to CHFA. Servicer will be responsible for any loss sustained by CHFA resulting from loss or damage to CHFA mortgage records delivered to Servicer.

Please provide the contact information listed below for the document custodian that will be responsible for these records.

This information must be completed, signed by an authorized officer of Servicer and the original must be received by CHFA's Finance Department no later than February 15, 2005.

Servicer Name	
Servicer Address	
Document Custodian Info:	
Contact Name	
Contact Entity (if not Servicer)	
Contact Address	
Contact Phone	
Contact Email	

By Authorized Officer (Servicer): ________________________________

Printed Name: ________________________________

Any changes to the above information must be mailed to CHFA's Finance Department 10 business days prior to change of document custodian.

All records will be shipped (at CHFA's expense) to the document custodian along with a schedule listing an inventory, by CHFA loan number, of the mortgage records. Document custodian will sign a copy of the inventory listing upon delivery to acknowledge receipt of the records. Within 60 days of delivery by CHFA, document custodian will review and confirm receipt of all items on the inventory listing, and sign and return a second copy of the inventory listing to CHFA.

Note: **During the transition period, should you require documents for any loan that has not yet been delivered to your document custodian, please call the CHFA Finance Department at 860-571-4292 and we will promptly ship the requested documents**. Initially, CHFA will deliver to all designated document custodians those loans which are 90 days or more delinquent as of December 31, 2004. CHFA anticipates delivery of all remaining loan documents to each document custodian by June 30, 2005.

12.10 CHFA Delinquency Intervention Counseling Program

Connecticut Housing Finance Authority (CHFA) offers delinquency intervention counseling to borrowers who are sixty (60) days delinquent on their mortgage loan. The servicer sends a letter to the borrower and forwards a referral to a CHFA approved counseling agency when a borrower is 60 days delinquent. The counseling agency works with the borrower, develops a financial plan, analyzes their financial situation and helps to develop an action plan to bring the loan current. The plan is presented to the servicer for approval.

Servicer must simultaneously perform prudent collection efforts in compliance with insurer/guarantor regulations.

Loss Mitigation tools for HUD insured loans include:

Special Forbearance: Provides a written payment plan for the borrower to become current on their mortgage.

Loan Modification: A permanent extension in the loan term that results in a payment that the borrower can afford.

Partial Claim: Allows a delinquent mortgage to be reinstated by advancing HUD funds to pay the arrearage. A promissory note or "partial claim note" is issued. Currently the partial claim note carries no interest and is not due and payable until the borrower either pays off the first mortgage or no longer owns the property.

Pre-foreclosure Sale: Allows a borrower in default to sell the property and use the sale proceeds to satisfy the mortgage debt, even if the proceeds are less than the amount owed.

Deed in Lieu of Foreclosure: The borrower voluntarily deeds the property to HUD in exchange for a release from all obligations under the mortgage.

Loss Mitigation tools for other insurance type loans include:
Forbearance, modifications, pre-foreclosure sales and deed-in-lieu of foreclosures are also loss mitigation options for loans insured by private mortgage insurance companies, by the Veteran's Administration (VA), CHFA insured loans and uninsured loans. In addition, the private mortgage insurance companies offer a product similar to the partial claim and the VA offers a Refunding.

Follow-up with the borrower is conducted at one, three and six months to discuss and identify any changes that may have occurred that will influence that action plan. Follow-up counseling sessions are conducted, as necessary.

12.11 Sample Reporting Stream

Borrower: John Smith8
CHFA Loan # 991234, Servicer Loan # 449876
Insured by FHA, Interest P-T-D 4/1/2005

Loan becomes part of this reporting process once it becomes 90 days delinquent. This reporting for this loan begins with the July 2005 month end reporting.

Date	Reporting
7/20/13	**No reporting yet to CHFA**-Servicer working with borrower. Servicer assigns code 12 indicating that borrower will attempt repayment
7/31/13	***90 Day Delinquency Form*** is submitted with July month end reporting – see attachment **a**
8/31/13	***90 Day Delinquency Form*** is submitted with August month end reporting – see attachment **b**
9/2/13	***CHFA Foreclosure Approval Initiation/Mitigation/Action Notification*** form is submitted on September 2, 2005 to inform CHFA of foreclosure initiation – see attachment **c**
9/30/13	***90 Day Delinquency Form*** is submitted with September month end reporting – see attachment **d**
10/3/13	***CHFA Foreclosure Approval Initiation/Mitigation/Action Notification*** form is submitted on October 3, 2005 to inform CHFA of Date of First Legal – see attachment **e**
10/31/13	***90 Day Delinquency Form*** is submitted with October month end reporting – see attachment **f**
11/30/13	***90 Day Delinquency Form*** is submitted with November month end reporting – see attachment **g**
12/20/13	***CHFA Foreclosure Approval Initiation/Mitigation/Action Notification*** form is submitted on December 20, 2005 to inform CHFA that title has been taken – see attachment **h**
12/31/13	***90 Day Delinquency Form*** is submitted with December month end reporting – see attachment **i**
1/31/14	***90 Day Delinquency Form*** is submitted with January month end reporting – see attachment **j**
2/26/14	***CHFA Foreclosure Approval Initiation/Mitigation/Action Notification*** form is submitted on February 26, 2006 to inform CHFA that loan was conveyed to the insurer – see attachment **k**
2/28/14	***90 Day Delinquency Form*** is submitted with February month end reporting – see attachment **l**
3/31/14	***90 Day Delinquency Form*** is submitted with March month end reporting – see attachment **m**
4/30/14	***90 Day Delinquency Form*** is submitted with April month end reporting – see attachment **n**
5/31/14	Loan no longer reported to CHFA-all insurer payments have been received by CHFA

90 Day Delinquency Form *attachment a*

Use this form, or spreadsheet or data submission to report **ALL** loans that are 90 days or more delinquent. Information must be cut-off on the last business day of each month and be received by CHFA no later than the 10th day of the following month. If mailing, please submit to the attention of the Finance Department at the address below. Manually completed forms or spreadsheets may be faxed to (860) 257-8375 or e-mailed to delqreport@chfa.org. Data submissions must be e-mailed to delqreport@chfa.org.

Month End Date (month and year) July 2005
CHFA Servicer # 432
Servicer Name Sample Servicer

CHFA Loan #	Servicer Loan #	Reporting Code	Date Code Assigned	Comments (should include all comments added since the last reporting cycle)
991234	449876	12	7/20/05	Borrower promised payment-wants to keep home-inspection completed

90 Day Delinquency Form *attachment b*

Use this form, or spreadsheet or data submission to report **ALL** loans that are 90 days or more delinquent. Information must be cut-off on the last business day of each month and be received by CHFA no later than the 10th day of the following month. If mailing, please submit to the attention of the Finance Department at the address below. Manually completed forms or spreadsheets may be faxed to (860) 257-8375 or e-mailed to delqreport@chfa.org. Data submissions must be e-mailed to delqreport@chfa.org.

Month End Date (month and year) August 2005
CHFA Servicer # 432
Servicer Name Sample Servicer

CHFA Loan #	Servicer Loan #	Reporting Code	Date Code Assigned	Comments (should include all comments added since the last reporting cycle)
991234	449876	12	7/20/05	Have been unable to recontact borrower

CHFA Foreclosure Approval Initiation/Mitigation/Action Notification

attachment d

Fax to: (860) 257-8375
ATTN: Finance Department

A. Loan Information

Date: 9/2/05

CHFA Loan #: 991234 Servicer Loan #: 449876

Borrower Name(s): John Smith

Insurance Type: ☒ FHA ☐ VA ☐ PMI ☐ CHFA ☐ Uninsured ☐ RDA

Check if Short Sale Prior to Foreclosure Initiation: ☐

B. Foreclosure Initiation

Date Counseling Letter Sent: 6/12/05

Owner Occupancy Verified: ☒ Yes ☐ No (if No, Comment is required)

Check all boxes that may apply:

	Code	Description		Code	Description
☒	12	Repayment	☐	10	Partial Claim
☐	09	Forbearance	☐	17	Pre-Foreclosure Sale
☐	28	Modification	☐	47	Deed-In-Lieu
☐	49	Assignment/Refunding			

I certify that all CHFA guidelines, or any other requirements per the guarantor, were followed prior to initiating foreclosure: (*For CHFA or uninsured loans, HUD guidelines, excluding partial claims should be followed*)

By: Authorized Officer

Printed Name: Authorized Officer

Phone #: 860-571-4999

Email Address: Aofficer@bank.com

Foreclosure Start Date: 9/2/05
(Date Attorney hired)

Attorney/Firm Assigned: Reliable Legal Representation, LLC

C. Foreclosure Action Notification

Date of First Legal: ______________ Title Taken Date: ______________

Bankruptcy Status: ☐ Chap 7 ☐ Chap 13 Bankruptcy Date: ______________

Bankruptcy Dismissal Date: ______________

Date Court/Attorney Proceeds Received: ______________ Amount: ______________

Property Conveyance Date: ______________

D. Comments

90 Day Delinquency Form *attachment d*

Use this form, or spreadsheet or data submission to report **ALL** loans that are 90 days or more delinquent. Information must be cut-off on the last business day of each month and be received by CHFA no later than the 10th day of the following month. If mailing, please submit to the attention of the Finance Department at the address below. Manually completed forms or spreadsheets may be faxed to (860) 257-8375 or e-mailed to delqreport@chfa.org. Data submissions must be e-mailed to delqreport@chfa.org.

Month End Date (month and year) September 2005
CHFA Servicer # 432
Servicer Name Sample Servicer

CHFA Loan #	Servicer Loan #	Reporting Code	Date Code Assigned	Comments (should include all comments added since the last reporting cycle)
991234	449876	43	9/2/05	No further contact with borrower - Inspection completed

CHFA Foreclosure Approval/Initiation/Mitigation/Action Notification

attachment e

Fax to: (860) 257-8375
ATTN: Finance Department

A. Loan Information

Date: 10/3/05

CHFA Loan #: 991234 Servicer Loan #: 449876

Borrower Name(s): John Smith

Insurance Type: ☒ FHA ☐ VA ☐ PMI ☐ CHFA ☐ Uninsured ☐ RDA

Check if Short Sale Prior to Foreclosure Initiation: ☐

B. Foreclosure Initiation

Date Counseling Letter Sent: ____________________

Owner Occupancy Verified: ☐ Yes ☐ No (if No, Comment is required)

Check all boxes that may apply:

	Code	Description		Code	Description
☐	12	Repayment	☐	10	Partial Claim
☐	09	Forbearance	☐	17	Pre-Foreclosure Sale
☐	28	Modification	☐	47	Deed-In-Lieu
☐	49	Assignment/Refunding			

I certify that all CHFA guidelines, or any other requirements per the guarantor, were followed prior to initiating foreclosure: (*For CHFA or uninsured loans, HUD guidelines, excluding partial claims should be followed*)

By: ____________________

Printed Name: ____________________

Phone #: ____________________

Email Address: ____________________

Foreclosure Start Date: ____________________
(Date Attorney hired)

Attorney/Firm Assigned: ____________________

C. Foreclosure Action Notification

Date of First Legal: 10/3/05 Title Taken Date: ____________________

Bankruptcy Status: ☐ Chap 7 ☐ Chap 13 Bankruptcy Date: ____________________

Bankruptcy Dismissal Date: ____________________

Date Court/Attorney Proceeds Received: ____________________ Amount: ____________________

Property Conveyance Date: ____________________

D. Comments

90 Day Delinquency Form *attachment f*

Use this form, or spreadsheet or data submission to report **ALL** loans that are 90 days or more delinquent. Information must be cut-off on the last business day of each month and be received by CHFA no later than the 10th day of the following month. If mailing, please submit to the attention of the Finance Department at the address below. Manually completed forms or spreadsheets may be faxed to (860) 257-8375 or e-mailed to delqreport@chfa.org. Data submissions must be e-mailed to delqreport@chfa.org.

Month End Date (month and year) October 2005
CHFA Servicer # 432
Servicer Name Sample Servicer

CHFA Loan #	Servicer Loan #	Reporting Code	Date Code Assigned	Comments (should include all comments added since the last reporting cycle)
991234	449876	68	10/3/05	Judgment entered-title to CHFA within 60 days

90 Day Delinquency Form *attachment g*

Use this form, or spreadsheet or data submission to report **ALL** loans that are 90 days or more delinquent. Information must be cut-off on the last business day of each month and be received by CHFA no later than the 10th day of the following month. If mailing, please submit to the attention of the Finance Department at the address below. Manually completed forms or spreadsheets may be faxed to (860) 257-8375 or e-mailed to delqreport@chfa.org. Data submissions must be e-mailed to delqreport@chfa.org.

Month End Date (month and year) November 2005
CHFA Servicer # 432
Servicer Name Sample Servicer

CHFA Loan #	Servicer Loan #	Reporting Code	Date Code Assigned	Comments (should include all comments added since the last reporting cycle)
991234	449876	68	10/3/05	Judgment entered-title to CHFA within 30 days-property inspection done 11/2/05

CHFA Foreclosure Approval Initiation/Mitigation/Action Notification

attachment h

Fax to: (860) 257-8375
ATTN: Finance Department

A. Loan Information

Date: 12/20/05

CHFA Loan #: 991234 Servicer Loan #: 449876

Borrower Name(s): John Smith

Insurance Type: ☒ FHA ☐ VA ☐ PMI ☐ CHFA ☐ Uninsured ☐ RDA

Check if Short Sale Prior to Foreclosure Initiation: ☐

B. Foreclosure Initiation

Date Counseling Letter Sent: ______

Owner Occupancy Verified: ☐ Yes ☐ No (if No, Comment is required)

Check all boxes that may apply:

	Code	Description		Code	Description
☐	12	Repayment	☐	10	Partial Claim
☐	09	Forbearance	☐	17	Pre-Foreclosure Sale
☐	28	Modification	☐	47	Deed-In-Lieu
☐	49	Assignment/Refunding			

I certify that all CHFA guidelines, or any other requirements per the guarantor, were followed prior to initiating foreclosure: (*For CHFA or uninsured loans, HUD guidelines, excluding partial claims should be followed*)

By: ______

Printed Name: ______

Phone #: ______

Email Address: ______

Foreclosure Start Date: ______
(Date Attorney hired)

Attorney/Firm Assigned: ______

C. Foreclosure Action Notification

Date of First Legal: ______ Title Taken Date: 12/20/05

Bankruptcy Status: ☐ Chap 7 ☐ Chap 13 Bankruptcy Date: ______

Bankruptcy Dismissal Date: ______

Date Court/Attorney Proceeds Received: ______ Amount: ______

Property Conveyance Date: ______

D. Comments

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90 Day Delinquency Form *attachment i*

Use this form, or spreadsheet or data submission to report **ALL** loans that are 90 days or more delinquent. Information must be cut-off on the last business day of each month and be received by CHFA no later than the 10th day of the following month. If mailing, please submit to the attention of the Finance Department at the address below. Manually completed forms or spreadsheets may be faxed to (860) 257-8375 or e-mailed to delqreport@chfa.org. Data submissions must be e-mailed to delqreport@chfa.org.

Month End Date (month and year) December 2005
CHFA Servicer # 432
Servicer Name Sample Servicer

CHFA Loan #	**Servicer Loan #**	**Reporting Code**	**Date Code Assigned**	**Comments** **(should include all comments added since the last reporting cycle)**
991234	449876	68	10/3/05	Forc completed – ejecting borrower-remove from CHFA trail

90 Day Delinquency Form *attachment j*

Use this form, or spreadsheet or data submission to report **ALL** loans that are 90 days or more delinquent. Information must be cut-off on the last business day of each month and be received by CHFA no later than the 10th day of the following month. If mailing, please submit to the attention of the Finance Department at the address below. Manually completed forms or spreadsheets may be faxed to (860) 257-8375 or e-mailed to delqreport@chfa.org. Data submissions must be e-mailed to delqreport@chfa.org.

Month End Date (month and year) January 2006
CHFA Servicer # 432
Servicer Name Sample Servicer

CHFA Loan #	Servicer Loan #	Reporting Code	Date Code Assigned	Comments (should include all comments added since the last reporting cycle)
991234	449876	11	1/15/06	Unable to submit-occupied

CHFA Foreclosure Approval Initiation/Mitigation/Action Notification ***attachment k***

Fax to: (860) 257-8375
ATTN: Finance Department

A. Loan Information

Date: 2/26/06

CHFA Loan #: 991234 Servicer Loan #: 449876

Borrower Name(s): John Smith

Insurance Type: ☐ FHA ☐ VA ☐ PMI ☐ CHFA ☐ Uninsured ☐ RDA

Check if Short Sale Prior to Foreclosure Initiation: ☐

B. Foreclosure Initiation

Date Counseling Letter Sent: ____________________

Owner Occupancy Verified: ☐ Yes ☐ No (if No, Comment is required)

Check all boxes that may apply:

	Code	Description		Code	Description
☐	12	Repayment	☐	10	Partial Claim
☐	09	Forbearance	☐	17	Pre-Foreclosure Sale
☐	28	Modification	☐	47	Deed-In-Lieu
☐	49	Assignment/Refunding			

I certify that all CHFA guidelines, or any other requirements per the guarantor, were followed prior to initiating foreclosure: (*For CHFA or uninsured loans, HUD guidelines, excluding partial claims should be followed*)

By: ____________________

Printed Name: ____________________

Phone #: ____________________

Email Address: ____________________

Foreclosure Start Date: ____________________
(Date Attorney hired)

Attorney/Firm Assigned: ____________________

C. Foreclosure Action Notification

Date of First Legal: ____________________ Title Taken Date: ____________________

Bankruptcy Status: ☐ Chap 7 ☐ Chap 13 Bankruptcy Date: ____________________

Bankruptcy Dismissal Date: ____________________

Date Court/Attorney Proceeds Received: ____________________ Amount: ____________________

Property Conveyance Date: 2/26/06

D. Comments

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90 Day Delinquency Form *attachment l*

Use this form, or spreadsheet or data submission to report **ALL** loans that are 90 days or more delinquent. Information must be cut-off on the last business day of each month and be received by CHFA no later than the 10th day of the following month. If mailing, please submit to the attention of the Finance Department at the address below. Manually completed forms or spreadsheets may be faxed to (860) 257-8375 or e-mailed to delqreport@chfa.org. Data submissions must be e-mailed to delqreport@chfa.org.

Month End Date (month and year) February 2006
CHFA Servicer # 432
Servicer Name Sample Servicer

CHFA Loan #	Servicer Loan #	Reporting Code	Date Code Assigned	Comments (should include all comments added since the last reporting cycle)
991234	449876	46	2/26/06	Borrower ejected – claim being prepared. Property conveyed, claim submitted

90 Day Delinquency Form *attachment m*

Use this form, or spreadsheet or data submission to report **ALL** loans that are 90 days or more delinquent. Information must be cut-off on the last business day of each month and be received by CHFA no later than the 10th day of the following month. If mailing, please submit to the attention of the Finance Department at the address below. Manually completed forms or spreadsheets may be faxed to (860) 257-8375 or e-mailed to delqreport@chfa.org. Data submissions must be e-mailed to delqreport@chfa.org.

Month End Date (month and year) March 2006

CHFA Servicer # 432

Servicer Name Sample Servicer

CHFA Loan #	Servicer Loan #	Reporting Code	Date Code Assigned	Comments (should include all comments added since the last reporting cycle)
991234	449876	46	2/26/06	PA Proceeds received by CHFA – expenses submitted to HUD

90 Day Delinquency Form *attachment n*

Use this form, or spreadsheet or data submission to report **ALL** loans that are 90 days or more delinquent. Information must be cut-off on the last business day of each month and be received by CHFA no later than the 10th day of the following month. If mailing, please submit to the attention of the Finance Department at the address below. Manually completed forms or spreadsheets may be faxed to (860) 257-8375 or e-mailed to delqreport@chfa.org. Data submissions must be e-mailed to delqreport@chfa.org.

Month End Date (month and year) April 2006
CHFA Servicer # 432
Servicer Name Sample Servicer

CHFA Loan #	Servicer Loan #	Reporting Code	Date Code Assigned	Comments **(should include all comments added since the last reporting cycle)**
991234	449876	45	4/6/06	Part B received by CHFA-Additional expenses submitted to CHFA

<u>SECTION 13</u>

RESERVED – FUTURE PROGRAMS

SECTION 14 – GLOSSARY OF TERMS

SECTION 14 – Glossary of Terms

As used in this Manual, the following words and terms have the meanings set forth below:

Acquisition Cost: Means the cost of acquiring the eligible dwelling from the Seller as a completed residence. Usual and reasonable settlement or financing costs are not included.

Act: Title 8, Chapter 134 of the Connecticut General Statutes, as amended, and the procedures of the Authority adopted hereto.

Area of Chronic Economic Distress: An area designated as such by the State and approved by the Federal Secretaries of the Treasury and Housing and Urban Development in accordance with criteria established under the Code.

Bonds: Bonds issued by CHFA to finance its Home Mortgage Purchase Program.

CHFA: Connecticut Housing Finance Authority

C4C: Capital For Change, Inc. (CHFA DAP 2^{nd} Mortgage Servicer Eff. 6/1/2016 F/K/A CHIF)

Code: The Internal Revenue Code of 1986, as amended and rulings and regulations thereunder.

Commitment: A written obligation to purchase a Loan in the amount and upon terms specified, issued by CHFA after review and acceptance of the Loan submission documents submitted to CHFA from a Participating Lender.

DAP 2nd Mortgage: State of Connecticut 2^{nd} Mortgage Downpayment Assistance Program (DAP) to eligible homebuyers in conjunction with a CHFA 1^{st} mortgage.

Eligible Borrower: Any person meeting the requirements set forth in Section 3.1 of this Manual.

Eligible Dwelling: Any residential structure which meets the requirements set forth in Section 3.2 of this Manual.

Escrow Payments: Any payments made by and Eligible Borrower to a Participating Lender or Servicer, pursuant to the terms of a Loan on account of or with respect to: taxes, assessments, insurance or similar charges or premiums.

Family Size: The number of persons in the family unit of an applicant for a CHFA Mortgage Loan including all proposed owner-occupants, and all other proposed residents who will occupy the residence after closing.

FHA: Federal Housing Administration, aka HUD (Housing and Urban Development)

FHLMC: Federal Home Loan Mortgage Corporation, aka Freddie Mac.

FNMA: Federal national Mortgage Association, aka Fannie Mae

Home Mortgage Servicing Agreement: The agreement between CHFA and a Servicer pursuant to which Loans are serviced.

Homeownership Program: These are lower interest rate first mortgages specifically for residents of government-subsidized rental housing who want to purchase a home.

Household Income: Total aggregate household income (gross income) of the borrower and co-borrower.

Loan or Mortgage Loan: A loan to an Eligible to finance the purchase or refinance of an Eligible Dwelling which meets the CHFA guidelines set forth in this Manual.

Master Commitment Agreement for Mortgage Purchases: The agreement between CHFA and a Participating Lender which defines requirements, obligations, and rights pertaining to the issuance of a Commitment and the purchase of a loan by CHFA.

Missing Exhibits Letter: A letter from CHFA to the Participating Lender suspending further processing of an application until missing exhibits documentation or other action specified in letter are received, corrected or clarified.

Newly-Constructed Homes: Are homes never occupied prior to CHFA loan commitment.

Non-Qualified Rehabilitation: Rehabilitation meeting the criteria specified in Section 4 of this Manual even though it does not meet Federal criteria for Qualified Rehabilitation.

Owner-Occupancy or Owner-Occupied: The statutory requirement that each Eligible Borrower live in the Eligible Dwelling as a principal residence (i.e., permanent and primary residence).

Participating Lender: Any institution which is licensed to do business in the State, legally authorized to make mortgage loans of the general character of mortgage Loans, which meets the qualifications for Participating Lender as set forth in this Manual, has been approved by CHFA, and has entered into a Master Commitment Agreement for Mortgage Purchases.

Program: The Authority's Home Mortgage Purchase Program.

Prior Homeowner: A borrower who owns or has owned a home within three years preceding the date of application.

Private Mortgage Insurance Company or PMI: Any insurance company licensed to do business in the State of Connecticut, authorized to issue mortgage insurance, and approved by CHFA.

Qualified Census Tract: A census tract in which 70% or more of the families have a median income of 80% or less of the statewide median family income.

Qualified Rehabilitation: An existing 1-4 family home eligible for rehabilitation refinancing, see Section 4 of this Manual.

Qualifying Income: Amount of gross monthly income used to calculate Eligible Borrower(s) capacity to repay the mortgage loan debt. All sources of income i.e. base salary; overtime; bonuses; commission; dividend/interest; Social Security; Disability, etc. will be included in the income calculation.

USDA- RD: Rural Development, aka (United States Department of Agriculture) or **RDA**

Rehabilitation Mortgage Loan: First mortgages for both first-time homebuyers who wish to purchase and rehabilitate a home and for existing homeowners who wish to keep and rehabilitate their present home.

Seller: The seller of the Eligible Dwelling to the Eligible Borrower.

Servicer: A participating Lender or designated servicer, approved by CHFA, which has executed a Home Mortgage Servicing Agreement.

State: The State of Connecticut

Targeted Area: An area which is either a Qualified Census Tract or in an Area of Chronic Economic Distress. Targeted Areas recognized by CHFA are listed on website www.CHFA.org

VA: Veterans Administration of the United States of America.