
**Servicing Bulletin 2020-07
September 15, 2020**

To: All CHFA Single Family Servicers
From: John Chilson, Director, Portfolio Management
Subject: Forbearances Granted for COVID-19 Related Hardships

The following guidance is being offered for all Connecticut Housing Finance Authority (“CHFA”) single family loans that have resolved their COVID-19 related hardship and no longer require forbearance on their monthly mortgage payments. This guidance is specifically addresses the missed past-due amounts required to bring the borrower’s mortgage current (repayment of certain past-due monthly principal and interest payments, as well as missed real estate and insurance premium escrow payments and/or any amounts servicers may have had to advance for real estate tax or insurance premium shortages).

For all CHFA loans insured by FHA, VA or USDA, we ask that you follow the respective insurer guidelines in addressing the forborne monthly payments.

For all CHFA insured and uninsured mortgage loans, we are requesting servicers follow a waterfall of options similar to FNMA guidelines with a few slight variations: first, a lump sum repayment if feasible; if not, a 12 to 60 month repayment plan if feasible; if not, a deferred payment plan similar to FNMA’s option 3, the COVID-19 Payment Deferral. If the first three options are not viable for the borrower, the fourth option would consist of a traditional loan modification following CHFA’s existing guidelines. The following is a more detailed description of each of the options and what is required under each.

Option 1: Reinstatement

This option is for those borrowers who have the income and/or financial resources to pay the total forbearance amount all at once.

Option 2: Repayment Plan

With a repayment plan, borrowers will have the opportunity to bring their mortgage current over a period of time making additional monthly payments along with their regular monthly mortgage payments. FNMA limits this period to 12 months. CHFA will permit a period of up to 60 months, making this option more viable for more borrowers. Interest will not be accrued on the amount being repaid over the repayment period. The appropriate repayment period will be at the servicer’s discretion up to the 60 month maximum (but not beyond the existing maturity of the loan). The repayment agreement reached between the servicer and borrower should be documented utilizing the [CHFA Loan Modification Agreement attached as Exhibit A.](#)

Option 3: Payment Deferral

The payment deferral option allows borrowers to bring their mortgage current by delaying repayment of forbearance amounts, interest free, due and payable at the maturity of the mortgage loan or with the sale or transfer of the property, or refinancing of the mortgage loan and/or pay off the interest-bearing unpaid principal balance.

As with FNMA, for a loan to qualify for the payment deferral option:

- The mortgage loan must have been current or less than 31 days delinquent as of Mar. 1, 2020, the effective date of the National Emergency declaration related to COVID-19.
- The mortgage loan must be 31 or more days delinquent but less than or equal to 360 days delinquent as of the date of evaluation.

Further, the servicer must verify that the borrower does not have the financial means for options 1 or 2. Borrowers, and co-borrowers if applicable, must provide the servicer at least three current paystubs from their current employment. Self-employed borrowers should provide other evidence of income such as bank statement deposits. Borrowers must also provide a copy of the most recent bank statement for each open savings and checking account, along with a statements from each investment, mutual fund, retirement account, etc. held by the borrower and co-borrower if applicable.

Upon confirming that the borrower does not have the financial resources for option 1 or 2, the servicer may offer the borrower the Payment Deferral option. This option should be documented utilizing the [FNMA Payment Deferral Agreement \(the “Agreement”\) attached as Exhibit B](#). The Agreement must be signed by the borrower (and co-borrower if applicable). Two executed Agreements along with support for the “Total past-due amounts to be deferred” itemized on page 2 (“ATBD”) of the Agreement should then be submitted to CHFA.

CHFA will review each Payment Deferral Agreement and, if approved, execute the mortgagee’s portion of both copies of the Agreement and return a copy to the servicer to provide to the borrower. CHFA will also wire to the servicer the dollar amount of ATBD. The servicer will apply the principal and interest portion of the ATBD necessary to bring the loan current with the borrower’s next scheduled payment. The principal and interest payments will then be remitted with the servicer’s next scheduled remittance to CHFA. The servicer will use the remaining portion of the ATBD payment received from CHFA to satisfy escrow shortages and advances related to the forbearance period.

Option 4: Loan Modification

If the borrower cannot afford Options 1 and 2 and does not qualify for Option 3, then the servicer will review the loan for a modification within CHFA’s existing modification guidelines. If a loan does not meet those guidelines, the servicer will follow CHFA’s Operating Manual for delinquent loans.

Please note that the Loan Modification Agreement and the Payment Deferral Agreement have lines for witnesses and a notary to allow these agreements to be recorded. At the present time the requirement for witnesses on documents that need to be notarized has been suspended for duration of the public health emergency declared by Governor Lamont pursuant to Executive Order 7Q, which was then extended by Executive Order 7ZZ.

Questions regarding this Bulletin should be directed to John Chilson at (860) 571-4247; john.chilson@chfa.org or Liisa Koeper at (860) 571-4226; liisa.koeper@chfa.org.

MODIFICATION AGREEMENT

This Modification Agreement (the "Agreement"), dated this _____ day of _____, 2020 by and between _____ ("Borrower" or "Grantor"), and the **CONNECTICUT HOUSING FINANCE AUTHORITY**, a body politic and corporate constituting a public instrumentality and political subdivision of the State of Connecticut with its office and principal place of business at 999 West Street, Rocky Hill, CT 06067 ("CHFA" or "Grantee"), modifies a loan secured by a certain Mortgage (the "Mortgage") made by Borrower dated _____ recorded in Volume _____ at Page _____ of the _____ Connecticut Land Records, as assigned to CHFA by virtue of a certain Assignment dated _____ and recorded in Volume _____ at Page _____ of said Land Records, which Mortgage encumbers the real property located at _____, _____, CT 06____ (the "Property"). This Agreement modifies a certain Promissory Note (the "Note") which evidences the loan, which is dated the date of the Mortgage and is secured by the Mortgage.

WHEREAS, Borrower and CHFA have agreed to modify the Note and Mortgage;

WHEREAS, said Note and Mortgage are current to and including the payment due on _____, leaving an unpaid principal balance and an arrearage of delinquent interest in the amounts set forth below after amounts paid by the Borrower but not previously credited to the loan are credited to the loan; and

WHEREAS, delinquent tax and insurance escrow payments total plus servicing advances have been made on the Borrower's behalf for inadequate escrow balances for tax and insurance premium payments due; and

WHEREAS, delinquent interest, escrow payments and servicing advances total the Arrearage set forth below; and,

WHEREAS, CHFA and Borrower desire to resolve the Arrearage with additional monthly installments of \$_____ for a period of ____ months commencing with first day of _____, 20___. Said installments are to be paid with and in addition to the Borrower's regular monthly mortgage payments due over the same period.

NOW, THEREFORE, in consideration of the mutual promises and agreements exchanged by the parties hereto, and notwithstanding anything to the contrary contained in the Note or Mortgage, Borrower and CHFA hereby agree as follows:

1. Accrued but unpaid interest in the amount of \$_____ plus delinquent escrow payments of \$_____, plus servicing advances of \$_____ total \$_____ (the "Arrearage") which is due.
2. The unpaid balance of the Note is \$_____.
3. In addition to monthly payments due under the Note and Mortgage, Borrower promises to pay the Arrearage in monthly installments in the amount of \$_____ for ____ months beginning _____ and ending _____.
4. Such monthly installments in payment of the Arrearage received by CHFA may be applied: (a) in the following order of priority: (i) interest due under the Note; (ii) principal due under the Note; (iii) amounts due in respect of delinquent escrow payments, (iv) amounts due in respect of servicing advances, or (b) in such order as CHFA may in its discretion elect.

5. The Mortgage is hereby amended so that all references to the "Note" in such Mortgage shall refer to the Note, as modified by this Agreement.
6. The Note and Mortgage, as specifically modified herein, are hereby ratified and confirmed and shall remain in full force and effect.
7. If Borrower has, since the date of the Note but prior to the date of this Agreement, received a discharge in a Chapter 7 Bankruptcy, and there having been no valid reaffirmation of the underlying debt, by entering into this Agreement, CHFA is not attempting to re-establish any personal liability for the underlying debt.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the dates indicated below.

WITNESSES (2):

BORROWER:

(signature) _____
(print name)

By: _____

(signature) _____
(print name)

Date: _____

STATE OF CONNECTICUT)
)
COUNTY OF) ss:

The foregoing instrument was acknowledged before me this ____ day of _____, 2020 by _____.

Notary Public

CONNECTICUT HOUSING FINANCE AUTHORITY

By: _____
Hazim Taib
Chief Financial Officer

STATE OF CONNECTICUT)
)
COUNTY OF HARTFORD) ss: Rocky Hill

The foregoing instrument was acknowledged before me this ____ day of _____, 2020 by Hazim Taib, Chief Financial Officer, of Connecticut Housing Finance Authority on behalf of the Connecticut Housing Finance Authority.

Notary Public

[SERVICER LOGO]

[SERVICER ADDRESS]

[BORROWER 1 NAME] [BORROWER 2 NAME]
[ADDRESS 1]
[ADDRESS 2]
[CITY, STATE ZIP CODE]

[DATE]

REFERENCE: [LOAN NUMBER]

PAYMENT DEFERRAL AGREEMENT

[DATE]

Dear [BORROWER NAME(S)]:

Thank you for speaking with us about your mortgage. As we discussed, you are approved for a payment deferral, and we will defer your past-due amounts to bring your mortgage current. This letter describes what a payment deferral is and how it impacts your mortgage.

[When including with a solicitation letter, use the following language in lieu of above paragraph]:

You are approved for a payment deferral, and we will defer your past-due amounts to bring your mortgage current. This letter describes what a payment deferral is and how it impacts your mortgage.

****To accept this offer, you must [servicer include instruction on method(s) evidencing acceptance] by [date before end of the current month]****

What is a Payment Deferral?

A payment deferral brings your mortgage current and delays repayment of certain past-due monthly principal and interest payments, as well as other amounts we paid on your behalf related to the past-due monthly payments. You will be responsible for paying the past-due amounts upon the maturity date of the mortgage or earlier upon the sale or transfer of the property, refinance of the mortgage loan, or payoff of the interest-bearing unpaid principal balance.

Terms of the Payment Deferral

As of [EFFECTIVE DATE], we will

- adjust the due date of your next scheduled monthly payment to bring your mortgage current,
- defer the scheduled repayment of the total past-due amounts to the maturity date of the mortgage or earlier upon the sale or transfer of the property, refinance of the mortgage loan, or payoff of the interest-bearing unpaid principal balance, and
- waive any late charges.

[For a borrower who was 12 months delinquent at the date of evaluation where the servicer is also using a processing month, include the following language]: We require a processing month for us to complete your payment deferral. Because you are 12 months delinquent, you must pay your current monthly contractual payment of \$[amount] by [date] in order for your payment deferral to become effective.

The following table describes the specific terms of your payment deferral.

Number of past due principal and interest payments to be deferred	
Past-due principal and interest payment amount to be deferred	
Other past-due amounts to be deferred*	
Total past-due amounts to be deferred**	
Late charges to be waived	

*Includes any amounts we paid on your behalf related to the past-due payments, such as taxes or insurance, as authorized by your mortgage documents.

**Interest will not be charged on the total past-due amounts to be deferred. The payment deferral will not change any other terms of your mortgage.

Once your payment deferral is in effect, you must continue to make your scheduled monthly payment to keep your mortgage current.

QUESTIONS? CONTACT US

[SERVICER'S NAME]
 Phone: [8XX-XXX-XXXX]
 Email Address: [SERVICER'S EMAIL]
 Website: [SERVICER'S WEBSITE]

FREQUENTLY ASKED QUESTIONS

What other amounts might I owe?

- There are no processing fees for this payment deferral.
- If there is already a principal forbearance amount that will be due at the maturity of your loan, you will still be responsible for any such amount that remains at the maturity date of the mortgage loan or earlier upon the sale or transfer of the property, refinance of the mortgage loan, or payoff of the interest-bearing unpaid principal balance.

How will a payment deferral impact my credit?

- If your financial hardship was caused by COVID-19 during the covered period under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") and you were current on your mortgage before receiving the payment deferral, we will continue to report you as current on your credit report. If you were delinquent on your mortgage prior to receiving the payment deferral, we will continue to report this delinquency status while the payment deferral is in effect.
- When your payment deferral is completed, you will be considered current on your mortgage.
- For information on how your credit report may impact your credit score, go to: <https://www.consumerfinance.gov/consumer-tools/credit-reports-and-scores/>

What if I need further assistance?

- Please contact us any time at [SERVICER PHONE NUMBER], especially if you experience another event that may prevent you from making your mortgage payment.
- For a list of HUD-approved housing counseling agencies that can provide free foreclosure prevention and debt management information, and may be able to provide translation or other language assistance, contact one of the following federal government agencies:
 - The U.S. Department of Housing and Urban Development (HUD) at (800) 569-4287 or www.hud.gov/counseling
 - The Consumer Financial Protection Bureau (CFPB) at (855) 411-2372 or www.consumerfinance.gov/mortgagehelp
- For additional information on how to avoid foreclosure, including help for military servicemembers, you may also visit Fannie Mae's www.KnowYourOptions.com.

Additional Payment Deferral Information and Legal Notices

[The servicer must include any disclosures required by federal, state, or local law.]

[If the borrower is in good standing under a HAMP® modification, remains eligible to earn additional borrower incentives, and will lose good standing upon completion of a payment deferral, servicers must include the following.]:

If your mortgage has been modified under the Home Affordable Modification ProgramSM (HAMP®), please note that:

Upon this payment deferral becoming effective, you will be ineligible to receive any future HAMP "Pay for Performance" incentives, including any accrued but unpaid incentives

