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Section 9 - HFA Preferred™ Program

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

9.1 Eligible Loan Purpose

Purchase Only

9.2 Principal Residence Requirement; Owner-Occupancy

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

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

9.3 Eligible Property Types

- a. All eligible properties must be located in the State of Connecticut. Eligible properties include:
 - 1– 4 unit dwellings
 - Townhomes
 - Planned unit developments
 - FNMA eligible condominiums and PUDs
- b. Ineligible properties include:
 - Manufactured housing
 - Co-Ops
 - Mixed use properties

9.4 Sales Price Limits

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

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

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

9.5 Closing Costs

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

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

b. Allowable Fees:

- Underwriting - \$395.00
- Processing - \$395.00

9.6 Interest Rate

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

9.7 Loan-to-Value

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

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

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

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

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

- One-Unit: **Single Family residences**
- Approved Condos, and Townhomes
- 2 - 4 Family Units are ineligible
- Manufactured Homes are ineligible

Maximum LTV for each transaction is determined by credit score. Lenders are required to follow the guidelines of the Mortgage Insurer; the maximum LTV/CLTV may not exceed the limits established by FNMA.

9.8 Subordinate Financing

HFA Preferred™ loans may be submitted with subordinate financing from FNMA Approved Community Seconds Programs or CHFA Downpayment Assistance Program (DAP). To determine whether a subordinate mortgage program complies with Fannie Mae's guidelines visit www.efanniemae.com to obtain a copy of the Fannie Mae Community Seconds checklist or see the Fannie Mae Selling Guide.

See Section 8 (Downpayment Assistance Program) of this manual for the eligibility requirements for CHFA DAP second mortgage loan financing.

The maximum LTV/CLTV limit set by FNMA [or as determined by the MI Company insuring the loan] will apply. The maximum LTV may not be increased above the FNMA established limit of 97%.

9.9 Income Limits and Borrower(s) Income

Fannie Mae HFA Preferred™ and Freddie Mac HFA Advantage® loans utilize Housing Finance Authority (HFA) Mortgage Revenue Bond (MRB) established income limits. *CHFA Regular Homebuyer Program Income Limits* will apply. The income limits apply for applications submitted with CHFA Downpayment Assistance Program loans. Income limits are waived for purchases in designated CHFA Targeted areas, if not applying for CHFA DAP financing.

Evaluation of income must be in compliance with Section 5.1.B of this manual.

9.10 Eligible Borrower(s)

To qualify for CHFA financing, an applicant must meet the eligibility criteria set forth in Section 3.1 of this manual. HFA Preferred™ is restricted to eligible first-time homebuyers (waived if purchasing in a targeted area – borrower(s) may not own any other property at the time of loan closing).

Co-signors or guarantors are not permitted.

9.11 Credit Scores

CHFA Homebuyer Mortgage Loan Programs do not have a set minimum credit score requirement; however, Lenders are required to follow the guidelines of the loan Guarantor or Insurer, i.e. FHA, VA, USDA-RD or PMI, as applicable.

- a. Borrowers ***without credit scores only*** are eligible for manual underwrites and non-traditional credit following FNMA underwriting guidelines for file submission. *(All other applicants must meet the minimum credit score requirement described in section b.)*

- b. The minimum credit score requirement for HFA Preferred™ loans delivered to Idaho Housing and Finance Association is 620 with a DU Approve/Eligible. Loans purchased and serviced by Idaho Housing and Finance Association must meet this minimum credit score requirement for delivery.

The designated loan servicer will be reflected on the CHFA Commitment to Purchase Letter sent to the Lender for all approved loans. Lenders will deliver loans to the designated Master Servicer following the procedures described in the CHFA Homebuyer Mortgage Program Operating Manual Section 7 – Loan Purchase.

9.12 Underwriting Ratio

Qualifying ratios for HFA Preferred™ loans must be in compliance with the insurer and/or investor guidelines and may not exceed the maximum monthly housing expense-to-income ratio of 50% and the total monthly debt-to-income ratio of 50%. Loans with ratios exceeding 50% are not eligible for delivery to Idaho Housing and Finance Association.

- a. All loans must be entered into Desktop Underwriter (DU) and a recommendation of Approve/Eligible is required.
- b. Manual underwrites are not permitted except for loans without credit scores that are eligible following FNMA underwriting guidelines.
- c. Loans with CHFA DAP must meet CHFA DAP ratio guidelines of 35% / 43%.

9.13 Borrower Contribution

HFA Preferred™ loans will be insured by Private Mortgage Insurance (PMI). Lenders are authorized to select the PMI provider from the list of CHFA approved Mortgage Insurance Companies. The minimum borrower contribution must comply with the underwriting requirements of the selected Mortgage Insurance provider.

Fannie Mae Minimum Borrower Contribution requirements are:

- One- unit and Condominium: \$0
- 2 - 4 units: 3% from borrowers own funds. (Maximum LTV = 95%)

Borrower/s that purchase a 2-4 unit property that make the minimum contribution of 3% from their own funds, will be eligible to apply for CHFA DAP for the remaining 2% of the down payment to meet the maximum LTV requirement of 95% and closing costs (if needed); Applicants must meet all CHFA DAP eligibility and underwriting criteria for DAP approval.

9.14 Mortgage Insurance

Mortgage Insurance Companies approved by CHFA to provide MI coverage on HFA Preferred™ loans include:

- Arch Mortgage Ins. Co. (CMG)
- Essent Guaranty Inc. (Essent)
- Genworth Mortgage Ins. Corp. (Genworth)
- Mortgage Guaranty Insurance Corporation (MGIC)
- National Mortgage Ins. Corp. (NMI)
- Radian Guaranty Inc. (Radian)
- United Guaranty Residential Ins. Co. (UGI)

Mortgage Insurance Coverage Requirements are as follows:

<u>Loan-to-Value Ratio</u>	<u>PMI Coverage Required</u>
95.01% - 97.00%	18.00%
90.01% - 95.00%	16.00%
85.01% - 90.00%	12.00%
80.01% - 85.00%	6.00%

9.15 Reserves

Fannie Mae requirements for reserves under the HFA Preferred™ product will be based on the DU Findings; additionally, Mortgage Insurer and/or DAP or Community Second Programs guidelines will apply if applicable.

9.16 Interested Party Contributions

Seller contributions may be applied towards borrower closing costs only.

- 3% maximum contribution for CLTV greater than 90%
- 6% maximum contribution for CLTV less than or equal to 90%

9.17 Homebuyer Education

Homebuyer Education is required. One borrower or co-borrower is required to complete Homebuyer Education (HBE). A copy of the Certificate of Completion must be included in all files submitted to CHFA for review and to Idaho Housing and Finance Association for purchase. If purchasing a 2-4 family unit, a Landlord Counseling Certificate is also required.

Visit our website at www.chfa.org to view the schedule of classes being offered by CHFA / HUD Approved Housing Counseling Agencies.