

SECTION 5 – UNDERWRITING

(See Section 8 for DAP Underwriting)

- 5.1 Credit Review**
- 5.2 Applicant Processing**
- 5.3 Mortgage Insurance or Guaranty**
- 5.4 Closing Costs**
- 5.5 Loan Submission to CHFA for Commitment**
- 5.6 Electronic Signatures**
- 5.7 Delegated Underwriting (LEAN)**

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; commissions; military allowances; welfare payments; disability payments; pension, annuity, retirement and social security benefits; and reimbursement for services in military reserve or National Guard.
 - a. Overtime income, whether or not guaranteed by an employer, shall be included unless it is of short duration and of a temporary nature.
 - b. 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 when:
 - i. The borrower and/or co-borrower is employed in a seasonal occupation and receives unemployment compensation in "off season" periods;
 - ii. 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;
 - iii. 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.
 - c. 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. *(Refer to Programs with AMI Income Limit restrictions)*
3. Applicants expecting the birth of a child are allowed to count the unborn child as 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.
4. For applicants that receive an increase in base pay due to a permanent increase in hours; pay raises or promotions, lenders are required to use the most recent salary to determine applicant eligibility. Increased income cannot be averaged with lower earnings received in the calendar year to reduce income for participation.
5. Bonus and Commission – For applicants that receive bonus and/or commission income, CHFA requires the lender to calculate a 12-24 month average, based on length of employment in current position, in determining program eligibility.
6. 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.
7. 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. 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.
8. Income must be supported by signed copies of the borrower(s) federal income tax returns or IRS tax return transcripts in accordance with (Section 3.1C.4) and copies of current and consecutive pay stubs covering a thirty (30) day period reflecting YTD income in addition to the most recent W-2s. The prospective Eligible

Borrower(s) must demonstrate stability of income from all sources. Lender must provide wage and employment verification from an acceptable source as determined by the insurer and/or investor for the program type. For non-DAP loans, lenders may follow AUS investor and insurer documentation guidelines.

9. 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 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 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
 - h. The Participating Lender will submit to CHFA evidence adequate to support its determination.

Sources of income required for calculating income limit eligibility and qualifying income for repayment:

INCOME	Qualifying; UW discretion	Must count for Limits
Alimony/Child support	*	*
Adoption/Foster care income	*	*
Allowances: auto, uniform, housing	*	*
Bonuses	*	*
Capital Gains	*	*
Commissions	*	*
Disability payments	*	*
Dividends	*	*
Gambling/Lottery winnings	*	*
Interest	*	*
Military income, (allowances; housing, clothing, subsistence)	*	*
Overtime, <i>*See DAP Section 8 for limits on usage</i>		*
Part-time earnings	*	*
Pension, Annuity, Retirement, Social Security	*	*
Profit Sharing	*	*
Regular Earnings: Base salary/hourly		*
Rental income	*	*
Self-employment; Schedule C, E	*	*
Tips	*	*
Trust income	*	*
Unemployment benefits	*	*
Welfare payments	*	*

C. Third Party Verification of Assets

CHFA does not accept third party sources to document borrower assets. Bank statements are required to determine if there may be additional sources of income that must be considered when determining borrower income eligibility for bond compliance.

(Third party verifications obtained under the Fannie Mae Day 1 Certainty program are not acceptable).

D. Co-signers

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

E. Underwriting Ratios

1. 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. Payment shock should be considered when submitting a loan for down payment assistance.

2. Monthly Housing Expense-to-Income Ratio *(without CHFA DAP)*

The maximum monthly housing expense ratio is capped at 45%. The monthly housing payment must include principal, interest, taxes, insurance, [PITI] down payment assistance loans, along with any other applicable housing expenses required to be paid, in accordance with the Loan terms.

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 Total Debt Payment-to-Income-Ratio *(without CHFA DAP)*

The maximum monthly housing expense plus all other monthly payments on installment loans, student loans, and revolving credit debt is capped at 45%.

When applicable, files must be submitted in compliance with the insurer, [i.e. FHA, VA, USDA-RD, PMI] or investor, [i.e. FNMA, FHLMC] guidelines but cannot exceed the established CHFA debt ratios referenced above.

For DAP debt-to-income ratios see Section 8.12

F. Commuting Distance Restrictions

Lenders are required to calculate an estimate of the cost of commuting for any applicant whose employment location is more than seventy-five (75) miles one-way from the subject property / one-hundred and fifty (150) miles round-trip, to project a monthly commuting expense amount to be added in the total debt ratio calculation for affordability.

1. For applicants commuting by car, Lenders must use the current mileage F reimbursement rate for travel expenses as announced by the Internal Revenue Service (IRS) and published by the General Services Administration (GSA) as privately owned vehicle mileage reimbursement rates.

The formula to calculate commuting expenses is shown in the example below:
The GSA rate for 2021 is 0.56 cents per mile.

Commuting distance one-way = 108 miles / round-trip = **216 miles**
216 miles x 0.56 = **\$120.96 per day**

52 weeks – 4 weeks (*vacation*) = **48 weeks**

48 weeks – 12 days (*holidays/sick/personal days estimated*) = **46 weeks**

46 weeks x 5 days per work week = **230 days**

230 days x \$120.96 per day = \$27,820.08 / 12 = \$2,318.40 monthly commuting expense.

The monthly commuting expense amount must be added to the total debt ratio for qualifying. Ratios that exceed program guidelines will not be eligible for approval.

2. **Monthly commuting expenses for applicants traveling daily by train or bus 150 miles or more round-trip must be documented.** The commuting expense must include daily parking and transportation to and from the train or bus station, as applicable.
3. Alternative arrangements, such as staying with relatives and/or carpooling will not be considered.

The full monthly commuting expense will be included in the total debt ratio for qualifying purposes. Debt ratios must meet CHFA program guidelines to be eligible for approval.

G. Credit Reports

CHFA requires Participating Lenders to a run Tri merge credit report on all borrowers in a format acceptable to the mortgage insurers and investors. Any additional credit information from borrowers normally used by a Participating Lender in the

underwriting evaluation must also be submitted to CHFA for review with the loan submission.

H. Credit Scores

Although CHFA is not a “credit score” driven program, in some instances the credit score guidelines of the insurer and/or investor will apply. 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.

I. 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.
2. 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 financing. See CHFA Operating Manual Section 8 – Downpayment Assistance Program for details.)*

J. Secondary Market– Underwriting

The AUS submissions for underwriting purposes must occur before the closing of the mortgage loan. In instances where AUS has been updated, and the loan or borrower information changes and it no longer matches the information used when last underwritten, the lender must update the AUS data and resubmit. AUS must be run in compliance with all secondary market investor guidelines.

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

- a. All information provided in the final submission to AUS 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 AUS; and
- d. The loan file receives an eligible recommendation from the applicable AUS on the final submission.

The Automated Underwriting System report summarizes the overall underwriting recommendations and lists the steps necessary for the Lender to complete the processing of the loan file.

K. 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/FHLMC documentation requirements or a substantially similar form, must be submitted with supporting documentation in the Loan submission package. *See CHFA DAP Section 8 for additional guidance.*

L. Age of Documents

Participating Lenders are responsible for ensuring the age of the appraisal, income and credit documents are in compliance with Secondary Market and Mortgage Insurer guidelines at the time of the loan closing. Lenders are required to update documents prior to closing in compliance with investor and/or insurer guidelines.

a. HUD Appraisal Validity Period

The validity period for all appraisals on existing and proposed and under construction properties is 120 days.

b. 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.

Mortgage Loan Application Documentation includes:

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

c. Secondary Market 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.

d. Secondary Market 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).

***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.*

M. 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 Application Processing

A. Forms

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

B. Records of Declined Applications

Participating Lenders should maintain accurate records and related forms for each Loan application that is declined for a minimum of 25 months. 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 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 down payment on the property is 20% or more, based on the lower of the purchase price or property appraised value.
- C. CHFA independently reviews each Loan application and in appropriate instances 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.
- D. 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 down payment 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).

E. 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.

F. 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.
- d. CHFA will allow borrower paid monthly premiums for all loans. CHFA will also allow borrower paid single premium for HFA Preferred™ and HFA Advantage® Programs loans without CHFA DAP. The source of funds used to pay single premiums must meet FNMA, FHLMC and MI company guidelines. Single premiums must be paid with the borrowers own funds and cannot be financed.

2. CHFA Approved Nonprofit Agency Partners

The list of approved nonprofit agency partners is located in the CHFA Loan Origination System (LOS) on the loan reservation screen.

3. Acceptable Insurers:

PMI Insurance is acceptable only from the following CHFA-approved companies which meet Fannie Mae (FNMA) and Freddie Mac (FHLMC) 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 CALP loans as applicable:

<u>Loan-to-Value Ratio</u>	<u>PMI Coverage Required</u>
95.01 - 97.00%	Top 25%
90.01 - 95.00%	Top 25%
85.01 - 90.00%	Top 25%
80.01 - 85.00%	Top 12%

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

1. CHFA accepts FHA Insurance or USDA-RD and VA Guarantees for 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(b) or (i); Home Unsubsidized
 - b. FHA Section 203(k) Rehabilitation
 - c. FHA 213: Cooperative Financing
 - d. FHA Section 221(d) (2): Low and Moderate Income
 - e. FHA Section 222: Serviceman
 - f. FHA Section 233: Experimental Housing

- g. FHA Section 234: Individual Condominium Unit
 - h. FHA Section 235: Lower Income (Interest Subsidy)
 - i. FHA Section 237: Special Credit Risks
 - j. FHA Section 245: Graduated Payment Mortgages
 - k. FHA Section 745: Direct Endorsements
 - l. FHA Section 809: Armed Services Civilian Employees
 - m. FHA Section 810: Armed Services Housing
 - n. VA - Chapter 37 Title 38, U.S. Code *(which includes Section 501 of the Servicemember's Readjustment Act of 1944, as amended)*
 - o. USDA- RD Section 502 Guaranteed Rural Housing Program
3. Loans may be insured under any other FHA insurance program with the prior approval of CHFA.
 4. USDA-RD and VA- 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.
 5. 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.

H. Uninsured Loans and Insurance Coverage

1. Mortgage insurance coverage is required for all loans except for those loans with a down payment 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 down payment is $\geq 20\%$ statewide 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 are 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.

I. Minimum Downpayment

1. All loans insured by FHA, VA, USDA-RD or PMI must meet the minimum requirements of the insurer. The minimum down payment must also comply with the eligible criteria for the CHFA loan product the loan is originated under. (see Section 5.3D3).

2. Equity

In some cases CHFA may require a down payment 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. Insurer guidelines will apply.

- $\leq 80.0\%$ Uninsured
- 96.5% FHA (3.50% Down)
- 97.0% CHFA Conv.; HFA Preferred™ / HFA Advantage® / CALP (3% Down)
- 95.0% CHFA Conv.; HFA Preferred™ / CALP (2 - 4 unit = 5%)
- 100.0% USDA (LTV may increase to include guarantee fee) DAP Closing Costs only
- 100.0% VA (LTV may increase to include the funding fee) DAP Closing Costs only

- CLTV = 105% (CHFA DAP)
- CLTV = 105% (Other Subordinate Financing – Follow Investor Guidelines)

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 Fee = 1 point (1.00%) or 0 point (0.00%) option
- Loan Processing Fee = \$395.00
- Loan Underwriting Fee = \$395.00
- Owner Occupancy Inspection Fee up to a maximum of \$100.00

Loans Delivered to IHFA Only - *(not applicable for loans delivered to any other servicer)*

- Tax Service Fee = \$85.00
- MERS = Up to \$15.00
- Flood Determination Company Transfer Fee = \$10.00

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.)*

B. Unacceptable Closing Costs - CHFA Eligible Borrowers may not be charged;

- a. Commitment fee
- b. Discount Fees
- c. Fees for guaranteeing the rate or point
- 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™ & HFA Advantage®).

5.5 Loan Submission to CHFA for Commitment

A. Exhibits for Commitment Package

Please submit all documentation in the following descending order thru CHFA Sharefile program upload process:

1. STANDARD DOCUMENTS REQUIRED FOR ALL LOAN TYPES

- a. Completed applicable CHFA servicers, Processing Checklists & Loan File Submission Order forms:
 - 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).
 - iii. **CHFA Downpayment Assistance Program Servicers**
If first mortgage serviced by: Idaho Housing And Finance Association
Second Mortgage DAP Loan Servicer =
Idaho Housing and Finance Association - (CHFA Form DAP – ID)
Attn: Loan Servicing Dept. - 565 W. Myrtle Street - Boise, ID 83702
 - iv. If first mortgage serviced by: Service Retained Lender – or – AmeriNat
Second Mortgage DAP Loan Servicer =
Capital For Change, Inc. (C4C) - (CHFA Form DAP-AM-LNDR
Attn: Loan Servicing Dept. - 10 Alexander Drive -Wallingford, CT 06492
- b. The CHFA “Additional Data” screen within LOS must be completed and a final, verified, Uniform Residential Loan Application FNMA Form 1003 file, must be uploaded to the CHFA LOS portal for Loan submission. Lender is required to submit a complete loan file to Sharefile via the CHFA LOS system. The loan package will be counted as “arrived” and included for review only upon upload/receipt of these updated and completed items.
- c. Documents Specific to the Insurer/Guarantor:
 - i. **PMI Loans:**
 - FNMA Form 1008 (Uniform Underwriting and Transmittal Summary)
(dated/signed by Underwriter)
 - Copy of PMI commitment

- ii. Uninsured:
 - FNMA Form 1008 (Uniform Underwriting and Transmittal Summary)
(dated/signed by Underwriter)
- iii. FHA Loans:
 - HUD Form 92900 LT-Transmittal (FHA Direct Endorsement)
(dated/signed Underwriter)
- iv. VA Loans:
 - VA Form 26-6393 Loan Analysis or Form 26-1866 Commitment
(dated/signed Underwriter)
 - Veterans Statement Re: Due on Sale (CHFA Form 018-0296)
(Original Signatures)
- v. USDA-RD Loans:
 - USDA-RD 3555-18 Conditional Commitment
(dated/signed by Underwriter)
- vi. FNMA Form 1008 (Uniform Underwriting and Transmittal Summary)
(dated/signed by Underwriter)
- d. Automated Underwriting System (AUS) Findings Report (DU, LPA, GUS)
- e. Uniform Residential Loan Application (FNMA Form 1003/FHLMC 65)
(Final/Verified/Signed)
- f. Credit Report (include supporting documentation, if applicable)
- g. Income Analysis Worksheet (CHFA Form 064-0309)
(Including two (2) written income calculations for both limits & qualifying income)
- h. Written Verification of Employment (VOE) as applicable, covering the past two (2) years with start and end dates or as an alternative to obtaining a VOE, the lender may choose to submit income documentation following investor and insurer guidelines.
 - i. A verbal verification of all employers for the past two (2) years. The loan file must include a certification from the lender that the original documents were examined and include the name, title, and telephone of the person from whom employment was verified.
- i. Pay stub(s) – copies of current and consecutive pay stubs covering a thirty (30) day period reflecting YTD income and copies of W-2s covering two (2) most recent years.

- j. Signed Copies of Federal Income Tax Returns for 3 most recent years or IRS Tax Return Transcripts, including all schedules, if applicable (only one [1] year if targeted area census tract).
- k. Asset Verification - Lender is required to document assets in accordance with applicable first mortgage agency and insurer guidelines. A minimum of one (1) asset statement is required covering a thirty (30) day period. Third party asset verification is not acceptable. Consistently scheduled deposits may require further discussion and documentation to ensure funds are not coming from an additional source of income i.e. part-time employment or a home based business initiative. CHFA reserves the right to request additional asset documentation when deemed appropriate.
- l. Gift Letter (if applicable)
- m. Appraisal Report (Legible, including color photos, street views, comparables)
- n. Signed Sales Contract/Purchase Agreement (fully executed – all addendums)

2. CHFA FORMS – Ink or documented electronic signatures are accepted.

- a. CHFA Federal Recapture Tax Form (CHFA Form 051-0597)
- b. IRS Form 4506-C or 8821 – IVES Request for transcript of Tax Return 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 Housing Counseling Certificate from a CHFA/HUD- Approved Counseling Agency is a required CHFA document. A Landlord Education Certificate is required, in addition, for 2-4 unit properties.

3. 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. Housing Counseling Certificate of completion (CHFA-Approved Agency)
 - iii. Landlord Education Certificate (if purchasing 2-4 unit property)
- c. CHFA Downpayment Assistance Program (DAP) Loans
 - i. CHFA DAP Loan Application & Qualification:
For loans requiring down payment assistance - Form DAPappcc;
 - ii. DAP Borrower's Certificate - CHFA Form DAP95-05
 - iii. TILA Loan Estimates (LE) 1st Mortgage and 2nd Mortgage
- 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 (Non-LEAN)

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 ten (10) days prior to the expiration date for consideration.

2. Canceled Reservations

Applicants that elect to reapply for a CHFA mortgage with a different CHFA approved Lender, before the initial canceled reservation expiration date has been reached, will receive the interest rate that was originally locked for them in the canceled reservation.

a. Reservation Period with (61 or more days) remaining

The new reservation will automatically receive the initial interest rate from the canceled reservation date (*date of the initial reservation*) and will expire on the same date as the canceled reservation (*initial canceled reservation expiration date*).

b. Reservation Period with (31 - 60 days) remaining

The new reservation will automatically receive the initial interest rate from the canceled reservation date (*date of the initial reservation*). The new reservation expiration date will be extended for 30 days beyond the initial expiration date.

c. Reservation Period with (30 days or less) remaining

A new reservation may not be submitted for the applicant until the current reservation expires (*current reservation expiration date*). The new reservation, when submitted, will receive the prevailing CHFA interest rate in effect at the time of submission.

d. Canceling Reservation to Edit Data

Canceling a reservation to edit data is not allowed. A new reservation may not be submitted prior to the reservation expiration date. If a reservation has been canceled, contact CHFA to reset and keep the loan in process. Lender may then unlock the reservation and edit the loan data for changes to property address, loan amount, program type etc.

3. CHFA Loan Reservations (LEAN)

Loans submitted under the CHFA Delegated Underwriting (LEAN) program are locked for the combined term of the reservation and commitment period which totals 150 days.

- a. The program allows for a 90 day CHFA reservation period and a 60 day Lender commitment period.
- b. The initial interest rate for LEAN loans is locked for the combined reservation and commitment period of 150 days.
- c. LEAN loans in process may not be canceled and re-submitted during the 150 day lock period.

4. 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 ten (10) 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 Electronic Signatures

- A. “Wet” or ink signatures are required on loan documents executed by borrower(s) applying for first and second mortgage loan financing from CHFA, however, when applicable, CHFA will allow electronic signatures on some documents pursuant to HUD’s guidance.

- B. All documents submitted with electronic signatures must be executed in compliance with the standards set by the Electronic Signatures in Global and National Commerce Act (ESIGN) and the Uniform Electronic Transactions Act (UETA).

1. **“Wet” or Ink Signatures** are required on the following documents:

- a. First Mortgage Note and Deed *(And any applicable Riders)*
- b. CHFA DAP Second Mortgage Note and Deed
- c. Federal Recapture Tax Notice - Method to Compute *(Closing Disclosure)*
- d. CHFA Downpayment Assistance Commitment Letter *(Executed at closing)*
- e. TRID - Closing Disclosure (CD)
- f. Final Uniform Mortgage Loan Application (1003)

2. **Electronic Signatures** are accepted on the following CHFA documents:

- a. Borrower Eligibility Certificate *(CHFA Form 014-1107)*
- b. Downpayment Assistance Program (DAP) Application
(CHFA Form DAPappONLY)
- c. Downpayment Assistance Program (DAP) Borrower’s Certificate
(CHFA Form DAP 95-05)
- d. Federal Recapture Tax Notice – Mortgagor Potential Tax *(Application Disclosure)*
(CHFA Form 051-0597)

5.7 **Delegated Underwriting (LEAN)**

CHFA will delegate underwriting of loans to Lenders meeting the criteria in this section as described in 5.7D. 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 written request for approval to participate in the Delegated Underwriting (LEAN) program. CHFA will evaluate the lenders overall performance to determine eligibility.

Lender acceptance into the Delegated Underwriting Program will include an overall review of the Lenders performance including:

- 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).

CHFA will monitor and evaluate the Lenders activity in this program and reserves the right to suspend or rescind participation based on performance.

B. Eligible Loans

1. Homebuyer Program loans with ratios conforming to (Section 5.1.E) of the CHFA Operating Manual and/or
2. Loans processed through an approved automated underwriting system (i.e. Fannie Mae DU, Freddie Mac LPA,) which receive an Approve/Accept/Eligible recommendation. LEAN loans are Not Eligible for a Manual Underwrite.

C. Ineligible Loans

1. CHFA first mortgage with DAP second mortgage loan.
2. Homeownership Program loans for tenants in public housing or publicly assisted housing.
3. Rehabilitation loans.
4. CHFA first mortgage not serviced by Idaho Housing and Finance Association.
5. Credit scores below 620.
6. Manual Underwrites.

D. Required Exhibits for Delegated Underwriter Commitment Package

Please submit all documentation as indicated on the applicable checklists referenced above in section (5.5 A. 1.), in the descending order provided on applicable checklist.