SECTION 3 - ELIGIBILITY

3.1 Eligible Borrowers
3.2 Eligible Dwellings

Section 3 – Eligibility

3.1 Eligible Borrowers

To qualify for CHFA financing, an applicant must meet the eligibility criteria set forth in this section.

A. General

An applicant shall be an Eligible Borrower for a CHFA Mortgage Loan if the applicant meets the following criteria:

1. At the time of application and at the time of mortgage closing, has an annual aggregate income that is at or below the applicable income limit in effect at the time the application was taken or is purchasing an Eligible Dwelling in a Targeted Area (Section *2.3B*);

2. Agrees to occupy and use the residential property to be purchased for a permanent, principal residence within 60 days after the date of the closing of the Mortgage Loan (See exceptions applicable to 203(k) Rehabilitation Mortgages – Section 4). Applicant must also agree to occupy the property as their primary residence for the term of the CHFA mortgage loan. (Section 3.1D);

3. If the applicant currently owns his or her own home now, or has owned a home within the past three years, he or she may still be eligible for a CHFA mortgage loan if he or she is buying a home in a Targeted Area or is participating in a CHFA approved special loan program that is designated specifically for first-time homebuyers *and* existing homeowners.

4. Will not use the proceeds of the Mortgage Loan to acquire or replace an existing mortgage or debt, except in the case of certain types of temporary financing (Section *3.1E*). Rehabilitation Mortgage 203(k) Limited Program (Section *4*);

5. Possesses and demonstrates the legal capacity to incur the obligations of the CHFA Mortgage Loan;

6. Possesses and demonstrates the ability to repay the CHFA Mortgage Loan (Section *5*);

7. Has contracted to purchase an Eligible Dwelling (Section 3.2) or will undertake Rehabilitation Mortgages on his or her dwelling or on a dwelling he or she has contracted to purchase (Section 4) and

8. Has executed a Borrower Certificate at the time of the Loan application.

9. Has at the time of application, a social security card as evidence of permanent residency in the United States. Consular Identification Cards (CID) or Individual Taxpayer Identification Numbers (ITIN) are not acceptable replacement documentation for U.S. Government issued social security numbers. The applicant does not need to be a citizen of the United States.

10. The applicant must purchase a home in the State of Connecticut.

B. Income

An Eligible Borrower and/or co-borrower shall not have aggregate income in excess of the applicable income limit established by CHFA (contained in Appendix B) and in force at the time of application for the Mortgage Loan unless the Borrower is purchasing in a Targeted Area as described in (Section *2.3B*).

Aggregate borrower income shall include income from whatever source derived, including without limitation:

- Regular earnings
- Part-time earnings
- Unemployment compensation
- Bonuses
- Overtime income, whether or not guaranteed by an employer
- Dividends
- Interest (except on funds being used for down payment and closing costs)
- Commissions
- Military allowances
- Welfare payments
- Disability payments
- Pension, annuity, retirement, and social security benefits
- Reimbursement for services in military reserve or National Guard.

The Authority may at its option exclude overtime income where it deems such income to be of short duration and of a temporary nature.

Aggregate income shall be based solely on the income of the mortgagor or mortgagors (borrower and co-borrowers) only.

1. Calculating Rental Income for 2-4 Unit Dwelling

The rental income from units in a two to four unit dwelling that will be added to the borrower's income to qualify for repayment of the mortgage loan debt will be based on the percentage of the anticipated fair market income consistent with the loan program, i.e. follow the guidelines of the loan insurer, FHA, VA, USDA-RD, PMI or CHFA special program, when applicable.

C. Three-Year Requirement

An Eligible Borrower does not include any borrower who, at any time during the three years preceding the date of application for the Mortgage Loan, had a **"present ownership interest"** (as hereinafter defined) in his principal residence. This requirement does not apply to Mortgage Loans for Eligible Dwellings located in Targeted Areas. If applicable, the Borrower must certify on the Borrower Certificate that at no time during the three years preceding the closing of the Mortgage Loan has he had a present ownership interest in a principal residence.

Eligible borrowers that have a "present ownership interest" in a principal residence located in any part of the United States, its Commonwealths or Territories are subject to these requirements and residential properties outside of the United States.

1. Definition of Present Ownership Interest

a. "Present ownership interest" includes:

i. A fee simple interest
ii. A joint tenancy, a tenancy in common, or a tenancy by the entirety;
iii. The interest of a tenant shareholder in a cooperative;
iv. A life estate;
v. A land contract, under which possession and the benefits and burdens of ownership are transferred although legal title is not transferred until some later time;
vi. An interest held in trust for the Eligible Borrower(s) (whether or not created by the Eligible Borrower(s)) that would constitute a present ownership interest if held directly by the Eligible Borrower(s); and
vii. Occupancy of a property for which an interest in real estate was created by the existence of an inheritance, probated or not, whether title is vested or not.

b. Interests which **do not** constitute a "present ownership interest" include:

i. A remainder interest,
ii. An ordinary lease with or without an option to purchase,
iii. A mere expectancy to inherit an interest in a principal residence,
iv. The interest that a purchaser of a residence acquires on the execution of an accepted offer to purchase real estate, and
v. An interest in other than a principal residence during the previous (3) years.
vi. An interest in a mobile home that is not permanently fixed to land and which mobile home is not considered real property for local tax purposes.
vii. Ownership interest in a vacation timeshare with limited occupancy on an annual basis.
viii. Land only.

2. **Disposal of Other Residential Property**

   a. In cases where a borrower, such as in a Targeted Area, is in the process of selling such residential property or has sold it during the six months prior to the date of application for the Loan, the Borrower shall apply the equity proceeds from the sale of the property (if any) as a downpayment on the Eligible Dwelling. The borrower may deduct payoff of the present mortgage, real estate commissions and reasonable closing costs on the home being sold in determining equity proceeds.

   b. Any real estate that is owned by the borrower and used by the borrower as a residence shall be disposed of or under bona fide contract for sale before the closing on the CHFA Loan.

   c. A borrower may not have an ownership interest in any other primary residential property that has been owner occupied in the past 3 years at the time of the mortgage loan closing.

3. **Persons Covered**

   This requirement applies to any person who will execute the mortgage or note and will have a present ownership interest (as defined in Section 3.C.1) in the Eligible Dwelling.

4. **Prior Tax Returns**

   To verify that the Eligible Borrower meets the three year requirement, the Participating Lender must obtain copies of signed Federal Income Tax Returns filed by the Eligible Borrower for the three years preceding the closing of the mortgage. Certified copies of the IRS Returns or Transcripts from the IRS are also acceptable. If the Eligible Borrower was not required by law to file a Federal Income Tax Return for any of these three years and did not file and so states on the Borrower Certificate, the requirement to obtain a copy of the Federal Income Tax Return for such year is waived, however; the Eligible Borrower must request a "Verification of Non-Filing Letter" from the IRS that will provide proof that the IRS has no record of a filed 1040, 1040A, or 1040EZ, or any other applicable return or schedule, for the year(s) requested. In such cases the borrower must also provide a written statement of explanation regarding non-filing of return.

   a. All Eligible Borrower(s) and Co-Borrower(s) applicant(s) who will sign the CHFA Mortgage Note and Deed at closing are subject to the Federal Income Tax Return requirements.

b. In addition, the Participating Lender must obtain an executed Request for Copy or Transcript of Tax Form (IRS Form 4506) or a Tax Information Authorization IRS Form 8821) for the prior three years. The Participating Lender shall examine the Federal Income Tax Returns particularly for any evidence that the Eligible Borrower may have claimed deductions for property taxes or for interest on indebtedness with respect to real property constituting his principal residence or on ineligible temporary financing.

c. In cases where the three year requirement regarding prior homeownership is not applicable, such as loans in Targeted Areas, only the Federal Income Tax Return and the Request for and Consent to Disclosure of Federal Income Tax Returns for the most recent year is required. In such cases, one year may be substituted for any references in this Manual to three years; and the Participating Lender may manually modify any references in CHFA forms to three years to one year as applicable.

d. Eligible borrowers that have a "present ownership interest" in a principal residence located in any part of the United States, its Commonwealths or Territories are subject to these requirements and residential properties outside of the United States.

5. <u>Lender's Responsibility to Verify Documentation</u>

Participating Lender must, with due diligence, verify the information in the Borrower Certificate regarding the applicant's prior residency and verify such other information including Federal Income Tax Returns furnished by the Eligible Borrower for the preceding three years, and certify to CHFA that on the basis of its investigation, such information is to the best of its knowledge and belief, true and accurate and evidences compliance with the requirements of this section. Such certification shall be made on the Participating Lender Certification.

D. <u>Principal Residence Requirement; Owner-Occupancy</u>

1. <u>General</u>

An Eligible Borrower shall covenant to occupy the Eligible Dwelling as a principal residence within 60 days after the closing of the Mortgage Loan. Unless the residence can reasonably be expected to become the principal residence of the Eligible Borrower within 60 days of the Loan closing date, the residence will not be considered an Eligible Dwelling and may not be financed with a CHFA Mortgage Loan. An Eligible Borrower must covenant to occupy the Eligible Dwelling as a principal residence within 60 days after the Loan closing on the Borrower Certificate and as part of the CHFA Uniform Mortgage Rider. See exceptions related to Rehabilitation Mortgages - 203(k) Standard and 203(k) Limited Mortgage Programs (Section *4*).

2. **Definition of Principal Residence**

A principal residence does not include any residence which can reasonably be expected to be used: (a) in a trade or business, except for a two to four family residence, in which case the Eligible Borrower shall be permitted to rent or lease the non-owner-occupied unit(s), (b) as an investment property, or (c) as a recreational or second home. Not more than fifteen percent (15%) of the total living area of a residence may be used in a trade or business which would permit any portion of the costs of the Eligible Dwelling to be deducted as an expense for Federal Income Tax purposes (except in the case of a two to four family residence, in which case the Eligible Borrower shall be permitted to deduct for Federal Income Tax purposes the costs associated with the non-owner-occupied units).

3. **Land Not to be Used to Produce Income**

The land financed by the Mortgage Loan may not provide, other than incidentally, a source of income to the Eligible Borrower. The Eligible Borrower must indicate on the Borrower Certificate that, among other things:

a. No portion of the land financed by the Mortgage Loan provides a source of income (other than incidental income);

b. The borrower does not intend to farm any portion of the land financed by the Mortgage Loan; and

c. The borrower does not intend to subdivide the property nor to apply for a zoning variance regarding minimum lot size or set-back requirements.

4. **Post-Closing Inspection of Eligibility**

Within 60 days after the closing of the Mortgage Loan, the Participating Lender is required to inspect the Eligible Dwelling for compliance with the principal residence requirements of:

a. No trade or business;

b. Owner-Occupancy use as permanent principal residence; and

c. No prohibited use of the land

Based upon such investigation, the Participating Lender shall either:

i. Certify to CHFA that based upon its subsequent investigation, it has no reasonable grounds for believing that the borrower did not meet the requirements of (Section *3.1D*). Such certification shall be made on the Participating Lender Certification; or

ii. Promptly notify CHFA in the event it determines that these requirements have not been complied with and take such action with respect to the Mortgage Loan as CHFA shall thereafter request, which may include requiring the Participating Lender to repurchase the Mortgage Loan pursuant to (Section *7.2C)* of this manual.

E. <u>Mortgage Requirement</u>

Mortgage Loans may be made only to persons who did not have a mortgage (whether or not paid off) on the Eligible Dwelling at any time prior to the execution of the Mortgage. A Mortgage Loan may not be made to finance the purchase of a remaining interest in a home in which a partial interest is already owned or will be acquired through inheritance or gift. Mortgage Loan proceeds may not be used to acquire or replace an existing mortgage or debt for which the Eligible Borrower is liable or which was incurred on behalf of the Eligible Borrower, or provide financing for a property which is debt free, except for:

- A construction loan; or
- Temporary financing which has a term of twenty-four months or less; or
- A mortgage on unimproved land on which a dwelling is to be constructed, as long as the mortgage is satisfied prior to the date of the Loan closing and the amount of the Loan does not exceed the cost of construction; or
- A Rehabilitation Mortgage 203(k) Limited Program (Section 4).

1. <u>Definition of Mortgage</u>

For purposes of applying the mortgage requirements, a mortgage includes a deed of trust, a conditional sales contract, a pledge, an agreement to hold title in escrow, a lease with an option to purchase which is treated as an installment sale for Federal income tax purposes and any other form of owner financing. A conditional land sale contract shall be considered as an existing loan or mortgage for purposes of this requirement.

2. <u>Temporary Financing</u>

In the case of a Mortgage Loan made to refinance a loan for the construction of an Eligible Dwelling, the Participating Lender must certify to CHFA that such construction has been satisfactorily completed prior to submission of such Mortgage Loan for purchase by CHFA. Such certification shall be made on the Participating Lender Certification.

3. Review by Participating Lender

a. Prior to closing the Mortgage Loan, the Participating Lender must examine the Borrower Certificate and related submissions, including (i) the Eligible Borrower's Federal Income Tax Returns and (ii) current credit report, in order to determine whether the Eligible Borrower has met the mortgage requirements or whether such examination discloses any existing mortgage or debt which the proceeds of the CHFA Loan may be used to repay or refinance. Upon such review, the Participating Lender shall certify to CHFA that the Lender has no reasonable grounds for believing that the Mortgage Loan proceeds will be used to repay or refinance an existing mortgage debt. Such certification shall be made on the Participating Lender Certification.

b. Subsequent to the closing of the Mortgage Loan, should the Participating Lender find that the Eligible Borrower is repaying or refinancing an existing mortgage or debt with the proceeds of the Mortgage Loan, other than temporary initial financing having a term of twenty-four months or less, the Participating Lender shall promptly notify CHFA and take such action with respect to the Mortgage Loan as CHFA shall thereafter request. CHFA may require the Participating Lender to repurchase the Mortgage Loan pursuant to (Section 7.2.C) of this Manual.

F. Determination by Participating Lender

The qualification of an Eligible Borrower shall be determined by the Participating Lender subject to review by CHFA. For each application, the Participating Lender must review the application form and related submissions to determine their consistency, completeness, and compliance with the terms of this Manual. Lender is required to verify the information provided to them, either independently or concurrently with credit reviews, when applicable.

G. Multiple Loans

An Eligible Borrower may not have more than one outstanding CHFA Mortgage Loan including a CHFA Loan that has been assumed by another person.

3.2 Eligible Dwellings

A. General

In order to qualify as an Eligible Dwelling for which a Loan may be made, the premises must:

1. Be located in the State of Connecticut;

2. Be structurally sound and functionally adequate and meets all applicable zoning requirements, housing codes and similar requirements;

3. Have a permanent certificate of occupancy if newly-constructed or substantially rehabilitated or when a certificate of occupancy is not obtainable in the case of substantial rehabilitation, have such other documentation as CHFA may require;

4. Meet all appropriate requirements listed in (Section 3.2.B).

B. Types of Dwellings

An Eligible Dwelling may be a one to four family residence (including all fixtures and land on which it is situated) or a unit of an approved/eligible condominium or planned unit development. In the case of a two to four family residence, at least one of the units must be Owner-Occupied and the building must have been used as a residence for at least five years preceding the application for the Loan. A newly-constructed two family home located in a Targeted Area may also be eligible.

C. Principal Residence Requirement; Owner-Occupancy

1. In order to be considered an Eligible Dwelling, the residence must become the permanent principal residence of the Eligible Borrower within 60 days after the closing date of the Mortgage Loan. The requirement of this section will not be satisfied where the residence (which shall include any land financed by a Loan) can reasonably be expected to be used in a trade or business (except for certain two-to-four family residences), as investment property, or as a recreational second home.

2. The Participating Lender shall be responsible for determining whether the dwelling is in a condition which will satisfy the principal residence requirement, subject to review by CHFA. In making this determination the Participating Lender may not rely solely upon statements made by the Loan applicant in the Borrower Certificate, but must verify compliance with this requirement by conducting an on-site inspection of the dwelling (the appraisal) and through other reasonable efforts. On the basis of such independent investigation, taking into account the location, structural and other characteristics of the dwelling, the Participating Lender shall certify to CHFA, that based upon reasonable belief and independent investigation, the dwelling is expected to be suitable for occupancy as a principal residence by the Loan applicant within 60 days after the closing of the Mortgage Loan and is not expected to be used in a trade or business, as an investment property or as a recreational or second home.

D. Principal Residence Requirements Pertaining to Land

1. Lot Size

The land on which the eligible dwelling is situated cannot exceed basic livability, other than incidentally, cannot be subdivided, and cannot be a source of income to the borrower.

2. Non-production of Income

a. Only land which does not provide a source of income to the Eligible Borrower (other than incidental income) may be financed by a Mortgage loan.

b. The Participating Lender is required to conduct an on-site inspection of the property (the appraisal) and to certify to CHFA that on the grounds of that inspection and other reasonable grounds, the Lender expects that the property will not be used to produce income to the Eligible Borrower, other than incidental income.

3. Leasehold Interests

The following requirements shall apply where a Loan is secured by a mortgage on a leasehold interest:

a. The notice of lease must be recorded on the land records of the town in which the property is located;

b. The term of the lease must be equal to the number of years remaining until the maturity date of the loan and in no instances may the lease expire before the maturity date of the loan is reached.

Example: If the amortization term of the mortgage loan is for 30 years (360 months) beginning on July 30, 2010 ending on July 30, 2040, the term of the lease must be for at least 30 years (360 months) concurrent with the mortgage loan and may not expire prior to July 30, 2040.

c. The lease shall be in full force and effect and subject to no change or penalty or prior lien or encumbrance by which it can be terminated; and

d. The lease must be on a form acceptable to CHFA; it shall provide that the lessee may mortgage the leasehold estate, and it must not contain conditions under which the leasehold may be terminated for lessee's default without the mortgagee having the right to receive from the lessor written notice of, and reasonable opportunity to cure, such default.

E. Sales Price Requirements

1. The Acquisition Cost of an Eligible Dwelling may not exceed the sales price limits established by CHFA and in effect at the time of the application. Appraised value as well as actual selling price will be reviewed by CHFA on all Loan submissions. Any indirect or non-pecuniary consideration will be given effect in determining the market value. CHFA may at its option reject an application for a Mortgage Loan where the appraised value exceeds the applicable CHFA Sales Price Limit by more than five (5) percent.

2. Arm's-Length Transaction

In those cases that are not arm's length transactions the appraised value may not exceed the applicable sales price limit.

3. Definition of Acquisition Cost

Acquisition Cost means the cost of acquiring the Eligible Dwelling from the Seller as a completed residence. In determining Acquisition Cost:

a. Acquisition Cost includes:

i. All amounts paid, either in cash or in kind, by the Eligible Borrower (or a related party for the benefit of the Eligible Borrower) to the Seller (or a related party or for the benefit of the Seller) as consideration for the Eligible Dwelling. Such amounts include amounts paid for items constituting fixtures under State law, but not for items of personal property not constituting fixtures under State law.

ii. The reasonable costs of completing the residence, whether or not the cost of completing construction is to be financed with the Mortgage Loan, if the Eligible Dwelling is incomplete. As an example of reasonable completion cost, costs of completing the Eligible Dwelling so as to permit occupancy under local law would be included in the Acquisitions Costs.

iii. The capitalized value of the ground rent calculated using a discount rate equal to the yield on the CHFA bonds from which the Mortgage Loan was made, where the Eligible Dwelling is subject to a ground rent. CHFA will supply bond yield information to Participating Lenders on request for the purpose of calculating capitalized ground rent.

iv. The cost of land which has been owned by the Eligible Borrower prior to the construction of the structure comprising the Eligible Dwelling.

b. Acquisition Cost does not include:

i. Usual and reasonable settlement or financing costs. Such settlement costs include title and transfer costs, title insurance, survey fees and other similar costs. Such excluded financing costs include:

- credit reference fees
- legal fees
- appraisal expenses
- points which are paid by the Eligible Borrower (not by the seller), or other costs of financing the residence.

Such amounts must not exceed the usual and reasonable costs which otherwise would be paid. Where the buyer pays more than a pro rata share of property taxes, for example, the excess is to be treated as part of Acquisition Cost.

ii. The imputed value of services performed by the Eligible Borrower or members of his family (brothers and sisters, spouse, ancestors and lineal descendants) in constructing or completing the residence.

c. The following examples illustrate determination of Acquisition Costs:

Example (1)

A contracts with B, a builder of single family residences, for the purchase of a residence. Under the terms of the contract, B will deliver a residential unit to A that contains an uncompleted recreation room and an unfinished third floor and lacks a garage.

Normally, a completed recreation room, a finished third floor and a garage are provided as part of the residence by B.

The contract price for the residence is $158,000. At the same time, A contracts with C, an affiliate of B, to complete the recreation room, the third floor and to construct the garage for a contract price of $25,000.

C will perform this work after A receives title to the unit from B. The Acquisition Cost of A’s completed residential unit is $183,000 which represents the contract price plus the cost of completion of the recreation room, third floor and construction of the garage.

Acquisition Cost Example (1)
$ 158,000.00 – contract price (excludes completion of 3rd fl, recreation room or garage)
$ 25,000.00 – cost of completion of 3rd fl, recreation room and garage
$183,000.00 – Acquisition Cost

Example (2)

E owns a single family residence which has been listed for sale. D contracts to purchase E's residence, and the contract provides for a selling price of $100,000. D also agrees to pay an unsecured debt in the amount of $15,000, which E owes to X, a local bank. D further agrees to purchase from E the refrigerator, stove, and dryer located in E's residence for $2,500, an amount equal to the fair market value of such items. D also agrees to purchase the light fixtures, curtain rods, and wall-to-wall carpeting for a fair market value price of $1,000. The acquisition cost of D's completed residential unit is $116,000. Such amount includes the $15,000 unsecured debt paid off by D.

The $2,500 paid for the refrigerator, stove, washer, and dryer are not included because such items are not included within the definition of an Eligible Dwelling under the Program. Such definition does include the light fixtures, curtain rods, and wall-to-wall carpeting purchased by D.

Acquisition Cost Example (2)
$100,000.00 – contract sales price for the property
$ 15,000.00 – borrower unsecured debt to the bank paid by seller
$ 1,000.00 – light fixtures, curtain rods, and wall-to-wall carpeting –allowable costs
$116,000.00 – Acquisition Cost

(*Note: refrigerator, stove, washer and dryer are not allowable cost for this transaction)*

Example (3)

F contracts with G to purchase G's home for $100,000. After purchasing the residence, F pays $3,000 to a party unrelated to G for painting, minor repairs, and refinishing the floors. The Acquisition Cost of the residence is $100,000.

Such fix-up expenses are not treated as part of the Acquisition Cost. If G had incurred such fix-up expenses by the amounts expended by F however, F may not reduce his Acquisition Cost of the residence by such amounts.

Acquisition Cost Example (3)
$100,000.00 – contract sales price for the property
$ 00.00 – additional allowable cost for fix-up
$100,000.00 – Acquisition Cost

(*Note: $3,000 costs to borrower to fix up property are not eligible cost for this transaction)*

4. Appraisals

A complete property appraisal report is required to be submitted by the Participating Lender with each Loan submission except in the case of a loan eligible for the Compliance Limited Documentation Program which requires submission of only the first four (4) pages. Appraisals are required for all Loan submissions for purchases of units in eligible condominium projects for verification of current investor ratio concentration. All appraisals for Mortgage Loans must be made by appraisers who are licensed or certified by the State of Connecticut, acceptable to CHFA and as per FNMA Guidelines. Participating Lenders must adhere to the Appraiser Independence Requirements as outlined in the FNMA Selling Guide.

a. Forms - The report must be prepared on a current FNMA/FHLMC appraisal form or on the appropriate FHA form which meets the minimum HUD requirements, including any additional attachments or addenda necessary to provide an adequately supported opinion of market value.

b. Appraised Value - Appraisals should report the highest price which the property will bring contemplating;

    (i) The consummation of a sale and the transfer of title from a seller to buyer who are participating in a bona-fide, arm's-length transaction and are motivated by no more than the goals of typical participants;

    (ii) Both parties are well informed or well advised and act prudently, each for what he considers his own best interest;

    (iii) Reasonable exposure is given to the property in the open market;

    (vi) Payment is made in cash or on terms reasonably equivalent to cash, assuming typical financing terms are available in the community for similar property.

c. Repairs - CHFA requires all mortgaged properties to be in good repair. Appraisal reports shall indicate whether a building code inspection is necessary. If the appraisal report indicates that repairs are needed, a recertification by the appraiser must be obtained prior to the closing of the Loan. The certification must provide the Eligible Borrower's name and the property address and must state that the property has been inspected and the indicated repairs have been completed except in the case in which an escrow has been established for such repairs. (See 203(k) Standard or 203(k) Limited Programs – Section 4).

d. Exterior Photographs – Clear, descriptive photographs showing the front, back, and a street scene of the subject property and the front of each comparable. The subject and all comparables must be appropriately identified.

e. Interior Photographs – At a minimum, the appraisal report must include photographs of the following:

- The kitchen
- All bathrooms
- Main living area
- Examples of physical deterioration, if present; and
- Examples of recent updates, such as restoration, remodeling, and renovation, if present.

(*FNMA Selling Guide B4-1.2-01*)

f. The validity period for all appraisals on existing and proposed and under construction properties will be 4 months. Appraisals may not be more than 4 months old from the loan closing date to the date the loan is sold to FNMA (See FNMA announcement 09-19)

g. UCDP – Must obtain and provide a "successful" SSR report for loans delivered to FNMA (uninsured- HFA Preferred Programs). *(FNMA Selling Guide B4-1.1-06)*

5. Review by Participating Lender

The Participating Lender shall determine that the Acquisition Cost of the Eligible Dwelling does not exceed the applicable Sales Price Limit in accordance with (Section *3.2.E*). The participating Lender shall certify to CHFA that the Sales Price requirement is met. Such certification shall be made on the Participating Lender Certification.

6. Independent Appraisal

CHFA reserves the right to obtain an independent appraisal in order to establish fair market value and to determine whether a dwelling is eligible for the Mortgage Loan requested.

7. Surveys

A survey is not required if not required by FHA, VA, USDA-RD, FNMA or PMI, and is not indicated by a prudent practice and custom in the geographical area in which the property is located. However, CHFA reserves the right to require a survey.

F. Condominium and Planned Unit Developments

An individual condominium unit or unit of an approved planned unit development is included within the definition of an Eligible Dwelling provided the requirements set forth in this section and elsewhere in this Manual are met.

1. Condominiums

a. CHFA loans are available to finance the acquisition of any unit in the following classes of condominium units:

i. Any unit not part of a conversion condominium, or

ii. Any unit in a conversion condominium, except that for a period of one year subsequent to the filing of the declaration of the condominium, CHFA may provide mortgage loan financing only to an applicant who is a tenant that has rented a unit at the property.

b. Prior Approval of Condominium - Mortgage Loan submissions for individual units in condominium projects are required to be approved by FHA and placed on their approved condominium list. Loans under the HFA Preferred Program must meet FNMA condominium eligibility requirements.

i. CHFA Mortgage Loan applications submitted for Commitment must include a copy of the FHA connection condominium approval.

ii. The Lender must certify the condominium unit meets all Fannie Mae (FNMA) condominium eligibility criteria and is eligible for CHFA first mortgage loan financing.

iii. Lender must provide Fannie Mae (FNMA) Condominium Eligibility Certification (CHFA form 013-490) **or** FNMA Condominium Project Manager and include the document in the loan package submitted to CHFA for review.

c. Deed Restricted Condominium Projects– Affordable Housing Condominium Projects that are deed restricted for purchase to First-time homebuyers or that have low - to - moderate income eligibility or low-to-moderate income resale restrictions and are not eligible for FHA or FNMA approval may be submitted to CHFA for review. A Request for approval by CHFA shall be in writing and shall include the following:

i. The current public offering statement of the declarant;

ii. The declaration of condominium, including the by-laws of the unit owners' association, survey, floor plans and all exhibits and schedules;

iii. Statistics on the number of units conveyed and the number of unconveyed units that are vacant;

iv. The current fiscal year operating budget;

v. Documentation of the Association reserves process, status of reserves accounts which must show a minimum of two months cushion for monthly operating expenses;

vi. CHFA mortgage loan financing for individual units in Affordable Deed Restricted Projects that are ineligible for FHA, VA, USDA-RD or PMI insurance coverage may also require a minimum 20% down-payment investment from an acceptable source which can include CHFA approved non-profit, municipal, or Federal programs, or a combination that includes an investment of the borrower's own funds;

vii. Certificate of Insurance (current) including declaration page;

viii. Condo Eligibility Certification (CHFA Form #013-490);

ix. Photo of one condo unit;

x. Owner occupancy ratio;

xi. Total number of units in complex.

d. Maximum Units Financed

CHFA will not issue Commitments which would cause CHFA to hold Mortgage Loans on more than fifty percent (50%) of the units in any one project; whether existing or new construction, fifty percent (50%) of the units in the project must be sold or under bona fide contracts of sale prior to CHFA's purchase of any condominium Loan.

e. Underwriting Considerations

Underwriting must include the unit owners' association charges (excluding heat) as fixed monthly costs when making underwriting calculations under (Section *5.1.D*).

f. Necessary Papers and Documents

i. The CHFA Uniform Mortgage Rider together with a condominium rider, on the appropriate form for a VA, FHA or PMI insured or guaranteed Loan must be executed and recorded with the mortgage deed.

ii. The following documents, as applicable, must be submitted at each closing:

a) Duly executed corporate consent authorizing sale of the unit, if the grantor is a corporation; and

b) Certificate of payment of assessments for the individual condominium unit.

2. Planned Unit Developments

CHFA considers a PUD or planned community, other than one consisting of detached single family houses, on the same basis as a condominium.

G. Energy Efficiency Requirements for Newly-Constructed Houses

The sales contract (or specifications) for houses on which construction commences after November 1, 1982 must provide for insulation of at least R30 in the ceiling and R11 in the walls (R38 in the ceiling and R19 in the walls and floors in the case of electric heat) and for double-glazed windows with wood or other thermal break (or storm windows in lieu thereof). If necessary, an amendment to the sales contract to provide these will be required.

H. Determination by Participating Lender

The eligibility of a dwelling for CHFA financing shall be determined by the Participating Lender subject to review by CHFA. For each application, the Participating Lender must review the application form and related submissions to determine their consistency, completeness and compliance with the requirements of this Manual. Lender is required to verify the information provided to them, either independently or concurrently with the application.