Servicing Bulletin 2021-09
October 12, 2021

To: All CHFA Single Family Servicers
From: Liisa Koeper, Assistant Director, SFAM Default Servicing
Subject: Updates to COVID-19 Post-Forbearance Loan Retention Options, new CHFA COVID Modification and Forbearance Timeline Reminder

This Servicing Bulletin (“SB 2021-09”) updates loan retention options 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 or who have exited a forbearance plan due to forbearance maximum timelines.

To accommodate COVID-19 loan modification interest rate requirements, CHFA has updated its Loan Modification Form & Certification (CHFA Form # LRC LM Rev. 9-9-2021) for use when submitting modification requests to CHFA.

CHFA’s approval is not required for the FHA COVID-19 Advance Loan Modification (“ALM”) prior to issuing the Modification offer to the borrower. Additional guidance on the ALM process can be found in the ALM Flowchart. When submitting a borrower executed ALM for CHFA’s signature, Servicers must include a completed Loan Modification Form & Certification (CHFA Form # LRC LM Rev. 9-9-2021), a recent payment history and a title search or copy of the recorded Mortgage & Assignment of Mortgage. CHFA will review the ALM Modification Agreement for accuracy prior to CHFA execution of the document. Items of note, Connecticut records by city/town, not by county and in most cases the assignment’s recording volume/book and page immediately follows the mortgage deed. ALM Modification Agreements with errors will be returned to the servicer to be corrected and re-issued to the borrower for signature.
CHFA has streamlined its modification documents. All modifications will now use the CHFA LOAN MODIFICATION AGREEMENT. There are two versions of this modification agreement: CHFA-MOD (1), Rev. 9-9-2021 for a single borrower signature and CHFA-MOD (2), Rev. 9-9-2021 for multiple borrower signatures.

PLEASE NOTE:
ALM Modification – Servicer prepares modification documents.
ALL other Modifications – CHFA will prepare the modification documents.

With the exception of the FHA ALM, all modification requests will continue to require CHFA’s review before being presented to the borrower. The CHFA Loan Modification Form & Certification (CHFA Form # LRC LM Rev. 09-09-2021) must also be completed and included when submitting any modification request to CHFA.

All modification requests and supporting documentation should be submitted to modifications@chfa.org. Please reference the CHFA loan number in the subject line.

For all other CHFA loans, Servicers should follow a waterfall of options:

1) A lump sum repayment;
2) A 12 to 60 month repayment plan;
3) A deferred payment plan;
4) CHFA COVID modification;
5) Standard CHFA modification;

The CHFA COVID will be available for a temporary period of time. This modification is similar to FHA’s COVID-19 Recovery Modification. The CHFA COVID modification targets a 25 percent P&I reduction for all Borrowers who are unable to return to making their existing mortgage payment. Modification criteria are below:
• The modified UPB cannot exceed the original UPB.
• Capitalization of corporate advances or other protective advances a servicer may have made on the borrower’s behalf is allowed.
• The housing ratio cannot be lower than 28% or higher than 31%.
• The Total DTI cannot exceed 45%.
• The modified rate may not exceed the most recent Freddie Mac Weekly Primary Mortgage Market Survey (PMMS) interest rate, rounded to the nearest one-eighth of 1 percent (0.125 percent).
• The maturity date may be extended incrementally until the 25% P&I payment reduction is achieved. The maturity date may not exceed 360 months from modification date.

Forbearance Reminder

As a reminder, please use FHA’s most current guidance around forbearance timelines for all CHFA loans.

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