

SECTION 5 – UNDERWRITING

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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 down payment, 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 [down payment 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.

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

Monthly housing and total debt ratios must be in compliance with the insurer and investor guidelines (i.e. VA, USDA- RD, PMI, FHLMC-HFA Advantage) up to a maximum of 45%. (FHA & FNMA-HFA Preferred Program) without DAP, can go up to a maximum of 50%.

All loans with CHFA DAP must meet DAP ratio guidelines of 35% / 43%.

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 down payment 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:

<u>Loan-to-Value Ratio</u>	<u>PMI Coverage Required</u>
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:

<u>Loan-to-Value Ratio</u>	<u>PMI Coverage Required</u>
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 $\geq 20\%$ 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 Section I-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.

DAP Loans: Lenders are required to document the source of funds for any deposit or withdrawal in an amount that is equal to or greater than 10% of the borrower's monthly income.

Deposits or withdrawals that do not meet this threshold do not require verification however; consistently scheduled deposits of smaller amounts may require further discussion and documentation to ensure the funds are not coming from an additional source of income i.e. part-time job or home based business initiative.

- 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) CHFA 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. 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) PRODUCT-SPECIFIC FORMS**
- a. Rehab Loans
 - 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. Homeownership Program Loans
 - 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. Downpayment Assistance Program (DAP) Loans
 - i. CHFA DAP Loan Application & Qualification:
For loans requiring downpayment assistance - Form DAPappONLY;
 - ii. DAP Borrower’s Certificate - CHFA Form DAP95-05

- iii. TILA Loan Estimates (LE) 1st Mortgage and 2nd Mortgage
- iv. Counseling Certificate of completion (from counseling agency)
- d. Teachers Mortgage Assistance Program
Teachers Statement of Eligibility – CHFA Form 031-030
- e. Police Homeownership Program
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. VA Loans:

- 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. 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 Loans

- 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)