

Question: Is there an operating manual for servicing the DAP loans? What are CHFA's servicing standards for DAP loans?

Answer: CHFA's Operating Manual doesn't specifically address servicing Downpayment Assistance Mortgages ("DAPs"). There are two primary differences between servicing DAP loans versus first mortgages: the absence of escrow accounts with DAP loans and handling delinquent loans. CHFA doesn't require servicers to collect and maintain escrow accounts with DAP loans, and CHFA generally does not pursue a foreclosure action on a delinquent DAP loan unless, in an unusual situation, the first mortgage has been paid in full, and the DAP loan is effectively in first lien position. Delinquency procedures are mainly limited to sending written correspondence and phone calls in the effort to bring the loan current. Corporate and escrow advances are not necessary unless the DAP loan is known to be in first position. CHFA will inform the servicer periodically of DAP loans that have been charged off. Once a loan is charged-off the servicer will no longer report on that loan in its monthly investor reporting. However, the servicer should continue to maintain that loan on its loan servicing system in the event a payment is received on the loan and CHFA approves the loan's reinstatement. All other servicing responsibilities are more or less the same as servicing a first mortgage including monthly billing, collecting and applying monthly principal and interest payments, providing payoff quotes, recording the release of mortgages on paid-off DAP loans (servicers may charge the borrower the cost of recording).

For Time-To-Own ("TTOs") mortgages, servicing responsibilities are limited to reducing the principal by 10% of the outstanding balance every one-year anniversary of the loan's closing date. Servicers will also provide payoff quotes as requested by the borrower and apply payoff amounts received. TTOs are interest free, so payments only consist of principal. Servicers will also record the release of mortgages on paid-off TTO loans (servicers may charge the borrower the cost of recording). From time to time, CHFA may request that the servicer not apply the annual loan reduction on loans deemed to be in default of the TTO loan agreement.

From time to time servicers may also be asked to produce an affidavit of debt or other necessary documents for bankruptcy claims, foreclosures or supplemental judgments.
